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Parley On The Parallel

THE crumb of comfort proffered a fortnight ago in a broadcast by Mr Malik has become a tough but recognisable crust. Diplomacy by radio has continued between General Ridgway, United Nations Supreme Commander, and the North Korean and Chinese Commanders-in-Chief. If all goes well, the emissaries of both sides meet on Sunday to discuss preliminaries to a cease-fire and armistice. So far General Ridgway can claim credit for three clear proofs of a desire to negotiate from strength: his were the first invitations to talk, the imaginative suggestion that the venue should be a hospital ship, and the acceptance of the Communists' preference for Kaesong and some days' delay. From the other side have come through the Chinese press signs of a determination not to lose face and a shrewd sense of the military advantages of a truce, all of which justifies fully the utmost caution and restraint. Indeed, fighting has been lately more bitter than for a long time, with the United Nations losing men at the rate of 400 a day. All the more reason then to remember that the whole initiative for a truce may turn out to be nothing but a manoeuvre for propaganda or military advantage. To guard against the first, there must be no discussions at Kaesong about anything but the means of establishing and keeping a truce on the battlefield. To guard against the second, the UN forces must beware of accepting, as a truce line, positions that are strategically untenable.

While people hope and pray that reason and humanity will prevail in this parley, it behoves those who address the public to keep pens and tongues in leash. Last Tuesday an ambiguous sentence in a speech by Mr Stokes, Lord Privy Seal and Minister of Materials, was served up as a political scandal, the *pièce de résistance* of breakfast reading for many millions of readers on both sides of the Atlantic. Mr Stokes was not in fact advocating a relaxation of effort—in fact, quite the contrary—but he was made to appear to be doing so. At a moment of anxious uncertainty about what events in Korea really portend, such journalistic irresponsibility was disgraceful. It has provided material in the United States for some unfair and damaging aspersions on the sincerity of the British Government's rearmament policy. British Ministers have a right to expect at such a moment that the London press will not fabricate missiles for Britain's enemies and critics abroad, and that Americans will not pounce on such shabby little shreds of evidence as it provides.

The British, even at the risk of misunderstanding, have always insisted that Korea was only one—and not the most important—sector in the cold war. For that very reason, they will be the less ready to relax if the Korean war is over. A slackening of effort and resolution and of the willingness to submit to economic restraints in the cause of human freedom is, in fact, very much less likely in this country than it is elsewhere. This is pre-eminently a time for concentrating on domestic beams rather than on foreign motes.

Outlook Uncertain

ON July 6, 1949, Sir Stafford Cripps announced that in the preceding three months the dollar position of the sterling area had worsened by $302 million compared with the first quarter of the year; on Wednesday this week Mr Gaitskell announced that the dollar position in the second quarter of 1951 had worsened by $306 million compared with the first quarter. The announcement of 1949 marked the beginning of the devaluation crisis, or at least of its public recognition as a crisis; this week's announcement marks, in all probability, the beginning of a new period of economic stringency.

The parallel, it should at once be emphasised, stops at this point. In 1949 the deterioration meant the doubling of what had already been in the first quarter a considerable dollar deficit. In 1951 the same deterioration means only that the considerable dollar surplus of $360 million in the first quarter has been cut to a mere $54 million in the second quarter. There is still—or, at least, there was over the past three months as a whole—a surplus. There is no reason for swinging from the recent optimism to a panicky pessimism about sterling.

But there are good reasons why even the Government should be prepared to re-examine closely and critically the assumptions on which present economic policies are based. In the inflationary world of the first half of the year the British economy has fared badly. It is not only that the dollar surplus of the whole sterling area has almost vanished. More immediately important is the fact that the balance of payments of the United Kingdom itself with all other countries, including the rest of the sterling area, has moved sharply from surplus to actual deficit. And internally, prices and wages appear to be rising rather faster even than the Government bargained for. The difficulties will not be short-lived. Many of the changes for the worse have grown stronger in the past month or two, and there is little hope that they have as yet exhausted their force. The economic outlook at mid-year is more difficult than in January, but it is also—and this is a point of much sharper significance—far more difficult than it was a mere three months ago, when the Economic Survey was published.

It is peculiarly hard to guess what may happen in the next six months. There are, however, two points of fundamental importance to British policy that should be stressed at once. The first is that rearmament is emphatically not the simple, direct cause of British difficulties that is often supposed—not only by Mr Bevan and his friends. The second point is that the screwing down of more controls, which is still the Government's reflex action in face of any shortage or difficulty, will not remove the economic strains and will not even make them on balance easier to bear.

The most likely cause of real disaster for this country—of a sharp fall next winter in production and exports, and a consequent crisis in the balance of payments—has nothing whatever to do with the outside world and almost nothing to do with rearmament. It is that the country will fail to mine enough of its own coal. The sluggishness of coal production is old-established. On the other side of the scissors—the rise in the demand for coal—the point of crisis was reached last autumn before the expanded defence programme had been translated at all into more arms production in the factories. If the National Coal Board were able to meet the foreign demand for British coal, instead of having to call in aid marginal imports of American coal for the British market, the chances of importing iron ore, steel, pyrites and timber from Europe would be far better and British industry would have some hope of satisfying the demands of both rearmament and exports. In fact Britain has so far this year exported 2,500,000 tons of coal, compared with 6,750,000 tons in the same period of 1950, and the Minister of Fuel on Wednesday made it plain that exports will remain the coal industry's residuary legatee, in a world where residuary legatees are lucky to get a crumb.

*

The coal crisis is the plainest example of a general failure. Broadly, the country's economic efforts are not yet being redistributed to meet the most essential claims first. In the first quarter of the year people consumed 5 per cent more, in real terms, than in 1950, although the Economic Survey calculated that in order to liberate resources for rearmament and exports they would have to make do, in the year as a whole, with a little less. Mr Gaitskell suggested on Wednesday that the discrepancy mattered little, and was no indication of weakness in budgetary policy, because much of the extra consumption was anticipatory. Such complacency could be justified only if the consumer's stocking-up with household goods and clothes had been at the expense of producers' and distributors' stocks. In general, it has not; it has been matched by current production. A large part of this year's extra industrial output—an increase, so far, of 5 per cent instead of the anticipated 4 per cent—has been production of consumers' goods rather than of armaments, exports and investment goods. The "planned" switch of resources has proved to be slow.

The importance of the lag at this stage would be slight if there were any sign of an effective policy for accelerating the switch. There is none. Mr Gaitskell reported (very cautiously) the impression that some workers are under-employed; in inflationary conditions it pays, as firms have learned by experience, to hang on to labour even when raw material shortages prevent its full employment. "I would appeal earnestly," Mr Gaitskell said, "for a change of approach to this matter. . . . If everybody took that line, we should never get the defence programme carried out." But what else can be expected in an economy more tightly stretched than ever before? How can labour be anything but immobile, as far as changes between industries or between regions are concerned, when inflated demand has driven the unemployment ratio down to as little as one per cent of the working population? Planning by exhortation never has suceeded, and it certainly will not move this mountain.

Such, very briefly, are the issues of internal policy that are as large a part of the British problem as anything happening in the world outside. And they are

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...ing issues, intensified but not created by the ...f rearmament. This is the first of the two fundamental points of diagnosis on which any effective remedy should be based. The second point is that restrictionist policies alone have very little relevance to the kind of economic difficulties that this country is facing.

In so far as Mr Gaitskell indicated any lines of action at all, they were restrictionist: it was necessary to be "extremely careful" about dollar expenditure; for coal there was far more emphasis on measures to restrict consumption—by any means, of course, but higher prices—than on increasing the supply; thoughts of a new export drive turned on the limitation of supplies to the home market.

Almost no one will deny that the present situation makes some new restrictions and controls unavoidable. But the need is for specific controls, serving limited purposes for a limited time, and they are worse than useless unless they are backed by an adequate monetary and fiscal policy to restrain inflation.

Internally, the problem is an inflationary excess of demand; to sit on the lid at one point merely ensures, in itself, that the demand will pop up—and draw resources away from rearmament and exports—at another point in the economy. Externally, British trade (visible and invisible) can enjoy no future adequate to the country's needs—either in a continuing cold war or in something a little nearer to peace—if sterling is to remain indefinitely the one major currency subject to effective exchange controls.

The opportunities of the past eighteen months have been missed, and this is clearly not an ideal moment for a dash to freedom either at home or in trade and exchange policies. Yet, just because some retreat into controls and restriction is now inevitable, it is more imperatively necessary than ever to give the world, and the British people themselves, some convincing reason to believe that there will some time be a possibility of escape. Increasingly the outside world wonders whether any time will ever suit Britain for shaking off the shackles of a war economy, or whether the British people have not come by long addiction to love their chains. If rearmament can permanently harm the British economy it is not by any small impairments of social security or by setting limits to consumption expenditures but by creating the impression here and abroad that there never again will be a fair field in Britain for enterprise and efficiency. Once this grows into a conviction, Britain's commercial prosperity, by which its people live, will be at an end. Sooner or later, rather than face the penalties of economic isolation must will be necessary to take a plunge back into f the Bri whether by then the water has grown iciere of a Mid Meanwhile the raft of controls will not be made States lashing on another log.

European Consolidation

GENERAL EISENHOWER'S speech in London on Tuesday is not one that can be ignored. It has long been apparent that if any real progress is to be made towards the unification of Western Europe it will not come through the incentive of economic gain but rather through the pressure of political needs and defence requirements. The Supreme Commander was exercising this pressure. His speech was as deliberate as it was blunt. He was telling the peoples of Western Europe that he could not do his job—or at least that he could do it only with greatly increased difficulty—unless the European signatories of the North Atlantic Treaty would create among themselves more unity than they have today. This is a serious matter. Nothing can more deeply disturb a government than to be told by its commander-in-chief that he cannot assure the safety of the realm. The Supreme Commander is now giving this warning to all the governments concerned.

This speech brings out into the open what has been common knowledge for some weeks among those who have had contact with General Eisenhower and his entourage. The system by which a single general is, in effect, responsible to over a dozen governments and has to deal with each of them separately is not working at all well. Tuesday's speech was in general terms; but by reading between the lines it is easy to see that what chiefly irks the general is the absence in Europe of any central organs of decision. During the war, he was responsible to the President and the Prime Minister in joint session; the edifice of allied co-operation had its essential organ of supreme decision; and it is this that is now chiefly lacking.

Had he been able to be still more candid, General Eisenhower might have gone on to say that it is not only in their lack of coherent organisation that *The Economi* Western Europe are deficient, but that ...ges in the Bill e... thing wrong also with their spirit and ... nonsense of th recent elections in France and Italy have ...ory campaign a the public opinion of the western countries complacency: the Italian elections did not u...es during De Gasperi and the French elections guaranteed ... mainta tinuance of moderate governments of the centre. ...ter the revelation that these elections make of the state of mind of the French and Italian peoples ought to be regarded as most disturbing. In the third year of the Marshall Plan, which has succeeded beyond expectation in rebuilding the European economies, in conditions of prosperity and restored standards of living—in short, in what ought to be a good year—a quarter of both the French and the Italian electorates vote Communist. And if they do these things in a green tree, what shall be done in the dry? If the good year is succeeded by a bad, if the French or Italian electorates come under the pressure of fear or misery, how much of democracy will survive? There is, at best, on the Continent a certain stubborn willingness to stick by the present governments and regimes as less bad than the visible alternatives. There is almost nowhere a positive faith in the possibilities of progress, such as the Russians and the Americans, in their different ways, both have. Those who can look beneath the surface find it difficult to be happy about the present state of Europe.

It was surely not by accident that General Eisenhower made his speech in London, in the presence of the Prime Minister and the Foreign Secretary. For however much the British themselves may dislike and resent it, the key to European unity lies in London. It is quite true that many of the appeals that are so frequently made on the

Continent for "a bold new British initiative" are mere escapism. But the fact remains that the problem of Western Europe cannot be solved without the most active and positive British co-operation. The British instinctively shy away from any description of themselves as Europeans, and they certainly cannot afford to be Europeans only, or even Europeans mainly. The simile of the three intersecting circles, first used by Mr Churchill, is a true one: Britain is the only ground that is common to Europe, to the Commonwealth, and to the English-speaking fellowship of the North Atlantic. But if it is true that Britain cannot belong exclusively to any one of the three, it is equally true that it cannot contract out of any one of the three. It is just barely conceivable—no more—that a British government might declare itself indifferent to the economic fate of Western Europe. But no British government can be other than deeply concerned when the political soundness and defensive stability of Western Europe are in question. That is the situation today, and General Eisenhower has deliberately served notice on the British Government that it must make an effort to provide leadership for [illegible]rope.

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$54 millio[illegible]

least, there[illegible]fortunately, far easier to see the need for such —a surplus[illegible]an to compile a practical agenda for it. The recent optim[illegible] of course, have their all-embracing solution. But there[illegible]ally not within the field of practical politics should be p[illegible]a super-government for a federated Europe the assumpti[illegible]period of time with which General Eisenhower based. In the[illegible] The American cry "look what we have year the British[illegible]ibly naïve, no matter how eminent the lips that the dollar[illegible]heard. America is not Europe; and the almost vanished[illegible]ry is not the twentieth. To urge the fact that the bal[illegible] in present circumstances is to obstruct dom itself w[illegible] of the ste[illegible]

actual[illegible]uch more fruitful approach would be to try to [illegible] the Supreme Commander what he most urgently needs, an organ where decisions can be taken quickly and collectively, the peacetime equivalent of the meetings of the President and the Prime Minister. There is a long list of things that the European nations already decide collectively, and the organs through which they do it are scattered over half a dozen capitals. Because these organs are dispersed and the functions of each one are circumscribed, they are manned by officials and their authority is partial and intermittent. The first task surely is to bring together in one place, and, so far as possible, in one organ, all these scraps of international machinery. When they are brought together, it should be possible for each government to send out a plenipotentiary minister, empowered to make bargains and to take decisions; indeed, the whole scheme might be give[illegible] impulse by a Conference of Prime Ministers. Th[illegible] a plea that governments should, in the first pha[illegible] least, cede to international bodies any authority that not already in theory ceded to them, but rather that the existing machinery should be concentrated for action. The generals, the economic organisers, the materials co-ordinators would then have a *locus* where they could deal with all the governments at once and get decisions. Unquestionably, if it worked, its functions would multiply.

The first job that such an organ would have to tackle would be to define the aims and dimensions of the common effort. One of the things that lies at the root of the current *malaise* of the European people is their feeling that they are menaced by the unknown. The demands that the policy of resisting Soviet imperialism puts upon them seem to be unlimited; there is no end to them in time or in variety; the cry is always for more and more quickly, until sometimes it seems that the means of avoiding war are, on the economic and social sides, as painful as war itself. That this impression has been allowed to grow up is a gigantic blunder. Nobody, of course, can define the programme in exact terms; but it should be easily possible to say what it does not amount to. In the roughest terms, the British programme is equal to about one-quarter of a total war—and the British programme is the biggest in Europe. It is simply not true that the peoples of Europe have to ruin themselves in order to be safe. It is fully possible to draw up a programme which will at one and the same time be large enough to convince the Americans that a real effort is being made and moderate enough to convince the European peoples that they will not be ruined.

*

The immediate agenda is therefore one of European consolidation—a consolidated organisation working out a consolidated programme. There is nothing of which the present British Government need be frightened in launching such an initiative. Indeed, they could justly claim that it is merely the international application of their new slogan: "Peace, then Plenty"—and it would assuredly do them no harm at home to demonstrate that they could still bring imagination to the rescue of foreign policy. The more valid criticism of what has here been suggested is not that it is too much but rather that it is pitifully little. So it is; but there are two things that can be urged in mitigation of the offence. The first is that politics is the art of the possible; and the governments of Europe today are all of them so narrowly based that large gestures will upset their equilibrium. Certainly the British Government, with its narrow majority and the exhaustion of its personnel, cannot be expected to move any further than this in the coming months. The other thing is that there is a limit to what can be done by governmental action and administrative devices in the absence of an active public opinion based on common belief in a positive creed of action. This is what is missing in Europe today. We know what we reject; we do not know what we believe in. It is within the power of statesmen to give an impulsion to thought and to create an atmosphere in which minds can come together. But the creation of a new faith is not within their powers. For that Western Europe still awaits its prophet.

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Nato and Turkey

IF Signor De Gasperi is asked to try to form a new Government and is successful, he will have to solve problems of extreme difficulty during the two years which presumably remain before the next general election. Perhaps half the Christian Democratic Party wants to halt agrarian reform at its present stage of merely initial realisation; some would even go back on that. A highly contentious governmental Trade Union Reform Bill now, at last, lies before Parliament. Its application as law would cut profoundly into current trade union routine and would clearly challenge the position of existing trade union leaders. To these specific problems must be added the need for a greater and more convincing skill in combining the exigencies of confidence in the currency and of fuller employment, and in compromising between the need to concentrate rearmament production where it is economically likely to be efficient and the social and political need to place it where it will help in the rehabilitation of depressed and backward regions.

All these are questions which would continue to be pressing even if the Italian political spectrum stopped short at the centre and conservative segments of Christian Democracy. The Chamber, however, includes a good fifty members further to the right, of whom a couple of dozen could be counted as extreme right. It may be exaggeratedly gloomy to recall that the Fascists got into power in 1922 without finding it necessary to have more than 33 members, but certainly the extreme right in Italy has a traditional tendency to serve as a tail wagging a portly and moderate dog. In the municipal elections of this summer, according to the calculations of Togliatti—in this case a fairly detached observer—the Christian Democrats have already lost half a million votes to the MSI, the specifically Fascist party, though the final batch of these elections, including Fascist strongpoints in Rome, Naples, and elsewhere in the south, have still to be held. The recent sufferings of the De Gasperi administration had as their background an undoubted exuberance, in the country, of right extremism.

Youth and Dynamism

The MSI, like early Mussolinian Fascism, offers itself as the final goal of the pilgrim moving rightwards, though, as is the case with Communist leftness, these designations have become partly paradoxical. The comparative "moderates," agrarian Liberals, Monarchists, and the deviationists of Christian Democracy known as the "Wasps"—responsible for recent near-defeats of De Gasperi in the Chamber—have much more of a traditional rightish appearance. The MSI fully perpetuates the Mussolinian mythology of youth and dynamism, and is prepared in its domestic programme to out-socialise Socialism—on paper. An MSI demonstration in a large town will almost always prove to have a nucleus of university students, a far more numerous class than in Britain. This youthfulness, however, by all precedents, means that financing, and probably more than mere financing, comes from outside sources. The immense pageantry and oceanic pamphleteering produced by the MSI this summer in Sicily must have been financed from very imposing sources. From North Italy, it is said locally. In fact the present political struggle behind the scenes doubtless includes fierce tussles between the organisers of the late government and the extreme right for the moneybags of industrialists seeking safety from Communism.

The MSI as it emerged from its feeble showing at the 1948 general elections failed to throw up a political leader of consequence. It is now rumoured, however, that Prince Valerio Borghese, a much decorated naval hero in his forties who followed Mussolini in his last adventures in North Italy, and who was soon amnestied after getting a twelve year sentence for treason in postwar Italy, is meditating in a castle, and preparing himself for the role. The Roman Prince has a magnetic presence, heady and resourceful eloquence, and the strand of foreignness commonly found in very ardent nationalists (he is partly Levantine-Dutch and has a Slav wife). Another last-ditcher old Fascist who openly led the recent MSI campaign in Sicily is ex-Ambassador Anfuse. These names at once bring out the difficulties of the extreme right movement in Italy today and its involvement in historical complications unknown to proto-Fascism. The old Fascist party fell asunder in 1943 when those who followed Mussolini to the north regarded the faction of Ciano and Grandi as traitors. The later faction, in fact, as yet lives only on the margin or outside the MSI but it has money, talents, and experience.

A similar or greater difficulty besets efforts to bring the MSI together with the Monarchists, despite their equally inflamed nationalism. The two regard each other as smirched with the brush of treason in the events of 1943. The Monarchists were stronger than the MSI at the 1948 general elections but appear now to be losing their appeal. There must be mentioned also a third (or fourth) extreme right, lacking a party description but possessing a dynamic leader, Dr Luigi Gedda, the clerical-nationalist, and close friend of the Pope. Dr Gedda has in recent years created and led the "Civic Committees," a financially potent and extremely active anti-Communist propaganda institute which has become progressively detached from the Christian Democrats and especially from Signor De Gasperi. It represents a pole of attraction for Catholic right wingers, and has recently been courted, but in vain, by the MSI whose "pagan" tendencies no clerical can hide from himself. The Monarchists, meanwhile, sometimes revive the tradition of 19th century liberal anti-clericalism.

The complexities of right-wing affiliations have come strongly into the picture in Sicily. The island enjoys an autonomy on similar lines to Northern Ireland, and has just elected a new local Parliament. Of its 90 members one third are Christian Democrats, one third extreme left, a handful are of the left centre and the rest are split between Monarchists and Fascists. The Christian Democrats could form a centre-ish Government with Monarchists and left centre, and this the local Monarchists wished to do, apparently with the approval of ex-King Humbert. But they have been ordered by their Rome headquarters, for higher reasons, to act in combination with the MSI. Some of the leaders have therefore split away; no government has been formed in Sicily six weeks after the elections. The crystallisation needed to give consistency to the mounting forces of the Italian extreme right has thus not yet been realised; but that is a process which, if things began to go really badly in this hotly imaginative country, might happen pretty quickly.

for the summer ; at the very best, a new treaty could not get through the barrage of committee hearings and reach a vote on ratification until, say, Easter of next year. The Administration's influence on Congress is low, and may well be lower in a presidential year ; and it has now admitted that it would in any case prefer another method. This adds up to a virtual certainty that no substitute pact is possible at least for a long time. The European members of Nato really cannot hope to force on the Americans a course which neither they nor the Turks want. It looks like a clear choice between Turkish membership of Nato or a rebuff to Turkey the consequences of which are difficult to foresee.

The argument must be brought to an end, and the only way to do so is to accept Turkey and Greece as members of Nato. But if this is to be done, it is only fair to ask of the Americans recognition of three essential points. The first is that nobody shall be asked to say that it is a good solution of the problem ; it may be the only practical one, but it will remain a piece of diplomatic botching. The second, which follows from the first, is that it shall set no precedent. General Marshall mentioned Spain as well as Turkey and Greece ; but the Spanish case is entirely different. Turkish neutrality would be a disaster ; but it is difficult to see what Spain has to offer that is worth paying such a price for. Thirdly, even if there cannot be a Middle East [illegible] it is high time that the Americans, the organisers, the materials as the strategists, began to take a constructive responsibility for its defence. They have a considerable interest in the Middle East. They have, very few resources to spare for a new area, but have the British, and yet the Middle East cannot be left to go by default. In the event, it would be a responsibility of the combined Supreme Command ; nothing is to be gained, and much risked, by failing to recognise it as such now.

Removing the Stigma

An extract from Hansard of July 1, 1967, on the occasion of the second reading of the Welfare State (Consequential Provisions) Bill.

THE Minister for the Co-ordination of Social Services: In moving that a second reading be given to this Bill, I am more than usually conscious of the shadows of former occupants that are grouped around the [illegible] of course, have their all-embracing solution.

But there [illegible] really not within the field of practical politics [illegible]uld be pre[illegible] super-government for a federated Europe [illegible] assumption[illegible]period of time with which General Eisenhower [illegible]ed. In the[illegible]. The American cry "look what we have [illegible]r the British [illegible]federation, go ye and do likewise" is, in [illegible]t the dollar subly naïve, no matter how eminent the lips [illegible]ost vanished. [illegible]eard. America is not Europe ; and the [illegible]t that the balan[illegible]ry is not the twentieth. To urge the [illegible]m itself with[illegible] in present circumstances is to obstruct the sterlin[illegible]

[illegible]ual de[illegible]uch more fruitful approach would be to try to [illegible]e the Supreme Commander what he most urgently needs, an organ where decisions can be taken quickly and collectively, the peacetime equivalent of the meetings of the President and the Prime Minister. There is a long list of things that the European nations already decide collectively, and the organs through which they do it are scattered over half a dozen capitals. Because these organs are dispersed and the functions of each one are circumscribed, they are manned by officials and their authority is partial and intermittent. The first task surely is to bring together in one place, and, so far as possible, in one organ, all these scraps of international machinery. When they are brought together, it should be possible for each government to send out a plenipotentiary minister, empowered to make bargains and to take decisions. [illegible]

White Paper. It is not that the Government is frightened by the astronomical figures that the Actuary has presented—it has never been the tradition of our public life to pay too much attention to a situation expressed in terms of pounds and crowns, as I believe the saying is. Rather, it is that we believe that [illegible] and the British programme is the biggest in Europe. It is simply not true that the peoples of Europe have to ruin themselves in order to be safe. It is fully possible to draw up a programme which will at one and the same time be large enough to convince the Americans that a real effort is being made and moderate enough to convince the European peoples that they will not be ruined.

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The immediate agenda is therefore one of European consolidation—a consolidated organisation working out a consolidated programme. There is nothing of which the present British Government need be frightened in launching such an initiative. Indeed, they could justly claim that it is merely the international application of their new slogan: "Peace, then Plenty"—and it would assuredly do them no harm at home to demonstrate that they could still bring imagination to the rescue of foreign policy. The more valid criticism of what has here been suggested is not that it is too much but rather that it is pitifully little. So it is ; but there are two things that can be urged in mitigation of the offence. The first is that politics is the art of the possible ; and the governments of Europe today are all of them so narrowly based that large gestures will upset their equilibrium. Certainly the British Government, with its narrow majority and the exhaustion of its personnel, cannot be expected to move any further than this in the coming months. The other thing is that there is a limit to what can be done by governmental action and administrative devices in the absence of an active public opinion based on common belief in a positive creed of action. This is what is missing in Europe today. We know what we reject ; we do not know what we believe in. It is within the power of statesmen to give an impulsion to thought and to create an atmosphere in which minds can come together. But the creation of a new faith is not within their powers. For that Western Europe still awaits its prophet.

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1

NOTES OF THE WEEK

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Mr Stokes's speech on Monday, which caused part of the trouble, was obscurely phrased but was not really open to anything but deliberate misinterpretation. Mr Shinwell was more foolish ; he had said that "at the slightest sign" the Government would be only too willing to curtail rearmament. But Mr Shinwell's week-end volatility should by now be too well known to be taken seriously. It must be remembered that he sees himself as the leader of the Left that has stayed right, instead of following Mr Bevan's deviations, and is therefore under compulsion to provide some feints of deviation himself.

But while a Korean truce would change defence policy little if at all, its other political effects might be considerable. The possibilities are now being actively canvassed at Westminster. The Bevan group appears to be delighted ; the as yet unhatched truce is supposed to show that rearmament was never so necessary as the Government thought. It is hard to imagine that many new adherents can be won by this simplicity. What a Korean truce may in fact show is, plainly, that negotiation may succeed when it is negotiation from strength ; it will confirm the effectiveness of rearmament, not demonstrate its redundancy. But by October this may be old history, and it is only too possible that in an atmosphere of relief the Government would by then have more difficulty in answering Mr Bevan's criticisms within the Labour Party. There is a consolation. More and more Labour MPs seem to be convincing themselves that Labour's only way is to go to the country in the autumn as the party that has proved its ability to save the peace. And then, of course, promises of plenty—with lower prices—would fit in.

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Although there were a few bad patches during the all-night sittings, the debates were on the whole maintained at an exceptionally high standard. The fact that the lawyers so far outshone the economists and financiers can perhaps be attributed to the concentration of attention, during the committee and report stages, on the tax avoidance clauses. Sir Frank Soskice, who proved imperturbable during even the most exhausting periods of the debate, was matched in clear headedness by Mr Selwyn Lloyd, a back-bencher whose place in any future Tory Government is probably now assured. Unfortunately it cannot be said that any reputations for the handling of general economic policy have been noticeably improved on either side of the House.

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the property of the Persian government. He expects too much of human nature if he imagines that in such circumstances he will get these British employees to assist in the immolation of a company that has been a good master. Despite his withdrawal of the anti-sabotage measure, therefore, their departure is still on the cards. Their notice expires on July 27th. It remains to be seen whether his slender sense of the realities of the oil industry will once more come into play before that date.

By then production will be virtually at a standstill unless Dr Mossadegh alters his present insistence that receipts for oil shall be made out to the National Iranian Company only, and shall in no way safeguard the Anglo Iranian Company's partial rights. The American Ambassador, indefatigable in the pursuit of compromise, is still seeking an acceptable draft. Production has already slowed down because, now that all tankers have refused to sign the Persian form of receipt and have left Abadan, it is restricted to the amount of oil that can be stored locally. Production cannot continue beyond the end of July unless the tanker problem is solved.

Meantime the Persians are recruiting other foreigners, and are having—it seems—some success in collecting a handful of Germans and Italians. These people are as much at liberty to take the jobs as are the British to go. That they will find no easy taskmasters is evident in the fact that many Indian and Pakistani employees at Abadan wish to get away. Other foreigners lately in Persian employment can also give warning that the Teheran government is neither a regular nor a willing payer of promised salaries.

* * * *

The New International

It is a sign of the times that Mr Morgan Phillips, secretary of the Labour Party, should play the leading part in recreating the Socialist International and persuade over thirty Socialist parties to accept a statement of principles in which the spirits of the Webbs and Keynes trample on the ghost of Marx. There was probably a respectable proportion of Marxists among the European and non-European delegates who gathered last week in Frankfurt, but they must have felt the sands blowing away beneath their feet. They were asked to break with the doctrinaire past, to admit that the lot of workers has improved in many countries, to renounce proletarian revolt and the class struggle, and to taste respectfully the fruits plucked by the Labour Party from six years of experience in power. Nationalisation is no longer to be the universal panacea, but something of which the relevance and value will vary from country to country. Its place at the centre of doctrine is taken by planning: and the whole task of planning does not necessarily fall to the state, for decentralisation may be wise or necessary. This can be interpreted both as a reflection of British administrative experience and as a concession to the syndicalism that is still strong in France and growing stronger in Western Germany.

Anxious as they are to define clearly their differences with the Communists, the Marxist Socialists seem to have found it hard to argue against the practical achievements claimed by the British, the Australians and New Zealanders, and the Scandinavians: subsidies, housing programmes, expanded social security, and managed economies. They found themselves voting for what is virtually a British electoral programme of "full employment, increased production, social security and a just distribution of incomes and property."

If the new Socialist International can be made harder headed than the old Second International that was founded in 1889, much will have been gained, and the leadership that has fallen to Mr Morgan Phillips and his colleagues can prove useful as well as flattering. But one wonders whether the British delegates had the courage to point out that the ease and relative success with which they had made their experiments in this country owed much to the civic virtues and patient tolerance of the people—qualities that are notably lacking in parts of Europe. It is roughly true that in Britain the middle-class long ago stopped playing the economic and social game according to Marxist rules, whereas in France and Germany there still exist political parties which see to it that the game goes on. The new organisation should be able to do something to restrain any tendency of Socialist parties to fall towards totalitarian habits in their efforts to outbid the Communist Party.

* * *

Shooting in Bangkok

The importance of the attempted *coup d'état* in Siam last weekend is that for twenty-four hours it had much of the free world wondering whether the Communists were directly behind it or not. This anxiety was an indication of the extent to which Siam is a key state in South-East Asia and its Prime Minister, Field Marshal Pibul Songgram, a key figure in the evolution of the area as a whole. So long as he remains in power, Siam will probably play an active role in the United Nations and in the struggle against Communism; his rule has already meant that Bangkok has recognised the Bao Dai government in Vietnam, has helped to patrol the Siam-Malaya border and has sent troops to Korea. If, on the other hand, Marshal Pibul were overthrown, Siamese foreign policy would probably veer away from its present line, either into traditional neutralism or into alignment with the Communist bloc.

The architect of the plot last weekend appears to have been Lieutenant-General Kach Sönggram, who had enlisted support in the only quarter outside the government where power nowadays resides—the navy. General Kach was one of the three men who originally helped Marshal Pibul to seize power in 1947; however, unlike the other two—General Phin, who was rewarded with supreme command of the army, and General Phao Sryanond, who became the effective head of the police—General Kach quarrelled with Marshal Pibul and was exiled last year to Hongkong. General Kach is strongly nationalist and anti-foreign. He would probably not have wished to ally Siam with the Sino-Soviet bloc any more than with the anti-Communist powers. But two of his reported associates in the attempted coup were less unattached; they were Admiral Taharn, who has sympathies wtih Marshal Pibul's rival as a Siamese elder statesman, Pridi Phanamyong and also Momrajawongse Seni Pramoj, a former prime minister who has also been regarded as a possible sympathiser if Nai Pridi returned to Siam. The significance of this is that while the plotters were in contact with Nai Pridi, he in turn is now generally believed to have contacts with the Communists. The plot was not therefore Communist but, if it had succeeded, the road to eventual Communist domination would have been open. The same pattern has already been seen in the other recently attempted *coup d'état*, that in Pakistan, and may yet appear in Persia, following the murder of Ali Razmara and the assumption of power by the unstable nationalist, Dr Mossadegh.

Having ridden this latest storm with unprecedented success—for the army, air force and newly mechanised police force were all loyal to the prime minister, although he had been kidnapped by the plotters—Marshal Pibul is probably more secure in power now than before the coup was attempted. This result is of positive value to the free world, even if the Marshal is more of a dictator than a democrat.

* * *

Dalton's Weekly

Dr Dalton's weekend homilies have rarely struck a more Utopian note than that sounded in his speech at Croydon last Saturday. He promised a full-scale attack on "all the pernicious practices of monopoly capitalism"; he condemned

with equal vigour the "ruinous selling below cost" of the "bad old days of Tory misrule." He opined that high profits were clear proof that price control had so far been too tender, and should be "stiffened"; at the same time he looked forward to seeing "more efficient firms" absorbing the labour force and the materials now inefficiently used by high cost traders. The lion of competitive efficiency and the lamb of social justice and security are in fact to lie down together under the shadow of the White Paper on Resale Price Maintenance.

Dr Dalton was once an economist, and one, moreover, whose *forte* was the explanation of elementary truths and of common errors in simple terms to uninstructed minds. His abilities in that sphere need not be supposed to have atrophied. It would be interesting to hear them applied to the proposition that no commercial mistake should ever be recognised by selling below cost—eggs from Gambia, for instance?—or to the delineation of the moral frontier between virtuous and "ruinous" competition. It would be still more enlightening to watch him trace the sequence of motive and action by which the "more efficient firm" is supposed to attract the resources of the less efficient, in face of the certainty that any resulting increase in profit will be the signal for a "stiffening" of control and for the public obloquy due to the profiteer.

One really cannot have it both ways. It is an excellent thing that Socialists should be rediscovering the virtues of competition, and that a sap should be driven under the buttresses of what Mr Morrison has called private unenterprise. But the reward of enterprise is profits; the reward of superior enterprise is superior profits. And if not only superior but inferior enterprise is reaping an abnormally high surplus at a time of rising prices, it is those rising prices that are enabling them to do so; it is not their profits that are making prices rise. Or so Dr Dalton used to inform his neophytes, long ago. It is a pity that the exposition of elementary economic interconnections should now be entirely sacrificed to a blend of Utopian promises and full-blooded denunciation. But, in politics as in commerce, there are profits to be won from a debased currency.

* * *

Fifty Years of Education

Instead of its usual annual report the Ministry of Education has published a survey of "Education 1900-1950."* Progress in this period has been by fits and starts, but the total result has been, nevertheless, a revolution in the schools, particularly for the non-academic child. Apart from the all too frequent survival of obsolete buildings, the life of a school-child is now unrecognisably different from what it was fifty years ago. Within this period there are three principal milestones: the 1902 Act followed by the Morant administration; the 1918 Fisher Act, much of which was made inoperative by the Geddes economy committee; and the 1944 Butler Act. It is too soon to say how far economies, present and to come, will prune the last, but already the reorganisation of secondary education and the raising of the school-leaving age have become too established to be undone. The crux of the problem is to maintain existing standards for a growing number of school children, without a proportionate increase in teachers and classrooms.

Pupils and Full-Time Teachers in Grant-Aided Schools
(Thousands)

Year	Grant-aided Elementary Schools			Grant-aided Secondary Schools		
	Pupils	Teachers	No. of Pupils per Teacher	Pupils	Teachers	No. of Pupils per Teacher
1900-01	5,772	119·4	48·3	...	...	...
1910-11	6,062	162·8	37·2	160·6	10·0	16·0
1920-21	5,502	167·9	35·2	349·7	18·1	19·3
1930-31	5,572	171·8	32·4	438·3	22·6	19·3
1937-38	5,098	169·8	30·0	601·8	26·2	19·6
1950	5,121	179·3	28·6	685·7	30·4	18·8

* Cmd. 8244. 7s. 6d.

Surprisingly, the number of children in grant-aided schools at the beginning and end of the period differs insignificantly—5.77 million in 1900 and 5.8 million in 1950. What is significant is the change in their age distribution. In 1900-01, 43 per cent of children under five and some 2 per cent of children aged 14 or over were in grant-aided schools. In 1950, 12 per cent of children under 5 and some 32 per cent of children of 14 and over were at school. The percentage of very young children at school has diminished enormously—and has fallen particularly quickly since 1945, because they have been crowded out by the increasing number of children of compulsory school age. The increase in the percentage of children at school over the age of 14 is one of the two major educational advances of the century. The other is the improvement in the ratio of pupils to teachers, which is shown in the table. Primary school classes are still much too big, and do not in the immediate future look like decreasing, but the difference between 48 and 28 children, on the average, to a teacher represents an enormous increase in individual attention and far less regimentation.

* * *

Identity Card Concessions

The test case on identity cards, discussed in *The Economist* last week (page 1550), has been followed by official action. In the light of Lord Goddard's strictures, and after consultation with the Home Secretary, the Commissioner of the Metropolitan Police has ordered the police to demand an identity card only when it is "absolutely necessary"—for instance, where serious crime is suspected or where the person concerned is suspected of being a deserter. It is expected that a similar restriction of the police's powers will be made throughout the provinces.

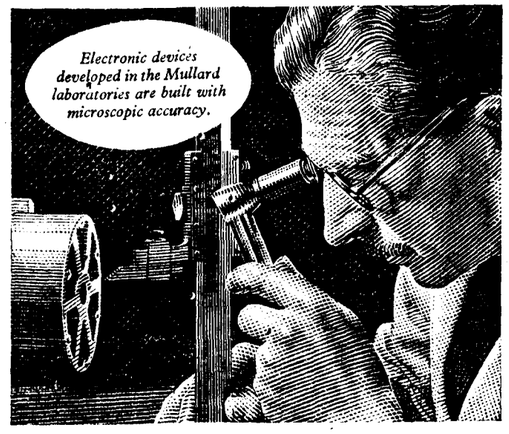
A notable victory has thus been won. But it has been won only because this particular use of the identity card could readily be tested in the courts. Mr Willcock was summoned for failing to produce his identity card when asked to do so by a police-constable. If a person fails to produce an identity card when it is demanded for purely administrative reasons, he will not be summoned—and have the chance of repeating Mr Willcock's moral victory—but he may be deprived of some of his rights. He will not be given a new ration book. He may be prevented from drawing money from his post office savings account. He may be refused dental and ophthalmic treatment under the health service. It is time that the authorities concerned asked themselves whether the identity card is "absolutely necessary" in all these cases. The post office managed very well without it before the war, and it does not prevent fraud now.

* * *

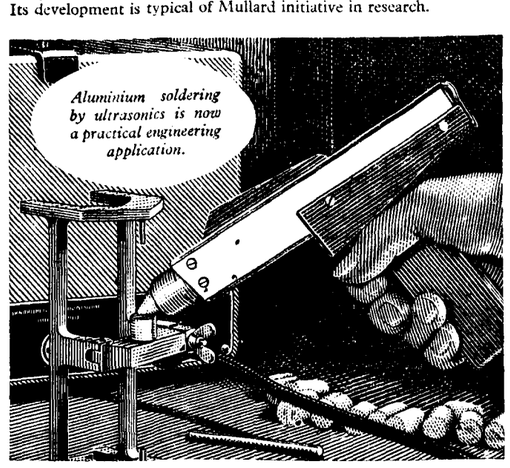
Prize Day for the Dean

The top boy of the class has been to Moscow to receive his prize. The Stalin Peace Prize is worth—if spent on consumer goods—some $5,000, and the recipient, the Dean of Canterbury, made a touching little speech in praise of the headmaster. He said that Stalin was the greatest man in the world and the greatest fighter for peace. Today the word "peace" had been banned in America and was persecuted in England, but, speaking on behalf of the British people, he could say that they would never be deceived by the propaganda for war on which the Americans were spending so much money. Two thousand years ago a great appeal had come from the east for peace and for the brotherhood of

Progress in Electronics



RESEARCH The great variety of subjects under continual investigation in the Mullard laboratories include some that are truly revolutionary. Ultrasonics is an example. This science, involving the use of sound waves far beyond the range of human hearing, is likely to find increasing applications in numerous industrial processes. Its development is typical of Mullard initiative in research.



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man; now a similar appeal was again coming from the east, and it should become the common cause of all Christians.

Nobody in Britain is likely to grudge this ecclesiastical dignitary his prize, or to deny that he has fully earned it by the assiduity of his political services to a country not his own. There may, however, be some doubt as to the appropriateness of the Dean's implied comparison between Stalin and Christ. In the centuries that have elapsed since Christianity became the religion of the Roman empire and first began to be involved in affairs of the state, there has been much controversy on the conduct proper to a Christian in public office and on the degree to which the personal Christian ethic may have to compromise with *raison d'état*. However, it is improbable that any theologian before Dr Hewlett Johnson would have found anything specially Christ-like in the attitude towards peace expressed by Stalin in a speech in 1923; speaking of the Brest-Litovsk Treaty, he then said:

> The Party did this [signed the treaty] for the sake of preserving the alliance with the peasants thirsting for peace, in order to gain a breathing space, to create a new army, and thus to secure future strategic gains.

To win over the peasants "thirsting for peace" by peace propaganda, until new military power could be built up, seemed good politics to the Bolsheviks in 1918; to win over masses "thirsting for peace" throughout the world, until the military power of the Soviet Union is strong enough to subdue them, seems good politics to the Kremlin now. There is not, and never has been, any other significance in the "peace" campaign. Viewed in terms of political realism, it is simply a clever *ruse de paix* in the Stalinist struggle for world domination, and it is one that is quite permissible under the Marxist-Leninist code. But whatever divergences of opinion there may have been in the past about the moral teaching of Christ, it has hitherto been supposed to signify something different from callous and fraudulent power politics. It is only in this age that we have churchmen who are prepared not merely to flatter a secular tyrant, but even to equate him with the founder of the Christian religion.

* * *

The Molotov Version

Those who see or foresee in Korea signs of a general—as distinct from a local—relaxation in Soviet policy should take some trouble to acquaint themselves with the picture of events that has been, and still is, presented by the Soviet press and wireless to the Russian people. Even after every allowance has been made for the fact that no totalitarian system can be expected to admit frankly either failure or an involuntary change in policy, it is a disturbing picture.

All around the Soviet Union—it is said—there are aggressive preparations for war in which the United States takes the lead. The South Korean and American "aggression" in Korea was, in the words of Mr Molotov's mouthpiece, the "direct and most open expression" of this policy. The North Koreans and the Chinese "volunteers"—without, it appears, any Russian aid at all—have brought the aggression to a standstill, so frustrating American plans that "threaten the vital interests of all Asian peoples." If Mr Malik has been able to propose an end to the fighting, it is because General Ridgway's troops have failed in their purpose and refuse to "perish for the sake of the interests—which are alien to them—of a handful of millionaires and multi-millionaires." Against their failing morale has been pitted the "warm sympathy of all progressive mankind" for little North Korea. All this could have been avoided if the Americans and their fellow-conspirators in Uno had accepted last year Soviet suggestions that all foreign troops should withdraw and leave the Koreans to attain unity and democracy in their own fashion.

It may well be that those who direct Soviet policy do not believe all or anything of this travesty of the facts; but it is what they would like to believe and insist on the Russian people and the Communist-controlled world believing. The important point is that Communist representatives, whether in negotiations about Korea or other matters, have to work towards a train of events and agreements that fit into this picture. To assess accurately the significance of the points of detail that are raised by this process, western negotiators have to perform mental operations of the kind that would be needed to turn the story of Cinderella into something that might have been written by Grimm. Opinion in the free democracies will have to show great patience with their diplomatists.

* * *

Trial of an Archbishop

With the trial and condemnation to fifteen years' imprisonment of Archbishop Groesz, the Hungarian Communists hope that they have dealt a telling blow at the prestige and influence of the Roman Catholic Church in Hungary. Dr Groesz, who succeeded Cardinal Mindszenty as leader of the Hungarian Catholics, was accused of—and confessed to—carrying on the Cardinal's illegal and traitorous activities. These are said to have included conspiring to overthrow the present government with American help, and black market and illegal currency dealings. The western world recently received a vivid reminder of the methods that were doubtless used to secure the compliance of the Archbishop and his eight co-defendants, when Mr Robert Vogeler described his experiences in Hungarian prisons.

It is, at first sight, surprising that the government should risk alienating still further the strongly Catholic peasantry just before the harvest is due to be gathered in. But since it appears that the strains and stresses within the Hungarian Workers' Party are particularly aggravated just now, a great show trial may have seemed to have many advantages. It would make a diversion from internal discords, provide Moscow with a demonstration of the zeal of the present holders of power, and be a source of much useful propaganda against the Americans and the Church.

In any case, it has been clear for some time that another attack on the Church was on the way. As in Poland, the church-state agreement made in Hungary last year proved only a very temporary palliative. Last April the Communists accused the Roman Catholic bishops of breaking this agreement by their refusal to sign the latest Communist "peace" appeal. It was not until a month later that most of the bishops succumbed to pressure and signed the appeal. Through a committee of dissident priests the government is trying to worm its way into a controlling position within the Church. It is also trying to alienate the lower from the higher clergy, and at the trial of Dr Groesz a great effort was made to discredit the clergy in the eyes of ordinary people. The stories of clerical dishonesty, immorality and deception of the faithful ("prompted by thirst for profit") were greeted with a series of "boos" by the well-drilled working-class audience. Hitler used similar disgusting methods against the clergy of the Rhineland.

* * *

American Opinion and the Colonies

Americans are traditionally suspicious of "colonialism," particularly British colonialism, and their lack of reliable information about the Empire does nothing to mitigate their prejudices. On the contrary, suspicions are strengthened by contact with the growing number of African and West Indian students in American universities. The colonial student abroad, particularly if he has been abroad for some time, is often a violent and not very accurate nationalist. It is difficult for him to keep in touch with the rapid developments in his home country; also—and this is especially true of the student in certain parts of America—he is confronted with attitudes to race which, quite understandably, colour

his approach to the white man. In Britain there is nearly always someone who can challenge the wilder misstatements that are put about; in the United States anything may be said and believed, without challenge.

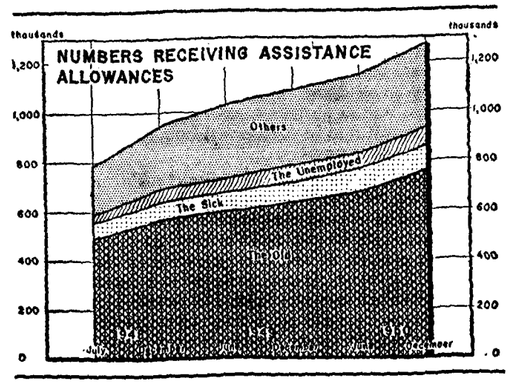
An example of the inaccuracies which are circulated in American journals is a paper written by a Nigerian Assistant Professor at Howard University, Washington, entitled "International Co-operation in Africa." The journal is *Social Research* (March, 1951), published in New York by the New School of Social Research and the Institute of World Affairs. The writer's theme is that "the United Nations is no more a guardian of the sacred trust of civilisation than a hungry English mastiff is the keeper of a piece of rare steak"; that all the activities of the colonial powers are "preponderantly exploitative" (even the new universities); that the best hope lies in Point Four; and that the United States should now lead us away from our past wickedness. This thesis is jumbled up with a ludicrous misrepresentation of the British Colonial Development and Welfare Plans, with assertions of the sinister intentions behind colonial educational policy, and a notable silence on such matters as the dramatic political advances of recent years, the Africanisation of the civil services, and the growth of trade unions and co-operatives.

The British Information Services in America have been valiantly attempting, in these last years, to spread some reliable facts about British colonial policy; whatever they say is discounted as mere "official propaganda," and the American press barely touches the subject. Perhaps the best, and only effective, answer will come from the African leaders themselves—if they are as invigorating as Mr Kwame Nkrumah appears to have been in his recent visit to the United States.

* * *

More People on Assistance

The gradually widening scope of the national assistance scheme is well illustrated in the Report of the Assistance Board for 1950. At the end of July, 1948, the number of assistance allowances was 784,778, excluding the blind and tuberculous cases who are assisted on a special scale. The accompanying chart shows how the total has increased in the two and a half years to December, 1950. Of the total of 1,272,309 persons who were then receiving assistance



allowances (again excluding the blind and tuberculous), as many as 962,823 were receiving them as a supplement to their old age pensions or other benefits under the national insurance scheme. This is a measure of the extent to which the rate of benefit has fallen below the cost of living.

It will be seen that there was a sharp increase in the number of assistance allowances granted in the second half of 1950. In June last year the Assistance Board raised its scale of needs, with the result that some people who had previously been ineligible for allowances were subsequently granted them. The higher scale was also responsible for the higher average rate of assistance allowance, which was 17s. 9d. in 1950, compared with 15s. 4d. in 1948.

The further increase in the Assistance Board's scale of needs, which will come into force in September, will similarly affect both the numbers of the assisted and the size of their allowances. Moreover, this year the Board has been empowered to make grants to people in full-time employment who would suffer hardship if they were required to pay the new statutory charges for false teeth and spectacles. The Board's place in the social security scheme, which was originally intended to be very small, is obviously going to grow in importance for some time to come.

* * *

The Assessment of Damages

Lord Justice Singleton, in the Court of Appeal this week, suggested a new method for the assessment of damages in High Court cases involving loss of life or personal injury. The assessment of damages in serious cases was, he said, a most difficult task, and one better performed by a jury than by a judge sitting alone. He went further; he suggested that the best possible tribunal would be one consisting of three judges of the King's Bench Division. Such a tribunal could put the assessment of damages on a more stable basis and, in his view, the decision of the tribunal on the question of damages could be made final. Since every inhabitant of the country runs the risk of personal injury on the roads (and for several thousands each year the risk is converted into the fact itself) proposals for any alteration in the method of assessing damages are of the widest interest.

One most difficult instance is the assessment of damages for the loss of expectation of life, a right which has existed for barely twenty years. For this there can be no objective measuring rod; who can prove what the expectation of life was worth to a man when he is dead? But, here, the courts in general have laid down a reasonably uniform set of rules for their assessment, largely in the series of cases that followed the sinking of the cruiser *Curaçao* by the *Queen Mary* during the war. A second category of difficult cases is that which follows the death of, say, a professional man on the threshold of his career. What has the family of a doctor or a solicitor lost if he is killed in a road accident at the age of thirty-five? There is no certainty that in fifteen years' time his income would have been very much greater, but there is a strong probability. A third class of case is that of the active man so crippled or paralysed in an accident that he becomes a physical, and economic, burden on his family for the rest of his life. What measure of damage is adequate to offset the result of the negligence that caused the injury? Lord Justice Singleton's proposals would at least meet one unsatisfactory feature of the position today, the lack of uniformity in the assessment of damage between one court, or one assize, and another. It is impossible to lay down a standard set of figures as a guide—the change in the value of money over the years must rule that out. But it is desirable that the standard applied by all the courts, at any one time, should have some uniformity. That the judges themselves are best able to secure.

* * *

Cabinet-making in Italy

Now that some time has elapsed since the second round of the recent local elections in Italy, it is possible to establish three facts which emerged from the two rounds taken together. They are that the tide of Christian Democracy is on the ebb; that Communism, for all its fireworks, is making no advance, with a tendency to depend increasingly upon back-

ward regions rather than the Moscow-weary working class; and that, against general expectation, something has happened to give a new lease of life to the extreme left-wing, fellow-travelling Socialists. This something is probably the mood of neutralism now growing up in Italy. It is caused by an unwillingness to vote for the Atlantic Pact and by a feeling that it is no longer satisfactory to go the whole hog and vote directly for the Cominform either. In addition, there has been a sharp but still not very menacing advance by the extreme Right, mainly localised in the South. The actual voting in the provincial elections was 5.8 million Christian Democrat, 3.2 million Communist, 2.1 left-wing (Nenni) Socialist, 1.4 million Social Democrat, and 0.6 million neo-Fascist.

Now arises the question whether and when the Prime Minister, Signor De Gasperi, might be wise to embark on a major reconstruction of his Cabinet. Apart from the possible advisability of reflecting the decline in the Christian Democrat vote by increasing the representation of other parties in the coalition, the Cabinet has in any case been on a rather provisional basis ever since the "Saragat" Social Democrats left the government earlier this year. A general view at the time was that when they had linked up with the group under Signor Romita the new union of anti-Communist Socialists—who, since May 1st have been known as the PSSIIS, or PS, the *Partito Socialista*—would be glad enough to become partners in a reconstructed ministry.

To re-open cabinet-making, however, is a major operation. And for the Prime Minister to do so deliberately might be unwise as well as unnecessary, since there is no question of the government having an insufficient majority in parliament. The Christian Democrats themselves are in any case sufficiently racked by dissension on agrarian reform and financial policy—and indeed on the very issue of association with lay parties at all—to make Signor De Gasperi think twice. On the other hand the next Italian general election must take place by 1953 at the latest, and the present year would seem none too soon for the government to make preparations for the last lap of the present legislature. The best course would probably be for Signor De Gasperi to defer reconstruction till after the last round of the regional elections in the late summer, but then to do all he can to secure the effective participation of the newly formed Saragat-Romita *Partito Socialista* in the work of government.

* * *

Polish Loan—Soviet Style

With the gradual transformation of the East European economies into the Soviet pattern many Soviet devices have been introduced into these countries. Thus, a few months after the revaluation of its currency, the Polish Government has decided to impose a dose of forced saving. This is an established Soviet treatment for too much money chasing too few goods. On June 18th, in a long speech, in which he claimed that Poland is already more industrialised than Italy and is catching up with France, the Prime Minister, Mr Cyrankiewicz, launched a 1,200 million zlotys "National Loan for the Development of Poland's Strength." The loan is redeemable over twenty years. The unit-bonds are 100 zlotys with fractions down to 25 and multiples up to 500. Half the bonds will be redeemed at par, while the other half will win prizes (in lottery drawings twice a year) equivalent to an overall rate of interest of five per cent.

Technically the loan is a faithful copy of the Soviet model (described in *The Economist* of May 12). The subscription campaign, too, is carried on with Russian intensity, and with all possible institutions, including the Catholic Church, mobilised. There have been reports of mass meetings in factories, offices and farms at which bonds are purchased "enthusiastically." The loan is likely to be subscribed and oversubscribed. Though it is in theory voluntary, the Polish trades union chiefs have already decided that workers must buy bonds for at least the equivalent of two weeks' wages (this form of voluntary compulsion was already known in prewar Poland).

Yet this state loan is on a much smaller scale than in the Soviet Union, where workers are made to save one month's wages. The amount set for the loan accounts for roughly two per cent of the total 56,000 million zlotys budget revenue, while its Soviet counterpart accounts for over seven per cent. Hence the linking of the present loan with vast projects of development in all branches of industry and agriculture makes sense as propaganda but not as practical economics. In all economies on the Soviet pattern it is indirect taxation—not personal savings, compulsory or otherwise—that provides the principal basis of saving. The actual level of personal savings in Poland is not known; but it may be gathered that it is very small, since there are now only 750,000 holders of savings books against some five million before the war. On the other hand, in view of the understandable reluctance to save, state loans are a useful and convenient secondary device for mopping up excess purchasing power; as such they have probably come to stay as a permanent feature of the Polish economy and may become routine annual operations as in the Soviet Union.

* * *

Survey of Family Expenditure

During the next three months the Social Survey will be carrying out for the Central Statistical Office an inquiry into family expenditure. This is one more in a series of experimental surveys, and it differs from the others in several ways. Previous records have shown that the postal method yields poor results and that it is much easier to get information about what is spent by the housewife than about how the rest of the family spend their money. This time all members of the family over the age of 15 will be asked to record their expenditure, and each will get a bonus (a maximum of 25s.) if all the others complete the forms. Another innovation is the attempt to obtain records for as long as four weeks; interviewers will call to explain the method and will collect the records at the end of each week.

People are usually willing to co-operate in these surveys, but the information now requested is certainly very detailed. Each person must say, for example, not only how much he spends on beer, but whether it was bottled or draught. In fact, the evidence on the kind of beer will be more accurate than the sums entered. In the Ministry of Labour's prewar surveys the expenditure on beer and tobacco that people confessed to was so obviously understated that the weights for these items had to be constructed from the total expenditure in the whole country.

The classification of expenditure is itself more detailed than anything that has been attempted before. It is difficult to find one that suits all the purposes to which this kind of information might be put, and the headings chosen broadly follow the analysis of consumer spending in the National Income White Paper. It is to be hoped that the information will be published in some form, but it will be of limited use, for the survey will cover only 1,500 households. Its chief value will lie in the lessons learned about the technique of obtaining information rather than in the information itself. It will prepare the ground for the big survey which must sooner or later be made in order to construct a new retail price index.

* * *

"The Royal"

At Cambridge this week, the Royal Show has unfolded its 150 acres, its 5,000 head of the choicest livestock that

the country produces, and its hundreds of exhibition stands showing "dead stock" of every description, from the latest cafeteria battery from which the hens help themselves to the newest crawler tractor. The farmyard smell nowadays is one part Bottom's "good hay, sweet hay" and two parts diesel oil. Half the Royal showyard is occupied with machinery and implements, and this state of affairs has its critics who fear the growth of commercialism and the decline of real farming interest in the Royal. But although there is a profusion and diversity of implements that prompts the thought that agricultural engineering is still only part of the way through its industrial revolution, it is also clear that the larger producers with their "systems" of machinery and tractors attract the greatest interest. There are pedigrees among the machinery stands that are as eagerly discussed as any in the cattle rings.

This year, as in the hundred shows from 1839 onwards, there is the same emphasis on education and emulation. The farmer with the average dairy herd goes home a better man for seeing milking breeds at their best. In a compact display, the Ministry of Agriculture summarises before his eyes years of careful experiment in raising crops and stock, making its lessons as simple as they are significant. It would be untrue to say that there were unhappy farming faces at Cambridge this week—the escape from haymaking half completed was not the least of the pleasures of this year's "Royal." But there was a more serious concern about rising costs of equipment, farm materials (baling twine costs £270 a ton, against £160 a year ago) and the new wage demands than at any time since the war. The easy days are over; the job now is to improve average standards of farming so that they can compare more respectably with the best that "The Royal" has to show.

* * *

Village Schools

The arguments for the preservation or extinction of village schools are finely balanced. It is difficult to weigh the intangible advantages of personal contact and rural life against the more obvious material merits of better facilities, classes grouped according to age, and a wider spread of costs in the larger school. But whatever the general, theoretical arguments, individual circumstances may make nonsense of the theory. This appears to be the case with a particular school in the village of Little Easton, Essex, which has 17 pupils, the prospect of another 32 now under the age of five, and a teacher regarded as outstandingly good. It is proposed to close the school and to transport the children to a rather larger school, which is not to be modernised for another ten years. In the process the present teacher, who is entitled to retire almost at once but is prepared to carry on only in her own village for another five years, will be lost to the profession and another will have to be recruited. The only explicit justification given for the closure is the high cost per pupil in the existing school. Insufficient evidence of this has been provided, and the governors of the school are fighting the closure to the best of their ability.

The proposal appears to be an example of what the bureaucrats can do if they are given a free hand. It may be that there is a better case for closure than the governors have been able to elicit. What on present evidence is inexcusable is that, in anticipation of improvements in another school ten years hence, one flourishing school should be extinguished, and this without any clear statement to the governors of the reasons. If local interest in schools is to be encouraged education authorities should deal more generously and wisely with those affected by their decisions. This is not the only example of high-handedness. Other local education authorities have been as insensitive to local feeling.

July

In July many of us, like the sunflower, turn towards the sun. As holidays approach, arrangements have to be made, and here the Midland Bank can help, not least by providing for the encashment of your cheques at a branch near to where you will be staying, and by looking after your valuables and documents while you are away.

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Letters to the Editor

The Vacuum

Sir,—It was rather surprising to find *The Economist* apparently suggesting that the main obstacle to a spectacular recovery of the British economy was the lack of "some new policies"; as if the whole scene would miraculously change if only some political leader would have a brain-wave. This view seems to me to be highly dangerous, because so many of our economic difficulties can be ascribed to the attitude of mind encouraged by those who declared that all our material troubles would disappear if only Parliament would pass a few Acts and nationalise a few industries. Conservatives have constantly endeavoured to expose the illusion that prosperity can be provided by a wave of the Government wand, and rather to assert that it can only follow from increased production and higher efficiency.

The statement that the Conservative party has no policy is manifestly inaccurate, and I doubt whether any party at any time has had a more detailed or carefully considered statement of policy than "The Right Road for Britain." The need is for strong leadership and effective administration rather than further slogans or catchwords.—Yours *faithfully*,

JOHN BALDOCK

House of Commons

[There was no suggestion in our article that a policy must be expressed in legislation rather than in administrative action; our criticism of the Conservative Party is that neither "The Right Road for Britain" nor more recent declarations on policy—such as the housing proposals—give much promise of "strong leadership and effective administration."—EDITOR.]

The New Examination

Sir,—May one who has followed with interest over the past couple of years your articles on the new examination add a postscript to the article on this subject in your issue of June 30th?

The point you bring out which has been insufficiently appreciated is how very unfair the age limit is to the smaller schools. As you remark, the bigger schools, and in particular the independent schools with their more generous staffing ratio, can cope with the difficulties which it produces, but these difficulties will bear very hard on the smaller schools with a less generous staffing ratio. This point about the unfairness to the smaller school is one on which many of us feel strongly but which has *not* been given the publicity it should have had.

The vexing thing is that the solution is so easy. Let boys take not more than two subjects in the new examination before they are 16, let no boy be issued with a certificate until after he is 16, and all the difficulties disappear, while the main objectives of the age limit are attained.

There are arguments against a multiplicity of marks of distinction, and though not all of us may agree, we should perhaps accept the single pass at "ordinary" level; but that a boy who has taken and reached a certain standard in scholarship papers should get no recognition therefor is a point on which both schoolmasters and schoolboys feel equally strongly. Surely we could have a pass at "scholarship" as well as "advanced" level?—Yours faithfully,

H. D. P. LEE

Clifton College, Bristol

Sir,—The article in your issue of June 30th ignores a recent official gloss, by which "the Age Regulation will not apply to candidates from schools outside England and Wales. This decision includes schools in Scotland, Northern Ireland, Eire, the Isle of Man, and the Channel Islands."

In the hot pursuit of parity of esteem amongst themselves the English and Welsh appear to have sacrificed equality of opportunity with other inhabitants of the British Isles.—Yours faithfully,

LAWRENCE STONE

Wadham College, Oxford

A Higher Pound?

Sir,—The recent correspondence about a possible revaluation of sterling has been stimulating and informed, and I hesitate to contribute what seems to me to be an air of reality to the proceedings.

There can be little doubt that a balance must be struck somewhere between fixed and free exchange rates. Two manipulations within 21 months could hardly be expected to inspire or sustain confidence in sterling.

There is another aspect, however unimportant, which so far seems to have been neglected by your correspondents, and that is the effect of a revaluation on the gold mining industries. September, 1949, brought welcome relief here to the pressure of ever-rising costs on stable revenue and enabled extensive new capital expenditure to be undertaken, particularly in the Orange Free State, with a moderate degree of confidence. In this respect, revaluation of sterling would be a severe blow to the whole South African economy and would do little to narrow the present unhappily growing gulf between our two countries. —Yours faithfully, PETER R. LODGE.

Johannesburg, South Africa.

Inquest on Farming

Sir,—Mr Cyril H. Kleinwort claims that "to prove that the community is not getting a fair deal from British agriculture, it would be necessary to show that a person of normal intelligence, farming ordinary land, is making a greater return for his capital and labour than he would do in other industries." This represents a very common attitude of mind among farmers and others, who would probably not think of themselves as Socialists and yet I believe it to be a purely Socialist concept of a fair deal.

Because the land, capital and labour available at any given moment are fixed quantities, they cannot be used in more than one way at the same time. You cannot use a piece of land for a factory, race-track or aerodrome and also farm it. You cannot have the same money invested in a television factory and also in farm tractors. A man cannot work as a farm worker and as a bank clerk at the same time. Nor can any man of normal, or even exceptional, intelligence claim any particular return on his capital and labour as a farmer merely because he wants to be one. What would happen if everyone wanted to be a farmer? Who would reward them for their services? What is a coal-miner worth if no one wants coal?

The saffron-growers who gave their name to Saffron Walden have long since gone out of business. The men who made armour for our ancestors went out of business, not because they were inefficient but because no one wanted their armour. They have had to bow to laws which respect neither normal intelligence nor ordinary land, the inexorable laws of supply and demand. The right price for a farmer is what he can earn in a free market. There is no hope at all for agriculture until this fact is realised once more by our farmers and rulers and our polices are shaped accordingly. Then the good farmer will have the opportunity of growing rich and prosperous in terms of pounds which keep their value and the bad farmer will have the opportunity of making way for someone better. The rest of us will be relieved of our present obligation, as a result of being deliberately cut off from alternative sources of supply, to buy what our farmers produce at prices which are intended to ensure for them a standard of living comparable with that of men employed in other industries. The free market and profit and loss account are the only ultimate tests of efficiency.—Yours faithfully, OLIVER SMEDLEY

Saffron Walden

Burma Off Balance

Sir,—In your issue of June 9th you said that "Burma's adverse balance of trade in 1950 was greater than in 1949." This is not true. Burma's balance of trade (exports *v.* imports) has been favourable in both the years. According to the world trade statistics published in your *Records and Statistics Supplement* of May 26, 1951, the value in U.S. dollars of Burma's exports exceeded the value of imports by $109 million in the year ended September, 1949, and by $49 million in the year ended September, 1950.—Yours faithfully, SAN LIN

Union Bank of Burma, Rangoon

[The argument in the article was that, in spite of very favourable world conditions, results in 1950 were less good than in 1949; on Mr. San Lin's figures this remains valid. There are frequently discrepancies in statistics about Burma; they are difficult to avoid when, for instance, the embassy in London states that it still does not have figures for 1950.—EDITOR.]

Books and Publications

African Colonies

Native Administration in the British African Territories. By Lord Hailey. *HMSO.* In four parts, Part I, 17s. 6d.; Part II, 10s. 6d.; Part III, 17s. 6d.; Part IV, 5s.

Probably no one but Lord Hailey could have written this massive survey of British administration in Africa. It is dry and methodical in marshalling a formidable amount of facts; cautiously objective in evaluating them; and judicious in the recommendations offered. Though intended as a reference book for government officers who feel the need for information about administrative practices followed in territories other than their own, this report is also the most comprehensive and authoritative source as yet available for the historical study of British colonial administration in Africa. This applies particularly to the first three parts, which deal respectively with the East African territories, the Central African territories and the four West African colonies. Part IV reviews some general problems that emerge from the descriptive parts. Much of the material was obtained on the spot during visits paid by Lord Hailey to the African colonies between 1939 and 1947. The survey is of special value as a record of changes in colonial administration during the past decade.

Lord Hailey's main concern is with the machinery and processes of administration at the level of what is increasingly being called "local government." Constitutional developments pertaining to the central government are referred to only as they impinge on local administration. At the same time one of the striking facts made clear by Lord Hailey's method of presenting the data in a historical framework is the degree to which the actions of the central government continually shape local administration to the geographical, economic and ethnographic exigencies of each territory. This has made the distinction between "direct" and "indirect" rule an anachronism. In each territory there is a "principal ordinance" emanating from the central government which regulates the powers and functions of the Native Authorities. In Nigeria, for instance the classical home of "indirect rule," traditional tribal authorities do not *ipso facto* constitute the Native Authorities. The latter hold office, exercise powers of taxation, provide local services, and act as a court of law by appointment from the central government. In Nyasaland, on the other hand, where local administration is much less advanced, the traditional basis of tribal authorities tends to be more emphasised. In the Gold Coast, again, constant revision of the "principal ordinance" has been necessary to make clear the source of Native Authorities' powers; and here, as elsewhere, advances towards self-government immediately react on local administration.

Lord Hailey's survey brings out the great variety in the forms of native administration that have grown up in the British African territories. It shows, moreover, that they have been far from static; and changes made in response to local circumstances, historical accident or mere expediency have often been happier than those due to policy. Indeed, deliberate policy still sometimes results in Native Authorities being established which neither understand nor are capable of adequately exercising the powers conferred on them. Many factors contribute to such failures. Apart from lack of indigenous institutions on which to build, sheer poverty, absence of large numbers of men as labour migrants, or exclusion of literate people may all play a part.

In spite of obvious differences, which may be very great even within one territory, native administration in the British African territories has common features and aims. These give rise to common problems. Local taxation is the basis of native administration; and the development of skill and responsibility in using the proceeds for local services is a common problem everywhere. The judicial functions of Native Authorities also raise common problems. There is the problem of separating them from the executive functions of the Native Authorities. There is the difficult problem of adapting customary law to modern economic conditions. Lord Hailey discusses what is being done to meet these problems by bringing educated men into local administration, by setting up advisory councils, and by appointing specialist officers to guide Native Authorities. The historian will be particularly grateful for Lord Hailey's masterly analysis of the land law and policy of each colony and its influence on the structure of native administration, so strikingly seen in Uganda. Land law has caused anomalies in the growing urban areas, where local government has been least successful. Lord Hailey's support for measures to give greater scope to the urban middle class in municipal government will be welcomed.

In his final summing up Lord Hailey expresses tempered confidence in the broad lines of the policies at present being followed. He stresses the value of building up a sound body of knowledge of the social and economic facts to which constant adaptations must be made. He has given enough data, in this survey, to show that haste and dogma in the further development of local administration in British Africa can lead only to failure.

Philosopher Kings

Education and Leadership. By Eric James. *Harrap.* 112 pages. 6s.

This is a book by a man of courage, for both on leadership and on education he is against the current popular view and his defiant blasts are not muted by any cotton wool of compromise. Briefly, his thesis is that in Britain today we have finished with the process of "natural selection" based on ability to pay; having given the gifted from whatever economic background their chance, we had better realise that the Platonic guardians of the new order need special attention if they are adequately to assume their role of philosopher kings.

Dr James writes on this subject with a unique authority for his teaching experience has been in two schools whose records of scholarship and leadership are pre-eminent. Winchester and Manchester Grammar School both attract ability and can afford to repel mediocrity; to them go among the brightest of the nation's young. Dr James is at pains to stress that leadership requires intelligence, although it is true that this doctrine is not shared by those who draw an artificial distinction between brain power on the one hand and character on the other. The intelligence of the leader must be higher than the national average, but this does not mean that all leaders require to be "double firsts" or "intellectuals."

If this ability for leadership exists—and Dr James is commendably free from cant in his definitions of that vexed quality—then it requires especial care to bring it to its full potential. The future leader in government, science, the arts and industry must be exposed to the influence of first-rate minds and given opportunity to grow in an environment designed to meet his needs. It does not mean, argues Dr James, that he should be sent to some boarding school for

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future permanent-secretaries and chairmen of national boards, but it does mean that the grammar schools of England should be recognised as having peculiar needs for a peculiar purpose. Not unexpectedly, he is against the egalitarian frenzy for the comprehensive school displayed by a number of contemporary writers, whose ideas are hopelessly out of date and postulate a social order which had passed a long time before the 1944 Education Act. Some of the most effective passages in "Education and Leadership" deal with the confused thinking of the present day, which identifies "equality" with identity, and fails to appreciate that the job of the democratic process is to produce an aristocracy based on ability rather than birth, money or party loyalty.

Dr James's book is astringent, and written with clarity, knowledge and integrity. Into its hundred pages is packed more earthy common sense and high idealism than is to be found in ten times that space of contemporary educational writing.

Joe

The Life of Joseph Chamberlain. Vol. IV, 1901-1903. By Julian Amery. *Macmillan.* 533 pages. 30s. net.

When he died in 1914, the name Joe still, despite the tragic over-clouding of his later years, meant Joseph Chamberlain to his fellow countrymen. It is not so today; what now looms up is the sinister figure of "Uncle Joe." Is anybody, in 1951, sufficiently interested in the Joe who broke up first the Liberal and then the Conservative party to read a volume of 530 odd pages covering but three years of his life, to say nothing of the earlier three—and final fifth—volumes in the series?

Mr Julian Amery handles with genuine skill and authority the three years in question. If he had been free to draw a portrait in a single volume, a readable book of quality might have resulted. The portrait could then have been set against its whole background and scaled to fit it. As it is, a subject admirably suited for a powerful black and white drawing lacks the depth and the variety that justify a massive canvas and oil paint. Mr Amery was not so free. The scale had been set by J. L. Garvin, who in 1915 took on the task before which Milner, whom the Chamberlain family had selected for it, had quailed. At that time a five-volume biography may well have seemed reasonable. It was the fashion—a fashion which is happily dying.

By 1934 Garvin had produced three volumes. His successor in the task inherited a mountain of material and a design from which he could not escape. Within the conditions thus set, he has done well. But he is at times defeated by the difficulty of giving sustained interest to a man whose horizon was limited to the political arena of his time: an individual of force, drive, courage and integrity for whom too many aspects of the human situation simply did not exist. Even the vision of Empire, with whose exposition to Milner the book dramatically closes, is somehow without the spark that might have kept the words alive. Disillusioning as it may be to see the enthusiast go down before the cynic, it is impossible not to feel that this narrow mind deserved to be defeated by Balfour's subtle and various one. Mr Amery tries to remove the impression that the person had, somehow, got lost in the politician. It is not his fault that he fails.

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European Economics

Twentieth Century Economic History of Europe. By Paul Alpert. *Henry Schuman (New York).* 466 pages. $6.

Dr Alpert begins his book with an account of the economic structure of Britain, France and Germany in 1914 and carries it down to the Schuman Plan, in so far as agreement had been reached on the plan by the end of 1950. This is a useful survey and it has been well done. For the present generation it is all too easy, in the years following the Second World War, to regard today's economic problems as without precedent. In reality the position of Europe at least was fairly similar after the war of 1914-18. There was then, as there has been again, a very high degree of inflation; this had its origins in tremendous budgetary expenditure during the war and immediately after it, as well as in the pressure for higher wages as a result of scarcity and higher prices. Then, as now, there was a great shrinkage in international trade and a severe dollar shortage.

In the early nineteen-twenties, as Dr Alpert points out, the dollar shortage was by no means as grave as in the late nineteen-forties; and there existed then greater resources which could be mobilised to meet it, particularly foreign assets. Nevertheless, recovery after the First World War was in many respects slower than it has been after the second, in spite of the much more universal economic distress in the nineteen-forties and in spite of the very much greater and more widespread physical destruction in Europe itself. The reason for the greater success today has undoubtedly been a combination of direct American aid on a large scale through ECA, and the growing power of governments to intervene with comparative success in both internal and external economic fields.

Dr Alpert deals with these problems in a manner at once both crisp and scholarly, and he has produced a book which bears the hallmark of the best type of painstaking American research. He himself was educated in France and worked in Paris before the war; he is now associated with the universities of New York and Wyoming, after being arrested by the Gestapo during the war. Dr Alpert has kept remarkably clear of bias either for or against the trend of the last quarter-century towards greater state control. Indeed he poses with sympathy the fundamental question with which all European governments have been faced, and which is now also becoming the inevitable question mark in American political life—how to combine the maximum of political liberty with the economic needs of the modern state.

The course of the book has been well charted. It takes in all the main economic developments in the bigger countries—including Russia—throughout the period, as well as the leading factors affecting Europe as a whole. It covers the repercussions of the Bolshevik Revolution and the period of war debts in the nineteen-twenties, the great depression and the pinnacle of Nazi power, the British war effort, and the reconstruction of France under the Marshall plan. Dr Alpert has indeed succeeded in giving an interesting and readable survey of a peculiarly difficult and diversified field of contemporary history.

Bigwin Conference

The Changing Commonwealth. Proceedings of the Fourth Unofficial Commonwealth Relations Conference, September 8-18, 1949. Edited by F. H. Soward. *Oxford University Press for the Canadian Institute of International Affairs, 1950.* 268 pages. 16s.

The fourth in the series of unofficial Commonwealth Conferences organised by the Royal Institute of International Affairs and its sister institutes was held at Bigwin Inn in September, 1949. By general consent it was the most successful. The publication of this summary of its discussions does a good deal to explain why this was so. The Commonwealth, for the time being at least, has ceased to be introspective. Questions of status are no longer a principal preoccupation of its members, and this allowed attention to be focused on wider problems to an extent not hitherto possible at such gatherings. At the same time the Commonwealth has received an infusion of fresh blood from Asia and it is apparent that the questioning yet constructive approach of the Asian delegates gave to the Bigwin Conference the stimulus of novelty and a wider perspective. For these reasons no one should allow himself to be discouraged from reading Professor Soward's book because it appears in the unprepossessing form of a conference report. It contains one of the most enlightening discussions on contemporary Commonwealth affairs that has been published in recent years.

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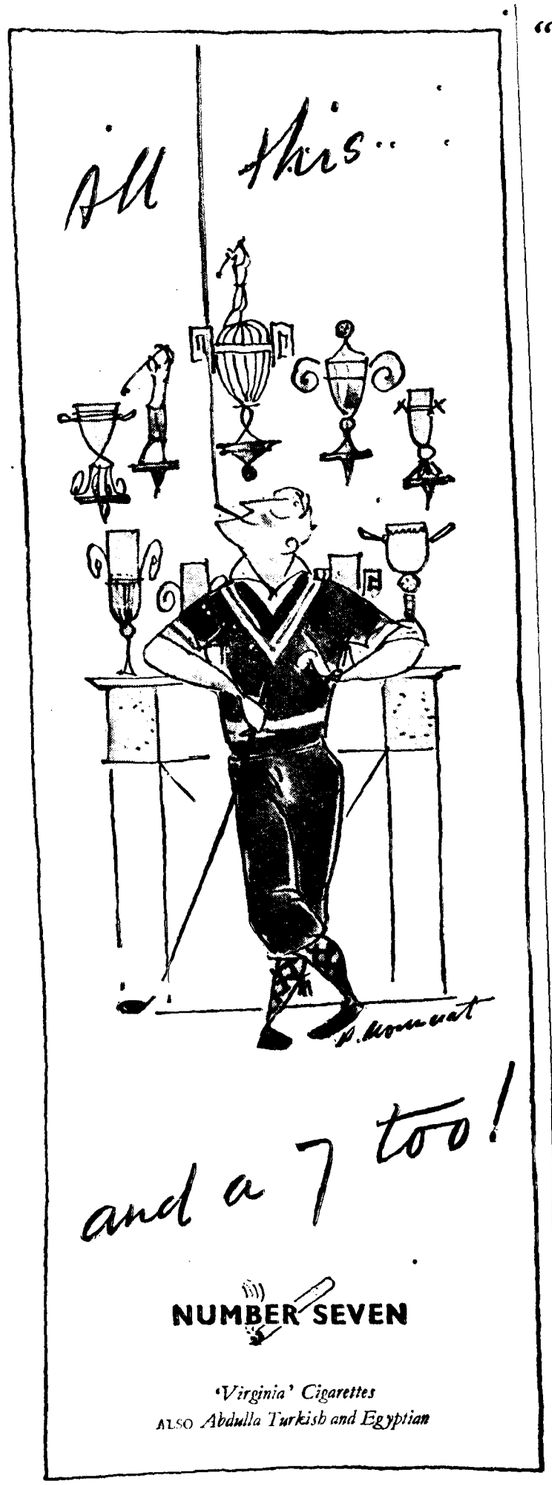

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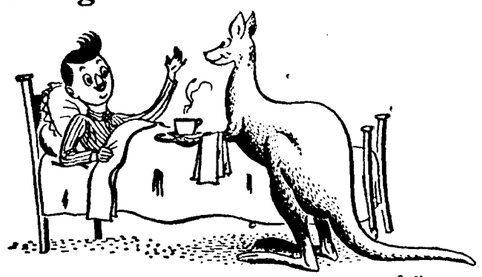

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It was a speaker from Ceylon who said that he did not like the term "New Commonwealth" because it implied a loss of traditions and imponderables which were its essence. Yet while the addition of its Asian members may not have changed the character of the Commonwealth it has unquestionably increased the complexity of its relationships. An Australian could "regard Britain and Australia as one community sharing the same way of life, pursuing the same ideals and, not the least important fact, being one folk." For Canada and South Africa the bond of kinship has been less pronounced and for the Asian dominions it is lacking altogether. For them membership of the Commonwealth is consequently something to be valued on its merits, not to be accepted as part of a natural political order. This is not necessarily a bad thing. The Commonwealth has suffered as much as it has gained from effusive proprietary sentiment in the past, and in a changing world critical appraisal may well have wholesome and unexpected consequences. One conclusion of the Asian delegates who indulged in it was that the Commonwealth had greater opportunities for co-operation in economic and social policy than had been hitherto recognised. They were, in fact, advocates of a Colombo Plan six months before Colombo, and the welcome accorded to their ideas at Bigwin is in itself a tribute to the constructive temper of the conference. But with this new spirit of enquiry has come a real need for better understanding of what the Commonwealth can and cannot do. The merit of the Bigwin Conference and of this record of its deliberations is that they help to meet it.

Disintegration of a Party

The Irish Parliamentary Party, 1890-1910. By F. S. L. Lyons. *Faber and Faber.* 284 pages. 25s.

The events which led to the "Parnell split" in 1890 and those which took place during the passage of the third Home Rule Bill were so dramatic that they have attracted the attention of many modern historians. The intervening twenty years have been comparatively neglected. But during that period the Irish parliamentary party was torn by feuds and quarrels; it was heading for the great disaster in which it was annihilated by the Sinn Fein movement. The gap in the political history of modern Ireland has been ably filled by Mr Lyons, of Trinity College, Dublin, who has worked upon the vast mass of letters and other manuscript material in Irish public and private collections. He shows that the party underwent a process of slow disintegration which injured its unity, its discipline, its policy and its power. The seeds of its subsequent destruction were sown in the two decades that followed the "split."

The years that witnessed the slow decline of the parliamentary party were marked by considerable economic and social reform. The land question, the congested districts, local government, agricultural improvement and university education all received attention. Many of the constructive measures on these subjects were passed by English rather than by Irish votes. The parliamentary party refused to co-operate with the progressive Unionists in these fields lest it should be accused of weakening on the national issue. It was this refusal that drove William O'Brien and his influential supporters from the party. The party was blind, on the other hand, to the more advanced political and cultural ideals of the younger generation, to the industrial and linguistic revival. The party leaders staked everything on the achievement of home rule by constitutional means and on the alliance with the Liberals. But the fact that later events frustrated their hopes does not prove that their policy was not well advised at the time when it was adopted; if it had succeeded it would have averted armed rising, civil war and the partition of the country.

Shorter Notices

London's Underworld. Writings of Henry Mayhew. Edited by Peter Quennell. *Kimber.* 434 pages. 18s.

"London's Underworld" is a disappointment after the earlier companion to this volume, "Mayhew's London." In the earlier book Mr Quennell selected a much more varied part of Mayhew's writings, and the impression they conveyed was Dickensian in character, with a multitude of persons and trades swarming in the pit of London. In the present volume only prostitutes, thieves and beggars appear and the account is strangly monotonous. A sordid tale one might have expected, but not something so dull. Mayhew had indeed no intention of entertaining: his purpose was to describe and to reform, but the lighter touches, extracted by Mr Quennell in the earlier volume, are here much rarer. Instead Mr Mayhew faithfully records and Mr Quennell extracts a succession of conversations and visits round the purlieus of Piccadilly or Southwark and the other haunts of London's underworld which end by being repetitive. A double gin or half-a-crown seems to have been enough to make any prostitute or burglar recount a life story. The pattern of degradation of most men and women and the accounts they give vary surprisingly little. As plain reading the book is heavy going. As a record of the seamy side of Victorian life round about the eighteen fifties it has plenty of material to offer. Anyone who wants to show how much or how little better we are than in 1851 has Mr Quennell to thank for doing half his work for him. For the budding novelist of the Victorian underworld Mr Mayhew is recommended reading.

A History of the Worcestershire County Cricket Club, 1844-1950. By W. R. Chignell, with a Foreword by Maurice F. S. Jewell. *Littlebury.* 443 pages. 21s.

Worcestershire has produced many famous cricketers including members of the Foster family whose ability at playing cricket merited the county being described as "Fostershire." This excellent history is dedicated to the memory of H. K. Foster, captain in 1889, 1901-1910 and 1913. Mr. Chignell has written an interesting book showing the ups and downs experienced by Worcestershire cricket through the years. The book begins by tracing the history of the county before it secured first class status in 1899. Since promotion to first class rank, their record has been one of which the club has no reason to feel ashamed. In 1907 they ended the season second in the championship table and in 1949 they came third. The success of the players is revealed in the admirable year-to-year story from 1899 to 1950. There are some excellent photographs. The book is well indexed and is worthy to be placed on a bookshelf with the county cricket histories that have already appeared.

Factory Law. Fifth Edition. By H. Samuels. *Stevens.* 719 pages. 63s.

New features in the latest edition of this standard work include a useful summary of the changes made to the Factory Act of 1937 by the 1948 Act and references to recent court decisions in industrial law cases.

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AMERICAN SURVEY

MacArthur Fades Away

Washington, D.C.

SINCE he had his great day on April 19th, Old Soldier MacArthur has faded away into Politician MacArthur. Meanwhile the investigation into the circumstances surrounding his dismissal finally faded into a forum where the Democrats, by calling on one or two sober professionals such as Admiral Badger and General Barr, tried to offset the stream of digruntled second-raters brought in by the Republicans to give their rancour and bitterness one more public airing. With the hearings over and every piece of evidence in the record four or five times, the committee now has to consider its next move. It is a sad commentary on the present state of the Senate that nobody believes that there will be one report, non-partisan and objective. Senator Russell, the chairman, even wonders whether it is worth trying to draw up a formal report at all. It is generally agreed now that no Republican will try to deny the President his constitutional right to relieve a commander in the field and that most, if not all, Democrats will join the opposition in regretting the lack of tact with which the relief was carried out. But that is probably as far as agreement will go.

On the questions of whether General MacArthur's proposed policies were good or bad and on the merits of the State Department's performance in the Far East during the last six years, there will undoubtedly be two or more conclusions. But, however many there are, they are likely to prove that most of the Senators took their prejudices into the investigation at the beginning of May and brought them out intact at the end of June. This is, perhaps, more true of the opposition because their prejudices were better developed before the inquiry began and because they, who demanded the investigation, never intended it to provide facts for an unimpassioned discussion of American foreign policy. They hoped that the catch would include some juicy scandals for future use; instead it consisted mostly of old boots with, unfortunately for them, one or two electric eels.

The entire MacArthur episode was but one stage—how many more there will be is anybody's guess—in the continuing attempt by some Republicans to escape from the consequences of the policy of containment of Soviet Russia, to which they subscribed with some fine anti-Communist gestures when it was proposed by Mr Truman in March, 1947. Since then, however, they have found that it is cheaper, more fun, and politically more satisfactory to hunt Communists at home than to try to contain them abroad. Few of the party's leaders, except Senator Vandenberg, understood that the Truman Doctrine, if it was to be successful, meant a long period of uneasiness and tension, and one which called for patience and wisdom. Without Mr Vandenberg's guiding hand, they became increasingly restive and found their feelings echoed among the public, which had never quite understood the policy from the beginning.

When it was certain that Mr Vandenberg would never come back to the Senate, the revolt of the right wing began. Its first manifestation was the reception given to Mr Hoover's speech in December, when he proposed that the United States should leave Europe undefended and retire to a fortress in the Western Hemisphere. Hardly had the attack on the containment policy from the isolationist flank been beaten off than a second, and more violent, one using General MacArthur as its instrument, was launched from the opposite flank. It is now clear that this second attack has also failed. Both, probably, were foredoomed to failure because they were based on emotions, the chief of which was fear, instead of a considered alternative policy.

The most curious aspect of the whole business is that the same people were responsible for both campaigns. Mr Herbert Hoover who, four months earlier, had warned the country of the dangers of becoming involved in continental warfare anywhere, sat in New York, telephoning to General MacArthur in Tokyo and making the arrangements for his speech to Congress and his triumphal reception in New York. Many of the Senators who acclaimed both Mr Hoover and General MacArthur no doubt failed to appreciate that their policies were diametrically opposed, but it is hard to believe that ignorance was the reason for Mr Hoover's performance.

The third attack was a more subtle one, a quiet infiltration of the Administration's position rather than an assault upon it. It was the product of the devious mind of an experienced politician, Senator Wherry, though it was fathered on to a decent mediocrity, Senator James Kem of Missouri. His amendment to the Supplementary Appropriations Bill, by which financial and economic aid was to be withheld from countries supplying strategic materials to Russia or the satellites, sounded like good, patriotic common sense to the public of a country which can live without imports. It cannot understand why anybody else needs them or has to pay for them with materials which might, in some obscure way, help the Communist war effort. The amendment sounded so good that not a single Senator could be found from either party to vote against it, though a clear majority knew that some way would have to be found of avoiding its consequences if the rearmament of the West were to continue.

★

It would be too much to hope that the last has been seen of the attempts to escape from containment as a policy—or from any policy which entails long-term considerations and continual vigilance. What the inhabitants of the central plains of the United States, and those who represent them, want is a policy which will make it possible for them to retire into their own preoccupations. The enemy outside must be kept out by drawing some magic circle beyond which he cannot pass (the Monroe Doctrine worked once; some similar declaration might work again) or else he must be destroyed by the waving of some magic wand (the atomic bomb ended one war in a few days; it might end another as quickly). These men are dangerous to sober policies only when there is no alternative Republican leadership in the Senate. But today it is one of their own group, Senator Taft, who is leading the opposition.

The Republicans on the Foreign Relations Committee, who looked to be a sound team when Senator Vandenberg was chairman in 1947 and 1948, have gone off in all directions. Senator Wiley, who is now the senior Republican, is doing his best. He showed good sense and a complete freedom from partisan feeling in his contributions to the debate on troops for Europe and he proved again, in a broadcast on Colonel McCormick's Chicago station, that he will not desert the idea of bi-partisanship in foreign policy. But he is not as astute as was his predecessor, and he does not carry his party, or even the members of his committee, with him. Next in rank to Mr Wiley is Senator Alexander Smith of New Jersey, who was one of Mr Vandenberg's most useful assistants during the Marshall Plan period. The combined influences of General Chiang Kai-shek and Dr Frank Buchman have since curtailed his usefulness. Senator Lodge seems no longer to have the courage of his convictions, as he once had. He came to the rescue at the last moment more than once over troops for Europe, but he never seemed to be able to make up his mind during the MacArthur investigation whether to toe the party line or to be the statesman many have hoped he would become.

The Republican Party has, indeed, nobody at the helm of its foreign policy and, as a result, the ship of State Department policy has often to steer a zig-zag course to avoid being run down. It managed to avoid being pushed on to the Scylla of isolationism, but it had to bear in that direction to the extent of tying itself to a set number of divisions for Europe. It also avoided the Charybdis of preventive war, but again it steered fairly close to the rocks with aid for General Chiang Kai-shek, acceptance of Formosa as a necessary bastion of the American position in the Pacific and with Mr Dean Rusk's speech. But it is quite unable, and will be for a long time, even though General MacArthur is no longer a danger, to crowd on all sail and hurry through the straits into the deep water beyond. If the Malik proposals come to anything and if a cease-fire is arranged before the winter on terms meaning clear defeat for the aggressor, the Administration's position will be immensely improved. The Republicans will cry appeasement, but once again they will be found to have nailed their colours to a falling mast.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Grub-Stakes for Miners

[FROM A CORRESPONDENT IN COLORADO]

THE American government is spending a huge amount of money, perhaps a billion dollars or maybe even more, in order to be sure that, wherever possible, the non-ferrous metals needed for the rearmament programme shall be obtainable from domestic sources. These sources are mostly in the Rocky Mountains. In the year since the Korean invasion, the government's attempts to encourage both the opening up of new mines and greater output from existing ones have mainly taken the form of granting very large inducements to the giants of the industry; this has been done through long-term contracts, loans, and tax concessions for developing mines and for constructing new mills, smelters, and refineries. The general effect will be to make the big companies even bigger and to increase their domination of the industry. For reasons both of security and politics, this programme has not received much publicity. But the small miner in the west who imagines himself to be "the backbone of the industry" (a relic of wishful thinking from the last century which is encouraged by his political friends) has by now heard something about it; as a result he feels he has been left out in the cold and is furious.

True, as always in war, something has been done to encourage these small operators. This time, the principal device has been exploration and development loans, for which $5,000,000 in all was set aside for the fiscal year just ended. This is the "grub-stake plan" called after the old western custom by which stay-at-homes in the towns furnished the "grub" for a prospecting trip, shared in the profits, if any, and if there were none matched their lost money with the prospector's lost time. The name has sometimes been taken very seriously: the Bureau of Mines' regional office in Denver recently received a wire: "Am sinking shaft. Need $50,000. Please send airmail." In this five-state region (Colorado, Wyoming, New Mexico, Utah and Arizona) some 20 loans amounting to about $1,500,000 have been made in all to people developing small mines, usually on a fifty-fifty or matching basis; if the metal being sought is badly needed, the government can, however, contribute as much as 90 per cent of the joint stake. If the prospect "pans out," the government collects its loan without interest over a period of years; if it does not, the government takes its loss along with the prospector. The programme is politically interesting, but actually insignificant from the point of view of present production, though deposits discovered through it may eventually prove important.

The assistance given to the giants of the industry is quite

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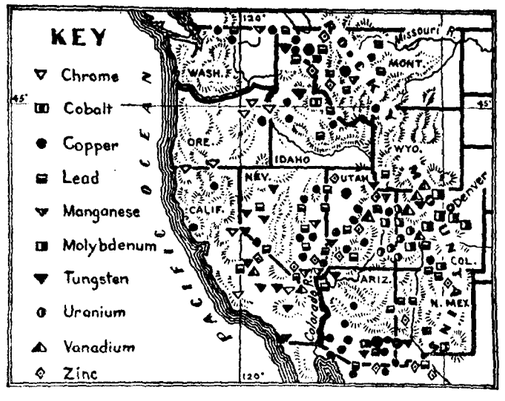
another story. A good example is the contract with the Climax Molybdenum Company which, in its "molybdenum mountain" on the very top of the Rockies, has most of the world's visible supply of this vital steel alloy. Defence agencies have guaranteed a market for $100 million worth of molybdenum, about five years' production, and the company has been granted tax concessions on the new facilities which are to produce it. Dr James Boyd, head of the Defence Minerals Administration, has revealed that similar contracts are being made with the largest producers in many non-ferrous fields. For manganese alone these amount to $157 million, for tungsten $90 million, for copper $366 million, and so on. And he has said that new facilities for which tax concessions have been recommended will produce each year an additional 90,000 tons of zinc, 35,000 tons of lead, 139,000 tons of copper and 4,000 tons of molybdenum.

Most of the contracts bind the government to purchase output up to the values stated at prices greatly above market prices: for one section of the programme Dr Boyd said the government estimated that its loss would be $84 million in cash, and that the cost of handling the metals over several years would bring the total estimated loss to $118 million. In a few instances, agreements had been made below present market prices, but in most cases the government will apparently take any loss from a fall in price and the producer get any increase.

So far most of these contracts have been given to the few giants at the top of the industry. In copper, for example,

MAJOR NON-FERROUS METAL DEPOSITS IN THE WEST



$35 million has gone to the Kennecott Copper Corporation, $66 million to the Anaconda Copper Mining Company, $35 million to the American Smelting and Refining Company, and $76.5 million to the Phelps-Dodge Corporation. The idea seems to be to subsidise the largest and most efficient producers, in order to ensure large stocks of strategic metals quickly. In the last war, the opposite policy was followed: the high-cost miners were subsidised selectively while the very large, efficient, integrated producers were left to shift for themselves.

These specific facts are as yet largely unknown to the western public and to the numerous small miners and prospectors in the west. They have votes while the large corporations have none and, when the full implications are realised, politicians from the west will probably have a field-day. In the non-ferrous mining industry the giants have been growing bigger and fewer for many years and the small producers have been at an ever-increasing disadvantage.

Their representatives say flatly that the present mineral expansion programme has been from the start in the hands of those who think it is a waste of time and money to encourage small producers, because the utmost they could contribute would be but a drop in the bucket.

When it comes to uranium, the story is different. Here the Atomic Energy Commission is in complete control and its production programme seems an unqualified success which has satisfied the little fellow as well as the big. The low-grade deposits are widely-scattered in relatively small bodies of ore. The AEC itself has spent millions of dollars in finding such deposits and in providing milling facilities, granting special subsidies to overcome the disadvantages of hauling these ores to market, and so on. The result is that, whereas immediately after the war there were only two mills producing uranium oxide, there are now seven, all except two privately owned.

The new discoveries have spread far beyond the confines of the so-called "Colorado plateau"— the term refers to the river, not the state—which is the traditional home of the American vanadium-radium uranium industry, so that there are now some 40 more or less promising sources of uranium in some 300,000 square miles of the mountain west. So far none has been of pitchblende ores, the igneous ores of uranium; but even with only relatively low-grade sedimentary deposits, the visible supply now constitutes, according to the experts, the second largest known reserve in the world, being exceeded only by that of the Belgian Congo. Considerable uranium is being produced as a by-product of the mining of copper and other metal ores, and apparently it can also be produced as a by-product of phosphate mining.

American Notes

Congress on the Fence

The prospect of a truce in Korea rose above the Congressional horizon in the last week in June, the week in which Congress ought to have renewed the Defence Production Act and to have appropriated the $70 billion which the Administration wants for the fiscal year which has now begun. Congress had, however, been fiddling with investigations of crime, corruption and foreign policy while the session burned away, and so found itself obliged to rush through emergency measures providing for a temporary extension of the Defence Production Act and for funds to keep the government going for the next few weeks. It is thus, luckily perhaps but certainly not by good management, able to sit on the fence until it can judge the effect of Korean developments on both the international situation and the national economy. In addition to a final version of the Defence Production Act, it still has the Mutual Security Programme, the Tax Bill, and twelve appropriations Bills on its "must" list. The Senate, as always far more dilatory than the House, is preparing to remain in Washington without a break until at least mid-September, a decision taken with less heart-burning than usual this year, since the Capitol is now air-conditioned.

The Administration is desperately afraid that, if the Korean war does cool off into an armed truce, Congress will decide that efforts to counter communism abroad and inflation at home can be relaxed. Whatever happens in Korea, the omens for the Mutual Security Programme are not good; when appropriating emergency funds for this month, Congress dealt very stingily with both economic aid and Point Four, although the Administration did succeed, after protests, in getting what it wanted for military assistance. And the omens for the price controls and credit restrictions in the DPA are no better. In spite of the Administration's

insistence that events in Korea will have no effect on the pace of the rearmament programme, the general opinion is that the rate at which defence orders are being placed will inevitably slacken should the fighting end, and that the present reluctance of the public to buy will inevitably increase. However, if Congress sits on the fence long enough, those who prophesy inflation may be proved right. And at least the Administration has been given a last chance to mobilise a public outcry against the dangerous loosening of price and credit controls which Congress is proposing.

For by the time the Senate had finished mutilating the DPA, the President must have been glad that the House's refusal to be rushed made a temporary extension of the old Act necessary. But even the extension contains the worst feature of the Senate's new Bill, the prohibition on price "roll-backs," which Senator Douglas called "a Trojan steer." Intended to prevent the price stabilisers stealing a march on the cattle men before the permanent Act is passed, it in fact prevents planned reductions in the prices of a variety of things, machinery, textiles, lead scrap and so on. This was part of a readjustment, which would also have meant some price increases, designed to smooth out inequities which had been caused by the original price freeze. Now they can only be removed by a general levelling-up of prices. If the prohibition is confirmed in the new Act, it will, it is estimated, mean a rise of about 6 per cent in the cost of living.

* * *

The South States its Terms

As the MacArthur threat from outside the Democratic Party fades away, so does the truce between North and South inside the party. In Congress it is southern Democrats who are sabotaging the Defence Production Act, and in Atlanta last week, at a celebration dinner intended to demonstrate the party's unity, Senator Byrd, of Virginia, the most outspokenly defiant of southern guerrillas, announced the terms on which the South would consent to remain in the party in 1952. He demanded restoration of the voting rule requiring a two-thirds majority for the presidential candidate in the party convention, which would in practice enable the South to prevent Mr Truman's nomination; and he insisted that "socialistic" domestic policies and "profligate" spending must be abandoned, as must attempts to curtail the independence of State governments and to guarantee civil rights for Negroes; finally, there must be a clean-up of the pockets of corruption within the party.

The last has a particular point in the South just now, since a recent patronage scandal in Mississippi has been blamed, by a Congressional investigating committee, on interference from the Democratic National Committee in Washington. As regards civil rights legislation, the Administration is understood to have tacitly agreed not to press this before the election, but this does not mean that it can prevent such liberal northerners as Senator Humphrey of Minnesota from doing so. And the mid-western and western party leaders, who met recently at Denver to plan the next campaign, have certainly no intention of abandoning the social security and other Fair Deal measures which they believe will attract the voters as satisfactorily in 1952 as they did in 1948. In public, at least, these leaders promised Mr Truman their whole-hearted support should he decide to run for President again. And the latest indications are that he has so decided, although there is, of course, still plenty of time for him to change his mind.

It therefore seems unlikely that the southern Democrats' conditions will be accepted, and so, if they persist in their refusal to compromise; they will be walking out of the party convention a year from now as they did in 1948. They will be a more impressive group of rebels this time, organised well in advance and probably led by Governor James Byrnes of South Carolina, formerly Secretary of State and Justice of

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the Supreme Court. But it will not be any easier for them to decide what to do next. If the Republicans have already chosen General Eisenhower—and the likelihood that he will be in the running becomes greater every day—the rebels will be very tempted to enter a coalition with the Republicans. And the knowledge that this was possible might induce the Democratic convention to make concessions to the southern resistance movement, for it is calculated that General Eisenhower with local Democratic support could carry enough southern States to make Mr Truman's defeat certain. So the speculation goes on, and will go on, until Chicago provides the answer next July.

* * *

Newspapers Without Competition

Inflation is carrying forward the concentration of newspapers which has been so noticeable, and so much deplored, in the past forty years. The straw which broke the back of the *St Louis Star-Times*, the latest daily to give up the fight, was the prospect of another 10 per cent increase in the price of newsprint. St Louis, with a population of 850,000, has, with the sale of the *Star-Times* to the *Post Dispatch*, only one morning and one evening newspaper. But local monopoly is far more common than competition. In 1945, out of 1,394 cities with daily papers, only 117 supported more than one, while ten entire States were without competition in the newspaper field, though a measure was supplied by the radio, and today by television. In the preceding sixteen years, 747 dailies had either failed or submitted to mergers; since late 1948, though authoritative figures are lacking, it is estimated that one daily has gone under every month. Many of these boasted only tiny circulations, but it is the small newspaper which has contributed so much to the diversity and independence of opinion. Today there are 1,772 daily papers; in 1909 there were 2,600. There is a school of thought, exemplified for example by Mr John Cowles, who with his brother owns four non-competitive papers in the middle west, that only under monopoly can high standards of responsibility be maintained and the search for sensations and scoops avoided. The Department of Justice, however, does not subscribe to this philosophy. Early this year it brought the first civil anti-trust suit against a newspaper, the *New Orleans Times-Picayune*, with the avowed intention of halting the drift toward greater concentration.

The *Times-Picayune*, which controls not only an afternoon paper in competition with the *New Orleans Item*, but a morning and a Sunday paper as well, was charged with injurious practices in that its standard contract required advertisers to buy space in two or more of its papers. In its reply, the *Times-Picayune* has invoked the freedom of the press. This was ruled out, however, as irrelevant in an earlier case in Ohio, where the *Lorain Journal* was found guilty of attempting to monopolise advertising and news. An injunction was granted against its practice of refusing to accept advertising from merchants who also patronised the local radio station or the weekly newspaper.

The relation of monopoly to freedom of the press is, however, not so straightforward as might be imagined, in a period when even influential and respected newspapers are having difficulty in keeping their heads above water. In Georgia last winter the Senate passed, but fortunately the House shelved, a Bill which would, on the score of newspaper monopoly, have broken up the merger of the *Atlanta Constitution* and the *Atlanta Journal*. Their real crime, however, was their outspoken criticism of Governor Talmadge and the antiquated voting system of Georgia on which he relies.

* * *

Detroit Tightens Its Belt

The materials squeeze, slowly tightening, has at last begun to hurt in Detroit. Automobile manufacturers, who this quarter may use only 65 per cent of the steel, 60 per cent of the copper, and half the aluminium they used on an average in the first half of 1950, are laying off about 33,000 men. Other firms are putting off the evil day by ordering temporary shut-downs. The permitted consumption of metals should allow a production of 1,200,000 cars in the next three months, compared with 3,200,000 in the last six. It is unlikely, however, that even without the metal shortage the assembly lines would have continued to move at their former pace; dealers' showrooms are full of new cars stranded by credit restrictions and the over-buying of the past. But to the automobile unions, at least, the ability of war plants to absorb these unemployed quickly will test the planning of the defence programme. So far, in other cities, there has been remarkably little trouble; unemployment was at a postwar low of 1,600,000 in May.

The automobile companies and other producers of durable consumers' goods are not guaranteed their ration of scarce metals; they are the orphans of the Controlled Materials Plan, which officially came into existence at the beginning of July. Instead of relying on priorities and allocations, now becoming worthless as the result of over-issue, companies in the defence and defence-supporting industries will be told exactly how much they may use, and expect to receive, of steel, copper, and aluminium. In addition, they will receive priorities for other scarce materials. Other industries must hunt down their own supplies in the diminishing free market; whether they will be enough to sustain life depends on the austerity with which CMP is administered. Unless ruthless cuts are made in the allocations requested, it seems likely that the basic metals will have to come under CMP for all users in the next quarter.

With the introduction of much more precise and far-reaching industrial controls, Mr Wilson, the defence mobiliser, has taken the opportunity of eliminating some of the kinks in his own organisation. Mr Fleischmann, the administrator of the National Production Authority, and the father of CMP, becomes, as well, the head of the Defence Production Administration. The latter body, which comes directly under Mr Wilson's eye, was meant to shape policies; these were to be carried out by the NPA, which was situated in the Department of Commerce, and thus responsible to Mr Sawyer. With Mr Fleischmann, who is an exceedingly efficient administrator, at the head of both, the direction of industry's role in the defence effort should no longer be hampered by overlapping authorities and consequent delays.

* * *

Shorter Notes

Mr James Wadsworth, a Republican from New York, who was a military expert when in Congress, has been appointed head of the new commission which will prepare, during the next four months, a detailed programme for permanent universal military training and, if it is approved by Congress, will supervise it when it comes into effect after the present emergency is over. The other civilian members are Dr Karl Compton, who headed the Presidential Commission that studied the question for two years after the war, and Mr William Clayton. Admiral Kinkaid and Lieutenant-General McLain are the service members.

*

Technological progress was the reason for the strike against United Air Lines by its pilots. They are paid on the basis of hours a month in the air, and they argue that the latest aircraft are not only more difficult to fly than their predecessors, but are so much faster that the pilots are being made to get an extra trip out of their 85 hours a month. They are asking for a new basis of 70 hours or 17,500 miles a month, and have now returned to the air while an inquiry into their demands is held.

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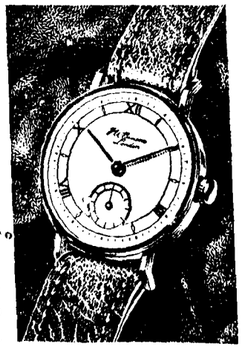

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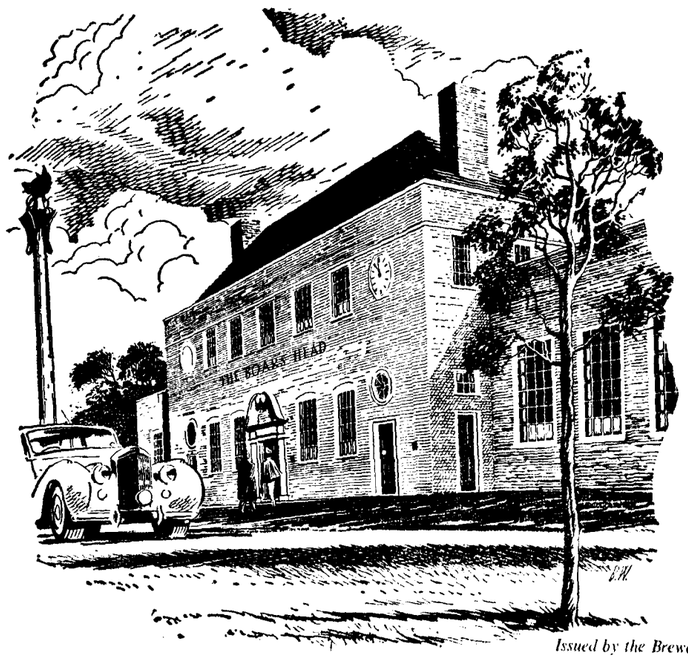

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THE WORLD OVERSEAS

Handbook for Soviet Diplomats

(By A Correspondent)

WRITING on current history is a most perilous task in the Soviet Union. Changes in the Party line provide pitfalls for the most adroit. Even the "Soviet Diplomatic Dictionary,"* the second and last volume of which has just reached this country, did not avoid some of these pitfalls despite the diplomatic skill of its editor-in-chief, the Foreign Minister, Andrei Vyshinsky. The first volume, published three years ago, has now been withdrawn from circulation. This is hardly surprising. Written before the break with Tito it included, for example, the following praise of the Jugoslav Foreign Secretary, Kardelj: "His decided struggle in international conferences for the cause of peace, security and democracy gained him a special authority in diplomatic circles. . . ." How the present volume—in which the name Clementis is mentioned without the epithet traitor and that of Henry Wallace without the attribute renegade—will stand the test of time remains to be seen.

Generally speaking, there is now in the Soviet Union a greater emphasis on foreign affairs. Before and immediately after the war, these were relegated to some back page in the Soviet press and filled no more than one sixth of the total space; now they share the limelight with domestic events and fill at least half the paper. The same trend is noticeable on the radio. Moreover, the innumerable "peace meetings" in factories and collective farms are also mainly concerned with international politics. The increased circulation of the "Diplomatic Dictionary" fits into the same pattern; 10,000 copies of the first volume of this book were printed; there are 50,000 copies of the second volume.

The Dictionary contains a skilful and painstaking exposition of the orthodox Soviet view on most topics of international politics. It also provides a "Who's Who" in Soviet diplomacy. This throws more light on the change of guard in the Soviet diplomatic service, which was carried out in two instalments. In 1939, with Molotov's advent, some new blood was infused. The old hands were put aside, but not completely released. When the anti-Nazi war started, they regained favour. In 1946, however, with the adoption of a stiffer line towards the west, they were considered no longer suitable and were replaced by the new generation introduced by Molotov.

Thus one of the oldest members of both Party and diplomatic service, Mr Litvinov, who was never involved in opposition factions, left in 1946. In the Dictionary his biography is strangely brief. It is mentioned that he ceased to be People's Commissar for Foreign Affairs in May, 1939 (on the eve of the Nazi-Soviet Pact), but there is no mention of the fact that he was subsequently expelled from the Central Committee of the Party, as a victim to the policy of good relations with the Nazis. Only indirectly, in the review of international politics, is there a hint of the reason for Litvinov's dismissal in 1939: "The international situation was getting tenser . . . this required that Soviet foreign affairs be directed by an experienced and popular leader." Molotov, who, at that time was certainly less experienced—and who knows if more popular—was considered to possess the qualities required.

For Litvinov's departure in 1946 no explanation is given. I. Maiski, the ambassador popular in this country, was dismissed at the same time. He is still one of the contributors to this Dictionary and has also been elected to the Academy of Science. In Czarist times retired dignitaries were made senators; now they are turned into academicians. Another diplomat turned academician in the same period is S. Lozovsky, ex-head of the Red Trade Union International (Profintern), former vice-minister for foreign affairs, popular during the war as head of the Soviet press service (Sovinformbureau). He was co-editor with Vyshinsky of the first volume. Now he is not even a contributor, and his biography is omitted.

Of the old guard there still remain in active service D. Manuilski and Madame A. Kollontai. Manuilski is vice-premier and foreign secretary of the Ukraine S.S.R. In postwar international conferences he played second fiddle to Vyshinsky. Madame Kollontai (now 79 years old), an old revolutionary and first woman ambassador, still held a key post during the war as Soviet envoy to Sweden. Now, she is listed as a counsellor in the Ministry for Foreign Affairs.

The Younger Generation

Molotov's departure from the Foreign Office in 1949 cannot be attributed to any change in policy. Vyshinsky is at pains to make this clear in the present Dictionary. Molotov is praised in many places and it is asserted that his resignation was due "to the need to concentrate all his activity on the post of vice-premier." He is quoted as one of the "Great Stalin's closest collaborators" and "an extraordinary resistance and calm, which often disarm the opponent" are included among his virtues.

The men who first under Molotov and now under Vyshinsky have formed the backbone of Soviet diplomacy are all in their forties or early fifties. With the exception of a few, who entered the service a year or two earlier, most of them started their diplomatic career in the first years of Molotov's tenure of office and they came to the top after the war. It was then rumoured in the west that most of them came to diplomatic posts straight from collective farms. Now, for the first time, these rumours may be tested; according to the Dictionary they turn out to be fairy tales. With their background the Soviet diplomats of the new generation are rather reminiscent of a Hugh Gaitskell or a Harold Wilson. Before embarking on diplomacy they usually lectured or directed some economic departments. They were trained for diplomacy in one of the three special schools run by the Ministry: the Institute for Diplomatic and Consular Workers; the Institute of International Relations, and the High School of Diplomacy. There they were taught not only by ex-diplomats with a revolutionary tradition like Troyanovsky, Maiski or Stern, but also by specialists in diplomatic protocol and orthodox international law like the Soviet judge at The Hague, S. Krylov and Professor Korovin. They were given official titles and, since 1943, have worn ceremonial uniforms.

* *Diplomaticheskiy Slovar. State Publishing House for Political Literature, Moscow. First Volume: Editors-in-chief S. A. Lozovsky and A. Y. Vyshinsky* 1948. *Second Volume: Editor-in-chief A. Y. Vyshinsky* 1950.

There are in the Moscow Foreign Office many vice-ministers who, though there is no such post in the Soviet Union, are akin to British permanent under-secretaries. Vice-minister Andrei Gromyko entered the service when Molotov became People's Commissar for Foreign Affairs. He had graduated in 1934 from the Minsk Institute of Agricultural Economics and became lecturer at Lenin's Institute of Economics in Moscow. Before taking his diplomatic post he was acting editor (the Russians call it secretary of the editorial board) of *Problems of Economics*, the authoritative economic journal of the Academy of Science, edited at that time by Varga.

Vice-minister F. Gussiev, former ambassador to this country, graduated at the Leningrad Institute of Economic Development and up to 1937 worked as an economic planner in the Leningrad region. Then he studied at the Institute of Diplomatic and Consular Workers and in 1938 entered the western department of the Foreign Office. Vice-minister Malik's background is similar, only he studied economics in Kharkov and worked in the Ukraine. Yet another vice-minister, A. Lavrentiev, graduated from and lectured at the Moscow Molotov Institute of Energetics. Before entering the Foreign Office in 1939 he was in charge of power-station building and one wonders whether his experience with dangerously high pressures predestined him to be an expert on the Balkans.

From Errand Boy to Ambassador

Among the envoys, Ambassador Zarubin's career is perhaps the most startling. The present Soviet envoy to the Court of St. James's started as an errand boy. He served for six years in the Red Army, then studied technology and became head of the Molotov Technical Academy in Moscow. Subsequently he directed the educational establishments of the Ministry of Light Industry. On the eve of the war he was chief artistic adviser of the Russian delegation to the New York World's Fair. Yet, in his subsequent diplomatic career, he does not seem to have exhibited a specifically artistic temperament. A. Pavlov, envoy to Belgium, V. Lebedev, recently ambassador to Warsaw and now minister in Helsinki, and A. Levrentiev, Soviet representative to Turkey, after taking their degrees in law or economics all lectured or had chairs before entering the diplomatic service in 1939-40. The ambassador in Washington, A. Panyushkin, studied at the Frunze Military Academy in Moscow and specialised in Far Eastern questions before going to Washington.

Generally, the biographies of Soviet diplomats, past and present, are characteristically short. It has been judged safer to lavish compliments on former Russian Ministers. Thus for example the "enlightened prince," A. Gortchakov, "brilliant stylist, speaker . . . (who) thanks to his abilities gained success and authority in diplomacy," gets more praise than Tchitcherin, for a long time Soviet Commissar for Foreign Affairs, who had the misfortune of being censured by Stalin. Another explanation may lie in the search for "continuity." This would also explain the building up of Ivan the Terrible and Peter the Great as in some way forerunners for Stalin. In this volume the idea of "continuity" is not accompanied by that of Panslavism which was fashionable during and just after the war. The term has been dropped altogether and those of its exponents who are mentioned are described derisively. Nor is there any reference to "slavs," "slavonic" or "slavophil." Thus the uniformed and protocol-minded Soviet diplomats are fed on a mixture of Tsarist tradition and Marxist theory. This Dictionary is to serve these new men, particularly of the lower ranks, as a sort of handbook with orthodox explanations of the intricacies of international politics. For the outsider, too, it is an interesting guide to present-day Soviet views and personalities—as long as they remain orthodox.

Start of the Colombo Plan

ON July 1st the great Colombo Plan was officially inaugurated. This six-year scheme for "co-operative economic development" in South-east Asia envisages the expenditure of £1,868 million in the six Commonwealth countries though non-Commonwealth neighbours have been invited to participate and some have sent observers to the discussions. According to the original estimates, about half the money was to be provided by the Asians themselves; it is now reckoned that the rise in prices of primary products has so improved their position that they may do even better. Britain's contribution will be £300 million; Australia and Canada have made lesser contributions. America has now joined the Consultative Committee, and it is expected that some of the $375 million aid for Asia under the new Foreign Aid Bill will be devoted to the plan. The International Bank is also interested. Finance is not, therefore, the limiting factor. Lack of equipment and materials is more likely to create bottlenecks, so that Mr Gaitskell's goodwill message on July 1st promising that Britain would do her utmost to maintain the flow of capital goods was particularly appropriate.

The striking feature about the Colombo Plan is that it is founded on a clear conception of planning peculiarly fitted to the special needs of South-east Asia. The basic idea is that development in these countries will be achieved by big multi-purpose projects combining irrigation, flood control and the production of hydro-electric power. The newly-irrigated land will then be cultivated and productivity in general increased by the use of fertilisers, double-cropping, seed farms, improved transport and the provision of electric power—a close resemblance to the ideas which inspired TVA. And, together with the expansion of generating power, will come the development of industry.

This is the clue to the plan. Fundamental development requirements—agriculture, transport, communications and electric power—account for over 70 per cent of the total programme; health, education and housing for only 18 per cent. To appreciate the boldness of conception, some of the projects should be examined in more detail; on a number of them work had already begun, before the idea of any co-ordinated scheme had seriously arisen. But all these major projects are now being included in the general plan, and external finance and technical help is expected to hasten their conclusion.

Six Million Acres for India

Of the total of £1,868 million, £1,379 million will be spent in India, where there are no less than eleven River Valley projects either already being constructed or under investigation. The three big schemes on which operations have started are the Damodar Valley project—to cost £37.5 million; the Hirakud dam project costing £22.5 million and the Bhakra Nangal costing £56.8 million. The Damodar plan, designed to control the floods of the Damodar River, contemplates the construction of eight storage dams with hydro-electric stations having a generating power of 440,000 kW in all, a power transmission grid and an irrigation barrage with canals. The richest mineral basin in India will thus be opened up to full development; the project will be completed in 1954. The Hirakud dam will control the Mahanadi River; it will create a vast lake for irrigating the barren lands around it, and provide power for cottage industries. The two hydro-electric stations will have a capacity of 32,100 kW. This scheme will be completed in 1954-55. The Bhakra Nangal scheme is for two dams across the River Sutlej, one of which will be not much smaller than the Boulder Dam in the United States. Power will be provided for the northern cities, including New Delhi, and areas, now arid, will be opened up for the resettlement of refugees.

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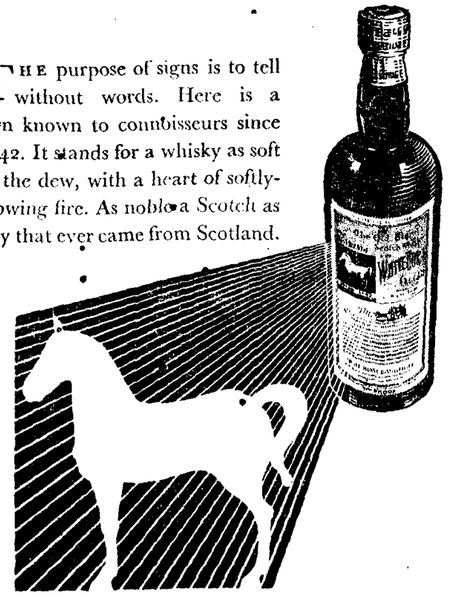

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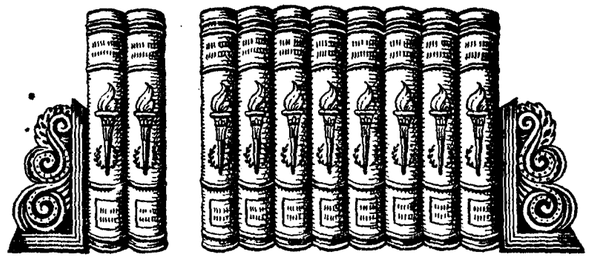

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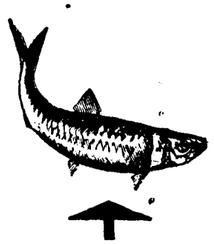

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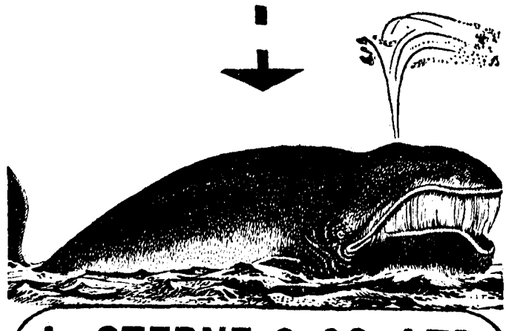

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These three projects alone are expected to bring about 6,000,000 acres of new land under irrigation by 1957, and to increase electric generating capacity by 708,000 kW. Eight of the River Valley projects are still under investigation. The largest of all is the Kosi Barrage project, which will involve an expenditure of about £50 million, and will irrigate land in both Bihar and Nepal. The preliminary investigations will be completed next year.

Fertilisers and Penicillin

On the industrial side India has two important projects reaching completion—the Sindri fertiliser factory, and the factory for penicillin and sulphonamide near Poona, which will be in operation at the end of next year. Other big industrial schemes in hand are for a machine tool factory, an aircraft-manufacturing project, and the extension of existing iron and steel factories. New schemes not yet begun include a radio equipment and radar factory, an integrated steel plant, and a heavy electrical plant factory. On industry and mining India proposes to spend £135 million.

Ceylon also has an ambitious multi-purpose project—the Gal Oya—which will cost £25 million, irrigate 130,000 acres and provide 21,000 peasant holdings. Again it is a question of damming a river, the new land being leased to small cultivators. The progress on this scheme is good and the main dam will be completed this autumn. Other irrigation schemes are planned; the port of Colombo is to be developed and a hydro-electric project to generate an additional 50,000 kW is already being constructed. A few factories are planned, but none are of outstanding dimensions.

The most important of the Pakistan schemes is the Lower Sind Barrage, with which is connected the Rasul tube-well project. The barrage will cover nearly 3,000,000 acres. The tube-wells will irrigate 712,000 acres and lower the water-table in the Punjab. These and other anti-waterlogging measures, which will cost about £25 million are expected to benefit, eventually, 6,000,000 acres of land. There will be a heavy expenditure on the distribution of improved varieties of seeds and fertilisers and agricultural mechanisation. £51 million are allowed for fuel and power—mainly for the building of hydro-electric stations to generate 200,000 kW. These will supply power for the new pumping and irrigation projects, and for industry. Jute, cotton and the manufacture of paper are to be the main new industries. Six jute mills are proposed to produce 130,000 tons of jute a year; 24 additional cotton mills which will increase the exceedingly low annual consumption of cotton goods from 9 yards to a possible 17 yards per head; and a paper mill capable of producing 30,000 tons. This, the major part of the industrialisation programme, will cost £43 million.

Adequate Training Facilities

Welded into the plan are the arrangements for providing the technical assistance necessary for all these various projects. A technical assistance bureau, with funds amounting to £8,000,000 for three years, has already been set up in Colombo, with the two-way task of providing facilities for Asian trainees to come to the industrialised countries, and to supply experts to help on the spot. The numbers so far dealt with are not very large, but the curious fact is that only a small proportion of the offers made have actually been accepted by the Asian countries. The British Government points out, for example, that it has been asked to provide training facilities for 182 men and has offered places for 140 up till now; but of these only 23 have been accepted. Similarly 48 experts have been requested; 28 offered, and only three were accepted. Britain is, in fact, satisfied that training facilities and expert assistance are available over a very wide field and that a far greater demand for technical skill than has so far been made could be met. It would be a pity if the scientific excellences of the Colombo Plan were marred by administrative weakness.

Paris views Indochina

[FROM OUR PARIS CORRESPONDENT]

THE Indochinese rebellion—it is less a war than a resistance movement—is the one great foreign entanglement in which France has been involved since 1945. At a time when its more successful allies were either taking their ease or beating dignified retreats from imperial positions "according to plan," France had to take the brunt of a virulent Far Eastern nationalism. Extremely weak in war material and morally depleted by their inescapable wartime vassaldom to Japan, the French were faced, in 1945 and 1946, with an almost desperate situation in Indochina. The conference of Fontainebleau, which resulted in a purely formal *modus vivendi* with the nationalist Ho-Chi-Minh, finally proved abortive when the latter resumed hostilities against the French power in December, 1946; so that the French government was forced to choose, at the lowest ebb of its national and international prestige, between evacuation of a long-held territory and a politico-military struggle of which nobody could see the end. With a kind of courage of paralysis the French authorities declined for months and years to take a suitably dramatic view of Indochina and simply stayed put. This, surely the most extraordinary achievement of the much despised domestic *immobilisme*, has resulted five years later in a distinctly strengthened situation of great benefit to the whole anti-Communist world. Owing to the very "other worldliness" of the Indochinese problem in relation to French home politics, and in some measure perhaps to the moral support of the British from Singapore, the French, military and civilian, were able to ward off both the Vietminh on the spot and the Communist opposition in Paris. In the event no amount of abuse about *la sale guerre* managed to subdue latent patriotism regarding France's role in the world, a sentiment which greater "realism" and, strangely enough, a less paralysed government at home might have pushed aside. If, when the game is played out, south-east Asia is not lost to European influence, it will ironically be due largely to the pertinacity of the shadowy France of these post-liberation years.

Change in Political Status

During this time French official thought about Indochina has considerably evolved. Parallel to the growing belief that the war is not lost there has grown the awareness that the country cannot be won from Communism without a transformation of its political status. The agreement of March, 1949, between the President of the Republic and the restored ex-emperor of Annam, Bao-Dai, whereby Vietnam became an *état associé* within the French Union, was followed at the end of 1950 by the conventions of Pau. These agreements, which were negotiated between France, Vietnam, Cambodia and Laos (the last two states being also associated with France), effected the transfer from the French to the Indochinese of control over those countries' essential services. Post and telegraph, immigration, national investment plans, customs, foreign trade, issuing houses, treasury, exchange control, are now all in the hands of the governments of the three associated states, which have themselves determined their own means of joint action with France. The thorniest questions which confronted the Pau conference were the administration of the port of Saigon and of navigation on the river Mekong. By the creation of quadripartite commissions satisfaction was given to the four contracting parties. The presence of Frenchmen remains, of course, technically indispensable in all these bodies owing to the lack of Indochinese experts. Juridically, however, France is simply one of the contracting parties to the inter-state conventions. Its heaviest say is in tariff policy when Indochinese action might affect French or French Union products. Conversely the associated states themselves joined

in a customs union are to be consulted when the French government intends to make tariff changes affecting Indochinese products. The Pau Conference lasted for five months during which hard words were spoken against France. But the final agreement seems to have given the Indochinese the basic juridical guarantees of the independence they desire. In particular the removal of French control from Indochinese customs is a decisive practical step towards the nationhood of the associated states, which was theoretically proclaimed in the Bao-Dai-Auriol agreement of 1949 and in similar agreements with Cambodia and Laos.

The main provision of the 1949 agreement was for the creation of a Vietnamese army. While sceptical of the efficacity of Vietnamese formations the French had come to realise that ultimately the Viet-minh could not be beaten except by native troops. This was not only because the 160,000 French troops available for the Indochinese campaign were to few to crush the guerrillas in action but also because the essential task was the political absorption of dissident elements. As head of state Bao Dai was bound to remain something of a phantom until he had at his disposal the necessary military and civilian services of a modern state. The creation of the army came first in this development. As soon as the Vietnamese army could offer the Viet-Minh both armed opposition and the attraction of a national going concern, desertions from Ho-Chi-Minh would, it was anticipated, grow apace. Unfortunately there are very few senior Vietnamese officers available, for the French army was never one of the European professions which attracted the Indochinese before the war. The shortage of NCO's is equally serious. In the agreement of December, 1950, the target of 50,000 men was established. To date the permanent joint military commission which is building the Vietnamese army has managed to form only 18 battalions, completely equipped. But this is a start and recruiting is going well. The Americans prefer under the Military Aid Programme to equip the Vietnamese army rather than the French expeditionary force. The volume of American aid has hitherto been limited to a few hundred tanks and aeroplanes of fairly ancient date and a valuable ordnance contribution of spare parts. One of the main deficiencies is in helicopters to take away the wounded from rice fields where there are no roads. But the main lack is in trained Vietnamese soldiers. In this connection an anonymous general writing in *Le Monde* has complained that too many rich young Vietnamese are having a good time in Paris while names famous in France are appearing every week on the casualty lists. Is it, he asks, because these young Vietnamese lack confidence in the future to which France is trying to lead their country: or is it that they are of an inferior stamp to their fellow countrymen who are serving with Ho-Chi-Minh? The main reason is possibly *attentisme*, i.e., the disinclination to opt for the still colourless Bao-Dai until he has something to show which is truly Vietnamese.

Improved Morale

There is no doubt that the arrival in Indochina last December of General de Lattre de Tassigny with the double function of High Commissioner and Commander-in-Chief has enormously revived hopes dashed by the disaster of Cao-Bang in the autumn. All attacks on Hanoi have been beaten off with big losses to the Viet-Minh and all letters from Indochina to France are full of the new *climat* which de Lattre's remarkable personality has instilled. The death in battle of the General's only son has naturally contributed to this feeling of confidence and affection.

In the view of officials in Paris the movement against Ho-Chi-Minh is definitely going well. No quick results can, however, be expected. Against the Communist "abscess" which cannot be eradicated by force (for it cannot be located) the French and the Vietnamese have to build up a new political organism. With all the money in the world this plant could not be "forced" into bud in a few months. The experiment will succeed if Vietnam can be secured against the invasion of Chinese "volunteers." In this connection the Sino-Soviet proposal for a Korean armistice has naturally aroused misgivings in Paris lest the hordes be unleashed upon South-east Asia. The Chinese would only need to pass through Tonkin to Burma and Siam for an end to be put to the Indochinese political experiment; the draught would be much too severe for Bao-Dai.

The Moscow Line on Persia

[BY A CORRESPONDENT]

THE Soviet propaganda machine enjoys several advantages in its exploitation of the Persian dispute. In the first place neither the pro-Communist Tudeh Party nor the Soviet Union itself is directly involved; this enables Moscow to maintain an attitude of lofty objectivity which may well win the ear of many Persians to whom Communism is abhorrent. Secondly, the existence in Teheran of a large number of excited and irresponsible politicians and newspapers makes it hardly necessary for Soviet propagandists to devise their own material. All that Moscow Radio and the Soviet press need do is to choose the most telling points from the flood of anti-British vituperation emitted by the Persians themselves and to give these selections further publicity both in Persia and elsewhere.

A third Soviet asset is the continued activity of the "Azerbaijani Democratic Party" broadcasting station, which has operated from Soviet territory since the withdrawal of the Red Army from Azerbaijan. Far from confining itself to the affairs of Azerbaijan, this station devotes most of its attention to issues affecting the whole of Persia; it also broadcasts in Kurdish, in a tone even more violent than that of its Persian transmissions. On its wavelength Persian listeners hear other Persians telling them that the Soviet Union is "the protector of Persia's independence," that the October Revolution shows Persia the way to free itself from the grip of foreign capital, and that oil experts can easily be obtained from Russia and Eastern Europe.

Sudden Switch in Mid-May

At the beginning of 1951 the ADP station was already engaged in unremitting attacks on the Anglo-Iranian Oil Company, but Moscow broadcasts in Persian were centred on American misdeeds, which were said to include the sending of a hundred ex-Nazis to Persia disguised as technical experts. "American imperialist intrigues" remained Moscow Radio's main thesis even during the Abadan strikes and the passage of the nationalisation law. American efforts to supplant Britain not only in the Persian oilfields but throughout the Middle East remained a staple theme of Soviet propaganda to that area until mid-May, when a sudden switch occurred. Between May 21st and 23rd broadcasts from Warsaw, Vienna and Peking, as well as from Moscow and the ADP station, took up the very different idea of Anglo-American co-operation in exploiting the Middle East, and especially its oil. In one of Moscow Radio's rare commentaries in Persian, Stepanov said, on June 5th, that the United States was not lagging behind Britain in trying to intimidate Persia; this point was illustrated on June 28th by Tass reports linking the arrival of a British cruiser in the Shatt-el-Arab with the despatch of four American destroyers from Singapore for Persian waters.

This pre-occupation with American "machinations" has not, of course, prevented Soviet propagandists from accusing Britain of planning to invade Persia; the Moscow weekly *New Times* has produced "evidence" of a British plot to carve off Khuzistan—the oilfield province—and make it a separate State; and only last week a Moscow broadcast in Persian was devoted to showing that the locusts now ravaging Persia's crops came from "British territories" (including "India and Egypt") and that if necessary the

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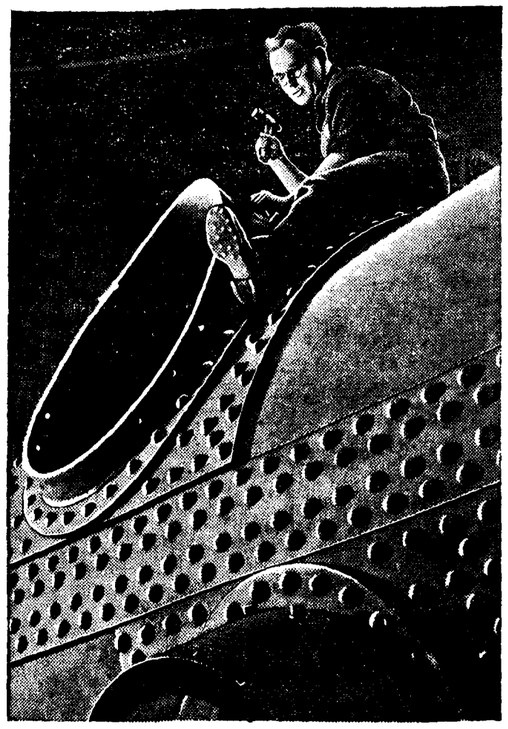

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"imperialists" would drop more locusts on the Middle East "as they had dropped Colorado beetles on Europe."

The Communist propagandists' treatment of Persian leaders is more uncertain than their attitude towards Britain and America. Unity and consistency have been shown on two points; the Shah is "an Anglo-American tool" and the subject of bitter abuse, and the Persian "people" (the word being used in its Marxist-Leninist sense) are not only the innocent victims of the imperialists and their lackeys, but are now fully aware of their enemy's identity and actively struggling to free themselves. Parliament as a whole is treated with contempt as a body of old landlords and merchants who do not represent the broad masses. The charge that it passed the oil nationalisation law only reluctantly under irresistible popular pressure is repeatedly made. Premiers Razmara and Hussein Ala were both steadily reviled during their terms of office; but there have been interesting changes in the Communist attitude towards Dr Mossadegh. No personal abuse has been levelled at the present Premier by Moscow Radio; and although both the "Azerbaijani" station and Warsaw Radio attacked him as an "imperialist agent" at the time when he assumed office, these attacks ceased abruptly at the beginning of May and have not been resumed.

Publicity for the Tudeh

In mid-June the "Azerbaijani" station developed a violent campaign in both Persian and Kurdish against the Mossadegh Government's failure to take over at Abadan and in particular against its entry into negotiations with the AIOC. Kurdish listeners were told that the Persian people "had every right to lose hope in Mossadegh's Government" and to go ahead with "their own plans." Two days later, however, when the negotiations had been broken off, an "Azerbaijani" commentator declared that a Government was now in power which sincerely served the nation; but Mossadegh was warned that he must make use of "progressive elements" and that the masses would accept no excuses for inaction.

While it is difficult to estimate the impact which Communist propaganda is making in Persia, it is clear that the game is being played with great skill. By judicious selection of "news" and comment from other sources and by leaving it to the "Azerbaijani" radio to conduct the more violent forms of agitation, Moscow has contrived to make all its points without committing itself to any definite attitude to the Mossadegh Government, or indeed to the Tudeh Party, whose manifestoes it has publicised without a word of support. At the same time the oil dispute is being fully exploited as a vehicle for arousing hatred of America, Britain and "western imperialism" in general not only in Persia but throughout the Middle East.

Canada's Fight Against Inflation

[FROM OUR OTTAWA CORRESPONDENT]

SOME Canadian businessmen, used to the easy ways of a sellers' market, are beginning to complain about the Government's anti-inflationary measures. Indeed they are beginning an uneasy see-saw, not knowing whether to fear more a continued inflation or a new deflation. This new worry was brought into prominence when the Ford Company of Canada announced a series of lay-offs. The American steel restrictions, which will further reduce the body-stampings supplied to the Canadian motor companies, may be expected to reduce employment. But the immediate crisis was not caused by any material shortages; it resulted from a slump in sales which worried even the British exporters of cars to Canada. Similar reductions in demand hit the makers of stoves and refrigerators and all hard goods. Even the clothing industry felt its effects.

Business has been blaming the Government for all this; and it does indicate that its fiscal measures are having some effect. But of course it is equally true that the buying spree which has been going on for months past was largely anticipatory, and was bound to slacken off sometime. The restrictions which the chartered banks are now applying on new loans undoubtedly bear hardly on many manufacturers and merchants who have been borrowing money to lay in large inventories; and the Government's restrictions on consumer credit, coupled with higher commodity taxes, are certainly having some influence on the reduced consumer demand. But the most that can be expected in overall effect is the re-establishment of a better balance between demand and supply, and a new incentive to the old-fashioned business art of selling, even if this means the almost unheard-of expedient of reducing prices.

If the general economic picture does not justify scare headlines about unemployment, yet such headlines may have a very salutary effect. There are already some signs that the labour unions may be a little more cautious in their demands, and that managements will not be so ready to grant wage increases as they have been in the slap-happy days since the end of the war. If the fiscal policy of Mr Douglas Abbott can bring about this result it will be a great triumph for the conventional fiscal weapons.

American Anxiety Relieved

In the United States there is reported to be a good deal of uneasiness about what Americans regard as "Canada's free economy." Washington officials are apt to be afraid that this country, lacking the complex and formal system of controls which the United States has instituted, may present a danger to their stabilisation programme. But recent talks between Mr C. D. Howe, the Canadian Minister of Trade and Commerce and of Defence Production, and Mr Charles E. Wilson and Mr Eric Johnston have done a great deal to remove this anxiety. Indeed many American officials are even a little envious of Canada's indirect controls.

American officials all insist that the American situation is still basically inflationary. Canada is so susceptible to the influence of every change in the level of American prices and American demand that American trends may be the determining ones here. All the same, Canada's domestic situation is inflationary, and it still would be, even if there were no defence programme. A survey of the investment intentions of business and public authorities at mid-year showed an increase of 5 per cent over the intentions of the beginning of the year and of 20 per cent over last year. Probably just over half the increase is due to the price factor; but this still leaves a substantial increase in physical terms. And without the Government's fiscal deterrents, and without the banks' restrictive loan policy, capital investment would have been very much higher.

The most significant thing about the new survey of capital developments is the change in the direction of investments. Commercial and institutional services, for example, now contemplate less capital investment than they did at the beginning of the year: so do insurance and real estate businesses. But mining and oil wells are much higher. Manufacturing as a whole is far higher; but the increases are in defence supporting industries like iron and steel, chemicals, petroleum, base metals. All these projects are exempt from the deferred depreciation provisions of this year's budget. That is to say, they are allowed the normal depreciation allowance for taxation purposes. Other businesses, which are denied depreciation allowances for a period of four years, show little increase or even a decrease in their capital expenditures compared with the beginning of the year.

The anti-inflationary fiscal weapon may need some adjustment or refinement later in the year; but at present it seems to be achieving its broad purpose satisfactorily.

THE BUSINESS WORLD

Full Circle in Wool

THE commodity markets are watching the possibility of an outbreak of peace in Korea with anxious eyes. If a cease-fire does come, it need not significantly damp down demand for industrial raw materials—provided that rearmament, and the high level of production that it implies, does not slacken, particularly in the United States. But colder war might in any case bring a substantial psychological jolt to the markets, which have already marked prices down well below their peak of four months ago.

How far have such psychological influences been important in the recent past—both in driving prices up in the eight months immediately after Korea and in driving them down since February and March? They have certainly been very potent in the wool market, where prices have described a *full circle*—or *virtually* so—in the past twelve months. Prices quoted at last week's Perth sales were almost back to their pre-Korean level—having in the meantime attained the dizzy rise of over 200 per cent. For this very reason, however, wool is far from being a typical case of commodity market behaviour. Even before the war the wool market was noted for its waywardness. In successive post-war years, when everybody was pointing to the volume of war accumulated stocks hanging over the market and prophesying that a break in prices must come sometime, prices obstinately went on rising. Now, when those stocks are exhausted and available supplies will be less than the current rate of consumption, the break has occurred — though *it is important* to emphasise that prices are still six times their prewar level. That wool should have been the first commodity to show such a dramatic reversal in price is surprising enough, because stocks in both consuming and producing countries are extremely low. But the reversal is all the more surprising since part of the sharp rise in wool prices during the latter half of 1950 could not be directly related to events in Korea; some of it was a reflection of the high rate of consumption that had persisted throughout the year.

Wool prices reached their peak last March, when they were between two and three times their level of June, 1950. Since then they have fallen continuously; indeed, in certain weeks the declines have been the sharpest ever recorded in the history of the wool market. All grades have been affected, though carding wools more than combing wools. Even among combing wools the prices for merino 64s at the end of June were only 11 per cent above those quoted in June, 1950. The lower count combing wools had admittedly held more of their gains; fine crossbreds are still 29 per cent higher than twelve months ago and medium crossbreds 59 per cent higher. But there were special reasons for this. In the first place New Zealand is their principal source of supply, and there have been no sales in New Zealand since February because of the dock strike. In the second place, the prices of these lower count wools had risen more sharply during the earlier phase, because manufacturers switched to them in their search for economies. Despite this rise, and their less dramatic fall since March, fine crossbreds are still cheaper to use than merino.

The best available estimates of world supply and demand for wool are shown in Table I. Total supply during 1950-51 amounted to 2,359 million lb. (clean) while world consumption during the same period was 2,402 million lb.; trade stocks thus seem to have fallen by about 43 million lb. As consumers' stocks are now believed to be down to minimum working levels and as the stocks of wool accumulated during the war are exhausted, this year's consumption will have to be met wholly out of this season's clip. If it is assumed that this clip increases in 1951-52 by the same amount as it did in 1950-51, namely by 3½ per cent—and that was the largest seasonal increase recorded since the war—available supplies will amount to only 2,350 million lb. This would be just about enough to maintain the current rate of consumption, which is now below last year's average level (largely, it seems, because manufacturers

TABLE I—WORLD PRODUCTION AND CONSUMPTION OF WOOL
Million lb. (clean)

	1933-38	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52
World clip	2,058	2,127	2,101	2,151	2,198	2,270	2,350*
Plus off-take from supply stocks	—	252	398	196	368	89	—
Total Supply	2,058	2,379	2,499	2,347	2,566	2,359	2,350
World Consumption	2,058	2,341	2,490	2,489	2,554	2,402	...
Changes in World Trade Stocks	—	+ 38	+ 9	−142	+ 12	− 43	...

* Forecast. *Source:* Commonwealth Economic Committee.

have been using materials other than wool to an increasing extent; it is noticeable that wool consumption has fallen more sharply recently than the output of wool textiles). But this calculation makes no allowance for stockpiling and rearmament requirements. The latter may make it necessary for the consumption of wool for civilian purposes to fall by 10 per cent this year.

If there is any statistical reasoning behind the recent fall in wool prices, therefore, it must lie in an assumption that retail prices for wool textiles, once they reflect the full rise in raw material costs, will induce a decline in purchases of the requisite order of 10 per cent. There could be two explanations of such an expected fall in demand. Either it could be argued that high prices will cause consumers to switch to other sorts of textiles, or it could be argued that high prices will induce the public to buy less textiles as a whole.

Cotton and rayon do compete with wool in the retail trade to some extent, but this competition is not only a matter of price; fashion, taste, and weather, are also important factors. Moreover, supplies of these textiles are not very abundant. The smaller American cotton

crop last year reduced world output from 15,041 million lb. to 13,123 million lb., as Table II shows. World consumption in 1950-51 has been provisionally estimated at 15,000 million lb., so that stocks at the end of the season are likely to be only 6,071 million lb., compared with 7,948 million lb. on August 1, 1950. The price of American cotton has been stationary since February—at the maximum level fixed by the United States Government, or 32 per cent higher than in June, 1950. Egyptian cotton has declined since January but it is still 123 per cent higher than it was twelve months ago. It is true that the prospects for the cotton crop in 1951-52 are good; the American acreage has increased and output is continuing to expand in most other countries. But even if world output reaches its expected level of about 16,000 million lb., stocks will have to be built up above their present levels. If stocks were raised to 8,000 million lb., by no means a high level, supplies available for consumption would be 1,000 million lb. smaller than in 1950-51.

*

World rayon production increased very sharply during 1950. As Table III shows, output of rayon yarn, at 1,938 million lb., was 17 per cent higher than in 1949 and output of staple fibre, at 1,542 million lb., was 45 per cent higher. Productive capacity is still increasing, and by the end of 1951 it is expected to reach an annual rate of 4,500 million lb. (yarn and staple fibre). But the shortage of raw materials, especially of sulphuric acid, is likely to prevent it from being fully utilised. The industry's other raw materials are also by no means plentiful;

TABLE II—WORLD PRODUCTION AND CONSUMPTION OF COTTON
Million lb.

	1938-39	1946-47	1947-48	1948-49	1949-50	1950-51	1951-52
Stocks, August 1st	11,973	11,917	8,705	6,937	7,037	7,948	6,071*
World Production	14,124	10,342	12,117	13,891	15,041	13,123	16,000*
Total Supply	26,097	22,259	20,822	20,828	22,078	21,071	22,071*
World Consumption	14,688	13,554	13,885	13,791	14,130	13,000*	...
Stocks, July 31st	11,409	8,705	6,937	7,037	7,948	6,071*	...

* Forecast.

Source: Commonwealth Economic Committee and International Cotton Advisory Committee.

although more cotton linters should be available with the new cotton crop, no significant increase can be expected in the supply of woodpulp. It seems unlikely that production this year will increase by more than 10 per cent, which would raise it to about 3,800 million lb. The price of rayon has risen with the price of the other textile fibres during the past twelve months; for viscose staple fibre it is now 38 per cent above the level of June, 1950.

From these figures it would seem that supplies of the three textile fibres available for consumption in 1951-52 might amount to 20,200 million lb., compared with 20,900 million lb. in 1950-51—and defence requirements will have to be met from this smaller total. It may be, of course, that demand for textiles as a whole will fall. The public has admittedly been re-stocking its wardrobes during the past year. Both the value and volume of retail sales of textiles in most countries remained at an extremely high level from August, 1950, until about March, 1951, and part of this buying was no doubt merely an anticipation of apprehended shortages and price-rises. Since March, retail sales have declined, but the real test of the market will come in the autumn, when textiles sales usually increase.

It would be idle to suppose, however, that the recent fall in wool prices has been due to any close reasoning about the likely trend of demand for textiles. Most buyers distrusted the high levels that wool prices reached last March. The general belief was that a rise of 40-50 per cent on closing prices of the previous season could be sustained, but not the rise of 100-200 per cent that March prices represented. That alone induced caution. Maximum prices for raw wool were imposed

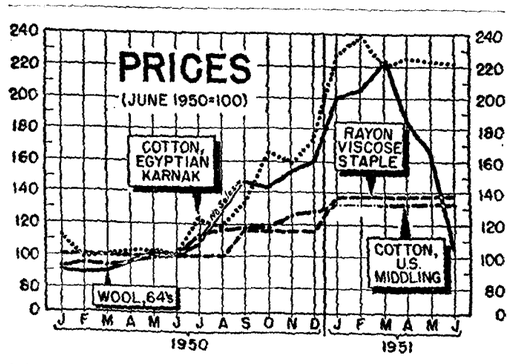
TABLE III—WORLD PRODUCTION OF RAYON
Million lb.

	1938	1946	1947	1948	1949	1950	1951
Rayon filament yarn	997	1,111	1,276	1,544	1,649	1,938	N.A.
Rayon staple fibre	931	579	685	908	1,071	1,542	N.A.
Total Rayon Production	1,928	1,690	1,961	2,452	2,720	3,480	3,800*

* Forecast.

Source: Commonwealth Economic Committee and Rayon Organon.

by the American Government at the end of January, and this, in conjunction with the fall in retail sales, caused American buyers to withdraw from the wool market at the end of March. The subsequent negotiations on international allocation, raising the possibility of an agreed maximum price, have helped to foster this feeling of uncertainty about the future. In Britain and in certain European countries, wool manufacturers have bought only as much wool as their available credit and liquid resources could cover, without asking the banks for extra accommodation—and they have accepted only those



orders that they could manufacture from these supplies of wool. Most manufacturers could quite easily extend their order books; but in recent months it has been the manufacturer not the wholesale purchaser of textiles who has been unwilling to commit himself for more than a few months ahead.

Wool may be a special case, but it at least emphasises the extent to which a commodity market may be affected by factors that cannot be assessed statistically. From current trends of supply and consumption, wool prices might be expected to be firm. They are not—though wool is still dearer than rayon compared with before the war, though probably no dearer than cotton. The trend of prices at the London sales next week will at least show whether wool buyers consider the recent fall to be merely transitory or whether they feel that a new phase of cheaper wool is dawning.

The Cost of Labour Turnover

WHEN the Minister of Labour assured the Amalgamated Engineering Union last week that he hoped the defence programme would not necessitate a return to direction of labour, he must be presumed to have been reckoning that up to 200,000 persons would voluntarily switch into defence industry as the programme gathers speed. This is the best unofficial guess of the volume of eventually required additional defence workers who will not be obtained merely by switches in their work. It may not be easy to ensure such a movement unless strong financial inducements are given—despite the evidence that the rate of labour turnover in industry is already high. Statistics compiled by the Ministry show that nearly 3 million jobs are changed each year, though it should be noted that the number of individuals involved must be presumed to be much less than this, because about a third of these changes occur after less than four months in any particular firm. Unfortunately, such figures as these throw little light upon the chances of manning the defence industries without either resort to compulsion or to radical changes in financial policy. From this standpoint, the vital question is how far this high rate of turnover indicates any genuine mobility—in the sense of willingness to move from one industry to another, as distinct from movement within individual industries that may merely impose a drag on their efficiency.

As yet there is hardly any indication how much of the job-changing represents a healthy mobility of the first kind. Neither the Ministry of Labour analysis, which covers 56,000 firms and 7,000,000 workers in manufacturing industry, nor the recently concluded two-year survey of the British Institute of Management, gives any clue. Rarely is any record kept of where employees go when they leave; indeed, their destination is often unknown at the time. From the limited evidence available, it may, however, be reasonable to guess that less than a thirtieth of the annual turnover of labour represents a movement of workers from one industry to another.

This accords with the general impression that postwar full employment, in Britain as in the United States, had led to an increase, not in genuine mobility, but in movements from job to like job, especially by voluntary resignation. This cannot be measured statistically, because no comprehensive figures of prewar labour turnover in Britain are available; the only available figures relate to local surveys. A comparison of British and American experience since the war is shown in the accompanying chart, but this has to be qualified because the coverage and basis of assessment are different; the Ministry of Labour figures, which were begun in 1948, may understate turnover by as much as about a tenth. But although the comparisons are uncertain, the statistics of postwar labour turnover deserve scrutiny for the light they throw upon the problem posed for industrial management, and maintenance of labour efficiency, in conditions of full employment. For measurement purposes, labour turnover may be defined as the loss, for any reason, of employees who have sooner or later to be replaced; in the accompanying table and chart, the number leaving in a given period, normally a year, is expressed as a percentage of the average number employed over the period. The annual rate of turnover for men in manufacturing industry has ranged since 1948 from 20 per cent to about 40 per cent and for women from about 35 to nearly 60 per cent; the rate for women is normally about 50 per cent higher than that for men. For both there is a certain seasonal fluctuation, naturally more noticeable in the figures for individual firms or industries than in the national figures.

Inevitably, there are substantial differences in the rates for different industries. To a large extent, these variations seem to reflect differences in the scope for movement within an industry rather than in the nature of the work done. The important factors relate to industrial structure, such as the average size of firms in the industry, the degree of concentration or localisation of the industry—all of which influence the worker's chances of finding convenient alternative openings for employment. Thus the figures for oil refining, explosives or iron and steel works tend to be relatively low because

AVERAGE LABOUR TURNOVER BY INDUSTRIES IN 1950

	Average Annual Rate per 100 Employees	No. of Firms Submitting Figures	No. of Employees ('000)
Industrial Groups			
Chemicals and allied trades	30·0	2,344	386
Metal manufacture	28·8	1,870	516
Engineering and electrical goods	34·0	7,831	1,530
Vehicles	29·9	5,495	816
Metal goods (not elsewhere specified)	44·9	4,718	400
Clothing	41·6	6,408	523
Food, drink and tobacco	47·7	6,669	665
Textiles	36·5	6,487	917
Textiles Group in Detail			
Cotton spinning, doubling	39·0	688	174
Cotton weaving	26·8	798	131
Woollen and worsted	43·8	1,431	195
Rayon, nylon production	31·6	35	44
Rayon, nylon weaving and silk	28·3	352	55
Linen and soft hemp	48·4	71	15
Jute	61·7	74	17
Rope, twine and net	44·8	152	15
Hosiery	32·4	964	117
Lace	24·9	175	10
Carpets	31·6	97	28
Narrow fabrics	26·4	203	21
Made up textiles	52·2	414	19
Textile finishing	30·6	781	87
Other textile industries	46·3	253	26

Source: Ministry of Labour.

these industries mainly comprise a small number of large employers—although the BIM survey showed that this correlation is not universal. The jute industry, because of the close localisation of a fair number of small or medium-sized firms, has a high turnover; the extreme shortage of labour in this industry is a further stimulus to turnover. Again, many sections of the engineering industry consist of large numbers of medium-sized or small firms with particular concentration in the Midlands, and their turnover tends to be high; here, again, the strong demand for labour plays its part. Generalisation drawn from the experience of broad industrial groups cannot, however, be pushed very far; many internal variations are concealed in an aggregate figure for a whole group of industries, as the figures for textiles shown in the first table plainly suggest. It should be noted, too, that differences between areas result from the extent of alternative employment; thus the south-west area has a low rate and the Midlands or London a high one.

The BIM survey clearly brings out some significant facts not apparent from the Ministry's figures—notably the high proportion of "short-term leavers" and the preponderance of employees leaving at their own request. The BIM sample (a small one, embracing less than 200 establishments and some 250,000 workers) shows that, of the total number of men leaving, an average of nearly a fifth left within one month, nearly two-fifths after less than four months' service and almost three-fifths within the first year. In each case the proportion was larger in 1950 than in 1949. For women the percentages are almost as high. A local survey by Sheffield University and other local investigations show similar results. The experience of individual firms has shown that in a period of prosperity it is difficult to reduce to much under three-fifths the proportion of employees who leave within a year, though there has been some progress in reducing the proportion who leave within three or four months.

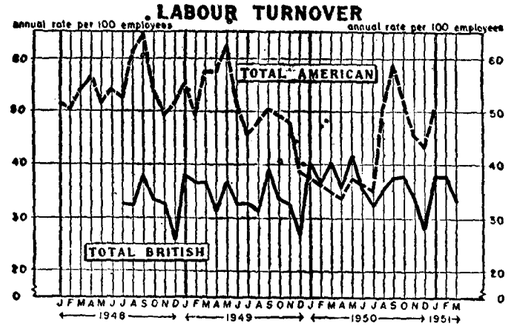
Any study of reasons for leaving is subject to the uncertainty inherent in the data: the reasons given may conceal more than they reveal. But the BIM's results give a guide that is largely substantiated by the work done at Sheffield. The BIM survey shows that nearly 45 per cent of the men and 30 per cent of the women left because of "dissatisfaction" with their jobs—principally, according to the BIM survey, because they found scope for "personal betterment." During the two years surveyed, these proportions increased as the proportion of discharges through redundancy decreased. A similar relation between reductions of staff and voluntary resignations has been evident in other studies. Moreover, the American labour figures for 1949 seem to show the same thing. As reductions of staff decrease voluntary leaving usually increases, and vice-versa.

*

From a national point of view, as from that of the individual firm, the serious aspect of labour turnover is that waste is resulting from a high rate of short-term leaving—often for insubstantial reasons. It is naturally almost impossible to make any calculation of the national waste involved in human or financial terms. But such evidence as is available does suggest that, at least in present conditions, this kind of wastage is inherent in over-full employment. For this reason it is not surprising that the problem is attracting research projects, which are springing up throughout the country. It is conceivable in principle that the wastage may be over-emphasised. In the first place, if this is a loss that results from over-full employment, there are certainly some offsetting gains—even in purely materialistic terms. Secondly, a genuine mobility of labour, as distinct from merely frictional movements within industries, is indispensable if the economy is to remain virile.

In any case, there is, of course, always a virtually irreducible amount of change, attributable to illness, accidents, marriage, pregnancy, death and retirement. This minimum might amount to a turnover rate of about 3 per cent for men and 10 to 12 per cent for women. The more nearly an economy approaches one hundred per cent employment, the more clearly does some degree of movement above this minimum become a functional need. If, therefore, the present rate of turnover were by and large resulting in productively purposeful changes, there would be far less cause for concern: but the evidence is otherwise. Much too high a proportion is short-term movement.

This kind of movement involves a wastage for the individual, the business unit and the whole national economy. It is most visible to the business unit. A too



rapid turnover of workers wastes time, labour and materials, and causes a general dislocation. To some extent it can be measured financially. Little has yet been done to investigate these financial costs, but two methods have been suggested. In the simpler, the cost is assessed under a number of heads, as given recently in a pamphlet issued by the Institute of Costs and Works Accountants. Apart from the expense of the employment office and incidental costs of engaging labour, the other main items considered are the training of new employees, the fact that the wage-costs of output by new employees are higher than for fully-trained workers, the overtime caused by delays in filling

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vacancies, and the extra scrap, tool breakages, and delays in output. For four units employing altogether between 2,500 and 3,000 people, the cost of the turnover of operatives was assessed at £17,000 a year (including only what the pamphlet refers to as "replacement" costs, since to include also what it calls "preventive" costs, such as the expense of the pension scheme and of the whole of personnel administration, would be to deprive the calculation of meaning). Of this total, £6,000 was the cost of training, and the rest was mainly attributable to the inefficiency of new labour, the cost of the employment department and the loss of output through delay in obtaining new workers. The cost of replacing a worker who left was put at about £100. But in these firms a larger sum than would probably be typical was spent on training, and aggregate turnover was low; expressed in terms of the whole labour force, for example, the cost

B.I.M. Survey.—Analysis of Length of Service of Men Leavers at Time of Leaving.

	1949		1950	
	January to June	July to December	January to June	July to December
	%	%	%	%
Less than 1 month	15·3	18·7	18·6	21·8
1–3 months	17·4	19·6	18·4	20·3
4–12 months	23·0	21·4	23·8	21·5
1–5 years	44·3	29·3	28·4	23·6
Over 5 years		11·0	12·8	12·8

per employee was only about £10 a year. Hence this figure of £100 a replacement, the only one available that is based on costing inside industrial concerns in Britain, is probably unrepresentative; and any national figure of cost that it might be tempting to calculate on such a basis would have no real meaning.

Given the fact that some degree of change in the labour force is not only inevitable but also desirable, it is evident that the optimum figure must vary widely from firm to firm. A unit in an isolated area such as Devon or a Welsh valley, where few alternative occupations offer, may suffer from a high rate of absenteeism instead of high labour loss; absenteeism increased during the war both in the United States and Britain when to leave one's employment was difficult.

In many instances, too, the labour turnover rate, like the rate of productivity, may to some extent be considered an index of managerial efficiency, on the personnel side, but it is one that needs careful reading. Even in conditions of full employment, loss of employees can be limited by good personnel management and recruitment policy; and some firms have been particularly successful in this direction in the last two or three years. Two problems confront management here: first to pick people who will be able to settle down, and, second, to ensure that the atmosphere in the unit where the employee works gives an encouragement to stay. Selection has been studied and tested methods of interviewing and aptitude-testing (not necessarily complicated) are available. Some firms have also tried the payment of workers' bonuses on a group basis, which strengthens the cohesion of the working unit, as well as having other obvious advantages.

Research has its fashions: and labour turnover is now a fashionable subject. The numerous projects of research that are now being undertaken in various universities may yield much that will be helpful to managements. The work of Sheffield University has already led to meetings with representatives of firms that have proved profitable to both sides. Yet there is a danger of over-elaboration of statistical analysis covering industries or localities, and of too little attention to the individual company. What is particularly needed in the way of research—perhaps the BIM may consider initiating it—is a series of published case-studies of the experience and of the financial cost of turnover in individual concerns, not necessarily with disclosure of their identity. The more closely focused the inquiry, the more likely it is to be of value to industry.

Business Notes

Micawber Takes Stock

The Chancellor of the Exchequer on Wednesday last made the release of the quarterly figures of gold and dollar reserves the occasion for a general stock-taking of Britain's economic position as it has developed since the framing of the estimates in this year's Economic Survey. His reckoning of the debits and credits in these trends, and the general tone of his comments, are likely to disquiet all save the closest and most hardened of observers. On the credit side there is the fact that industrial production in the first five months of this year has been running at about the level upon which the Government's budgetary and economic planning was based—at some 5 per cent above the rate for the similar period last year. Given the anxieties about supplies of raw materials, this is a heartening performance—especially as Mr Gaitskell now declares that, although shortages of materials remain an obstacle to further progress, the position is not so menacing as it was a little while ago. This, however, virtually exhausts his list of credit items, and they are appreciably outweighed by the debits. The performance of almost every other major element in the balance sheet has fallen short of the Economic Survey's hopes.

Despite an increase in United Kingdom exports to the dollar area, the gold and dollar surplus of the sterling area as a whole has run down to very small figures in the past quarter, and the deterioration continues. Moreover, as the month by month trade figures had already indicated, Britain's own balance of payments with the rest of the world has worsened much more sharply even than the Survey had envisaged. Almost all the adverse tendencies there set out, the Chancellor declared, "are developing more strongly than we expected"—notably, of course, the worsening of the terms of trade. Though he would not commit himself to any quantitative estimates, he evidently expects the first half-year's figures to show an appreciably bigger overall deficit than could be attributable to any stock-piling purchases. Hence the problem of the overseas balance "is likely to return to the centre of the economic picture." Because of the steepness of the rise in import costs, the volume of exports needs to be raised even further than the Survey assumed, if the threatened return to substantial overseas borrowing is to be averted—and this has to be attempted in the face of fast-rising competitive pressure of defence demands, not to mention the hesitancy of some overseas markets.

If these additional exports are to be achieved, they imply an appreciably bigger cut in home consumption than was officially deemed necessary three months ago; yet consumption in at least the first three or four months of this year was actually running at some 5 per cent above its corresponding 1950 level. Despite this, the Chancellor still does not concede that the budget was insufficiently disinflationary at the time it was framed; he consoles himself with the reflection that the rise in consumption may have been mainly due to non-recurring "forestalling" buying that is now exhausting itself. He admits, however, that tougher measures may be necessary—yet declines to say the form they may take if and when the Government can screw up its courage to take them. In the meantime, it is content to "discuss" with exporting interests the steps needed to raise exports—and is apparently not hopeful that much can be secured from higher export prices. "If," declares Mr Micawber Gaitskell, "industry feels unable to achieve considerable increases" in physical exports, the "situation will begin to look very serious." When will the Government "feel able" to do something about it?

* * * *

Gold Flow Slackens

The deterioration that the Chancellor had to announce in the sterling area's gold and dollar surplus was even greater than most observers had expected. During the second quarter of 1951 this surplus amounted to only $54 million, compared with a surplus of $360 million in the first quarter of 1951 and of $398 million in the fourth quarter of 1950. Receipts under the European Recovery Programme, in respect of allotments made before the end of 1950, amounted to $55 million in the past quarter. The gold and dollar reserve was thus strengthened by $109 million and amounted to $3,867 million on June 30th, compared with $3,758 million on March 31st.

The Chancellor mentioned three factors as mainly responsible for the decline in the dollar surplus in the second quarter. The first was an increase in expenditure on imports from the dollar area by the whole of the sterling area. The second was a decline—partly seasonal—in exports from the overseas sterling area to the dollar area. The third was a reduction in net receipts of gold and dollars from non-dollar

Britain's Gold and Dollar Reserves
(US $ Million)

Years and Quarters	Net Surplus (+) or Deficit (−)	Financed by: US and Canadian Credits	Purchases from IMF	S. African Gold Loan	ERP	Change in Reserves	Reserves at end of Period
1946	− 908	1,123	...	...	...	+ 220	2,696
1947	− 4,131	3,273	240	...	...	− 618	2,079
1948	− 1,710	352	128	325	682	− 223	1,856
1949:—							
I	− 330	30	32	...	325	+ 56	1,912
II	− 632	30	...	...	340	− 262	1,651
III	− 539	29	...	...	284	− 225	1,425
IV	− 31	27	20	...	246	+ 263	1,688
Total, 1949	− 1,532	116	52	...	1,196	− 168	1,688
1950:—							
I	+ 40	27	...	...	229	+ 296	1,984
II	+ 180	18	...	...	240	+ 438	2,422
III	+ 187	...	...	...	147	+ 334	2,756
IV	+ 398	...	...	...	146	+ 544	3,300
Total, 1950	+ 805	45	...	...	762	+ 1,612	3,300
1951:—							
I	+ 360	...	...	...	98	+ 458	3,758
II	+ 54	...	...	...	55	+ 109	3,867

countries—particularly from the European Payments Union whose gold settlements in favour of the United Kingdom last quarter amounted to only $17 million against $76 million in the preceding quarter. The Chancellor added "it is quite likely that these less favourable influences will continue during the next few months." They will be seriously aggravated if the worst befalls in Persia and the products of the Abadan refinery are temporarily lost. In answer to a question, the Chancellor estimated that the gross additional dollar cost to the sterling area of replacing Persian oil would be about $350 million a year.

Buoyant Production

Although the 5 per cent gain in industrial production, by comparison with the first five months of 1950, is slightly better than the 4 per cent increase assumed in the Economic Survey, the Chancellor wisely put his emphasis on the fact that it is much less than the rate of gain in the year 1950 as a whole. The direct dislocating effects of the starting of additional arms production have scarcely begun to make themselves felt; and the effects of shortages of key materials have so far been minimised by drawing upon stocks and by manufacturers' ingenuity. Mr Gaitskell naturally drew some encouragement from the recent output record, but he

Industrial Production: Indices and Output of Certain Selected Manufactures, 1950-51.

	1951			1950		
	Mar.	April	May	Mar	April	May
Official interim index:—						
All industries	140	151	146-147 (est.)	144	135	141
Manufacturing	145	158	...	150	139	147
London & Cambridge index:						
Total index A	137	145	...	143	132	136
" B	134	143	...	140	130	135

Output of:	1951—Latest Available Period	1950 Same Period	Change: Per Cent
Passenger cars (5 months)	199,769	212,479	− 6
Sulphuric acid (4 months) ('000 tons)	615·8	600·7	+ 2½
Rayon yarn (4 months) (million lb.)	120·5	117·6	− 14
Metal working machine tools (3 months)	12,582	10,569	+ 19
Agricultural tractors (5 months)	59,875	44,004	+ 36
I.C. engines (5 months)	90,100	71,700	+ 26

emphasised his uncertainty about the adequacy of forthcoming supplies of the two most important materials for the economy, coal and steel. On coal prospects, which are discussed in a later note, the Chancellor added his voice to those calling for the utmost economy in fuel use, and reiterated his desire for a level of coal exports high enough to assist in obtaining iron ore, wood pulp, pyrites and timber from customers on the Continent. Imported iron ore supplies remain the key to 1951 steel production. Although home ore consumption is being increased and the scrap drive is bringing in valuable additional amounts of steel-making material, success or failure in achieving the 16 million tons of ingot steel output aimed at this year depends mainly upon whether the ore already purchased by the steel industry can be shipped to Britain in time. Failing this, any build-up towards full production at the new Margam and Trostre mills is likely to be achieved only by depriving other steel finishing plant of crude steel.

The most important industry in which shortages of raw materials have markedly limited production—essentially shortages of sheet steel and certain zinc die-castings—is the motor industry. Up to the end of May car production was 6 per cent below the 1950 figure, though production of commercial vehicles and chassis was held slightly above last year's, and output of agricultural tractors was 36 per cent higher. Rayon production, affected at the beginning of the year by the sharp cut in sulphur supplies, has since recovered, thanks to the industry's more economical use of raw materials and to its success in obtaining sulphur and acid from outside America. For the moment, there are hopes that the shortages of these basic materials may be eased, or at least not accentuated, during the remainder of the year. Coal supplies may be the determining factor in the level of industrial production as a whole.

* * *

Financial Agreement With Egypt

The Anglo-Egyptian agreement on the release of Egyptian sterling balances, which was initialled last March, was formally signed in Egypt this week. The agreement

provides for the immediate release of £25 million from Egypt's blocked sterling account of £230 million; of this the equivalent of $40 million can be taken in dollars. Thereafter, and for the next ten years, Egypt will be allowed to draw £10 million a year, together with an additional £5,000,000 a year up to a total of £35 million if its current account falls below £45 million. The agreement also provides for the supply of petroleum products worth £11 million annually to Egypt; this will be paid for out of Egypt's current sterling earnings and agreed sterling releases. It will be recalled that, after the agreement was initialled and published in March, it encountered strong political opposition in Britain and that special exception was taken to the petroleum clauses in view of Egypt's continued refusal to allow tankers to proceed to the Haifa refineries through the Suez Canal. Subsequent events in Persia have reinforced these criticisms. Even when the difficulties that stood in the way of the achievement of any agreement at all are comprehended—and nobody who has read the propaganda in the Egyptian press against the agreement will underestimate them—the impression left by this settlement is that the British Government has been willing to give too much away.

* * *

First Quarter's "Above-Line" Surplus

The Exchequer returns for the first quarter of the financial year disclosed an "above-line" surplus of £13.8 million of ordinary revenue, compared with one of just over £41 million in the first quarter of 1950-51 and with a virtual balance for the corresponding period two years ago. This surplus has been achieved despite an increase in ordinary expenditure (including sinking fund) by £105 million, to £832 million. This increase affords the first clear evidence of the effects of defence spending, although it still forms only a modest proportion of the large increase in total above-line expenditure that is envisaged for the full year; including the allowance of £160 million for defence supplementaries, the budget provision for the year is £940 million above the actual expenditure of 1950-51. The fact that a moderate surplus has been achieved in the first three months reflects the buoyancy of "ordinary" revenue, which has risen from £769 million to £846 million—by an amount that is actually more than proportional to the increase of £258 million for which the Chancellor budgeted for the full year. This strength of revenue has not, moreover, been due to any adventitious receipts; revenue from the sale of surplus stores, trading services and from miscellaneous items has in the aggregate declined in almost strict conformity with the budget estimates. More than half the quarter's gain has been attributable to the strength of customs and excise, which in turn is a reflection of rising prices and increased purchases. Customs revenue, up by nearly £27 million, already shows a slightly bigger rise than was expected for the full year, while excise receipts have risen by £15.8 million compared with an expected drop of £4,300,000 for the full year. Income tax, expected to provide an additional £220 million in the year, has so far yielded an additional £29.5 million.

Expenditure below-the-line has been running beyond estimate. After deducting below-line receipts, net expenditure has risen by £12 million to approximately £123 million; the increase expected for the full year was £23 million. This trend is wholly due to the sharp rise in loans to local authorities; over the full year these were expected to decline by £13 million, but have risen by fully £19 million in the first quarter. The upshot is an overall deficit of approximately £109 million, or £40 million more than that for the first quarter of 1950-51.

* * *

The Second Coal Board

Mr Noel-Baker saved up few surprises for his belated appointments to the National Coal Board. Since early this year, Sir Hubert Houldsworth's has been the name most frequently tipped to succeed Lord Hyndley as chairman of the Board. His elevation from the East Midlands to Hobart House may not take place without occasioning some heartburn within various strata of the NCB hierarchy; but the Minister might have taken even longer trying to find an equally acceptable—and willing—chairman from outside nationalised coal. Sir Hubert has been associated with the successful experimental work upon new mining methods and machines carried out in the East Midlands Division in the last three years: and if he should wish to promote the wider application of these experimental techniques more quickly that the Board has hitherto ordered, that may be no bad thing. His recent experience of running a coal business with roughly 100,000 employees, and an output of about 40 million tons worth some £86 million a year, is backed by great experience of the legal side of the industry. And his step upward from the divisional level, which is shared by Mr W. J. Drummond, who becomes one of the two new deputy chairmen, may bring a different viewpoint into the Board's discussions of the proper structure of the industry.

The new appointments almost entirely dispose of the original functional pattern of the Board by which its members were the responsible heads of its major departments. Mr Ebby Edwards and Sir Charles Ellis will presumably retain their special interest in labour relations and in science respectively, but like the other new members they are now described as "non-functional"; Sir Lionel Lowe, who has recently suffered considerable ill-health, has not been reappointed, and the Board will now have no designated finance member. Sir Geoffrey Vickers, who also remains with the Board, has never been a functional member.

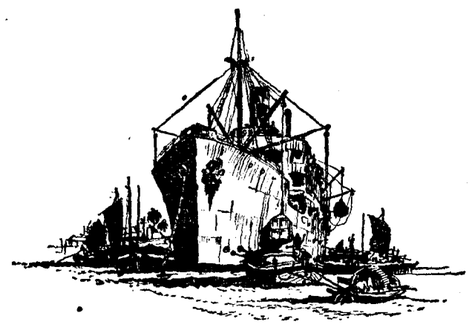
Its new members should add considerable strength. Sir Eric Coates, the second new deputy-chairman, is new to the industry, and brings considerable experience of finance and administration. Mr Drummond, on the other hand, has a long experience of controlling coal-mining operations under private and public enterprise. Sir Andrew Bryan, one of the country's most distinguished mining scientists, has an unrivalled and impartial familiarity with the industry's management problems. With the part-time members, all of whom remain, the second Coal Board should be considerably stronger than the first has been, particularly in recent months. It will be judged by its approach to certain fundamental weaknesses that the present Board, pre-occupied with day-to-day routine, has recently tended to shelve.

* * *

—And the Next Coal Winter

Immediate coal prospects, however, are enough to worry the Government. At the miners' conference this week Mr Noel-Baker emphasised that coal consumption is still rising faster than output, and that another crisis this winter is possible. The Minister devoted most of his speech to the need for "desperate efforts" to avoid wasting fuel: he did not specifically suggest that the miners might resume Saturday working in the pits earlier than they now expect to, and Sir William Lawther, in replying, promised his remarks only "the serious consideration they merit." The Minister did, however, say he had decided to set up a committee of unspecified composition to study "the wider aspects of national fuel policy": and, on the subject of manpower, that he contemplated increased recruitment of foreign labour if the miners could not be found at home. For since the middle of April the growth in coal mining manpower that had been so conspicuous in the previous four months seems to have come to an end. The industry's labour force has remained stationary at a little above 700,000, with a slight decline of about a thousand men in the last five weeks. But the number of men at the coal-face is still increasing, as recruits become more skilled: and soon the arrival of Italian workers will swell the figures.

With half the year over, coal budgeting looks more practicable. The Board is not likely to be able to do much more



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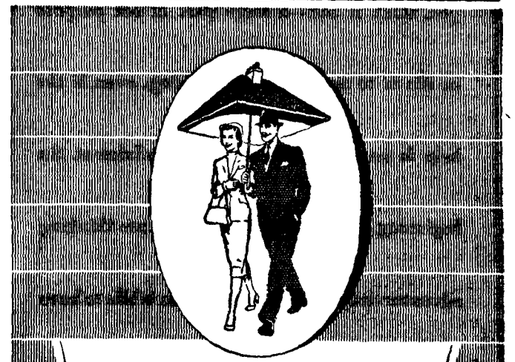

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than agree with Mr Gaitskell's emphasis upon the importance of coal exports: it should perhaps be said that the possibility of coal imports next winter has not been entirely ruled out. The output side of the balance at present appears to offer roughly 211 million tons of deep-mined coal, 12 million from the opencast sites, and 1,200,000 tons from America; about 224 million tons in all. On the consumption side, inland consumption may well equal the size of deep-mined output, unless material shortages in industry affect the use of fuel more than they have done yet; to this 211 million tons there must be added perhaps 4,000,000 tons for bunkering, and 3-4,000,000 tons to build stocks at the beginning of the winter to a highest-ever level. The NCB may thus be hard put to export the 6,000,000 tons or more that they have tentatively in mind at present, unless stocks are to suffer.

The Board's financial statement for the first quarter of this year shows that it sustained a loss of £3,500,000 on imported coal; some £300,000 was already taken into account in 1950, and about £700,000 remains to be charged against later accounts, making a total loss of perhaps £4,500,000 on American coal during the winter. Exports during the quarter were less than 1,400,000 tons, compared with more than 4,000,000 tons in the first quarter of 1950, which involved the Board in another considerable loss of revenue on higher-priced overseas sales. Rises in wages, operative over most of the period, cost roughly 1s. 1d. a ton, and brought the average earnings of miners, above and below ground, to about £10 a week. The fairly generously estimated rises in inland prices, however, kept the NCB out of the red even in so expensive a period: it showed a surplus for the quarter of £983,100, compared with £693,204 in the last quarter of 1950 and £5,600,011 in the first quarter.

* * *

Repayment of RFC Loan

The loan that the British Government obtained from the Reconstruction Finance Corporation in 1941 will be finally repaid on October 1st next. This loan was originally arranged in order to make it unnecessary for Britain to continue the sale of its direct investments in the United States—sales of which the Courtauld's Viscose operation stands out as such a costly example. The amount negotiated in 1941 was $425 million, but, as Lend-Lease assistance went into its full stride not long after the agreement was signed, only $390 million was ever drawn. With the repayment of the loan, the securities held as collateral will be freed. This collateral consists in part of quoted and marketable securities and in part of direct investments—the latter mainly insurance companies operating in America but owned by United Kingdom interests or American branches of British insurance companies. The whole of these direct investments and a small part of the marketable securities were never vested in the Treasury but were borrowed from the owners and pledged with the RFC. The Chancellor of the Exchequer explained this week that these borrowed securities will be returned to the owners. Most of the marketable securities, however, were bought outright by the Treasury. The Chancellor will be prepared to consider resale of some of these at current market value to former British holders, but only where this will enable substantial former shareholders to resume an active interest in undertakings with which they were previously associated. The rest of the securities will, as a general rule, be retained in Treasury ownership.

According to evidence given before a Senate Banking Committee in Washington some years ago, the market value of the securities that were held as collateral for the RFC loan was $360 million in 1945; it will have increased appreciably since then. Although some of the securities have since been sold and others will be resold to the former owners, a substantial block of them will remain to form the stock-in-trade of an investment trust that will presumably be run by His Majesty's Government—an interesting new field for state enterprise and one that may evoke some criticism in the United States. The dollar income on the collateral pledged against the RFC loan, which has hitherto been earmarked to meet annual interest and capital repayments on the loan, will now feed the dollar balance of payments. Any relief from this source, however, will be more than offset by the payments on the United States and Canadian dollar credits of 1946, repayments of which are due to begin on December 31st next.

* * *

Finance Bill's Third Reading

The Finance Bill duly received its third reading last Tuesday after its laborious passage through the Commons. The tax concessions granted since the introduction of the Bill are likely to cost £4,700,000 in a full year (out of a total tax revenue of £4,015 million). This calculation includes the cost of the concessions in the new schedule of Entertainments Duty (discussed in *The Economist* last week) and the exemption of tooth brushes and certain boot and shoe materials from purchase tax, but it excludes the estimated effects of the concession on initial allowances for shipbuilding and the drawback permitted for oil incorporated in exported goods; the Financial Secretary described the effect of these last two concessions as "difficult to put into figures."

Perhaps the most important achievement of the long debates, however, is that the Treasury has been induced to put on record certain "dispensations" of the blanket powers that the original draft of the Bill proposed to give it over what it chooses to regard as tax evasion. Thus Clause 24 of the Bill has been made slightly less damaging to the British banking system by the provision that overseas recipients of bank interest should have the right to obtain exemption from returning it as taxable income. Clause 29 (which is designed to prevent transactions that might lead to evasion of profits tax) has been improved by certain last minute amendments that will prevent any direction from being made under it if the transactions concerned are cleared in advance by consultation between the company and the inland revenue; in addition, the provisions of this clause will not apply to reductions of dividends or the issue of debentures for cash. The Treasury has made some cautious promises about the circumstances in which its powers (under Clause 33) to prevent the migration of companies overseas will not be used; and the Commissioners of Inland Revenue will be required to specify the circumstances under which their new powers in relation to double taxation (under Clause 34) will be used. After two months of labour the mountain of debates has therefore brought forth a few welcome mice.

* * *

Commodities and Peace Talks

The commodity markets have naturally tended to ease this week as the prospects of a truce in Korea have grown more bright. But, except possibly in wool (which is discussed, together with cotton and rayon, in a separate article on page 38), there has still been nothing remotely resembling a collapse. The markets have generally been content to mark down the prices of those commodities that have risen most dramatically since the Korean war broke out—and this marking-down has been superimposed on the seasonal fall in agricultural prices.

At this juncture it is instructive to compare the relative movements of commodity prices over the whole period of the Korean war. Four or five groupings can be distinguished on this basis. At the bottom of the list are the main cereals and cocoa and coffee, which are less, or little more than, 20 per cent above the prices at which they stood twelve

months ago. Although some of these commodities are now showing seasonal declines, they should not be particularly vulnerable to the psychological effects of an outbreak of peace in Korea. Coffee, in particular, which has shown signs of recovery this week, is likely to remain in inadequate supply; the full effect of German demand has not yet been felt on this market. Zinc and copper make up a second grouping, for they have risen by only 25 to 30 per cent since June, 1950; neither has shown any weakness recently, and demand for them is unlikely to be met during the next year or so. Lead, tin, shellac, flax and sugar fall into a third grouping, since their prices, at the end of June, 1951, were still some 50 per cent or more above those of June, 1950. Except for lead (which is in any case more likely to ease than copper or zinc) the prices of all this group have declined

COMMODITY PRICES AT MONTH-ENDS
(June, 1950=100)

Commodity	1950		1951		
	Sept.	Dec.	Feb.	Mar.	June
Wheat	103	114	115	113	106
Maize	98	116	121	120	112
Sugar, Cuban	136	128	124	128	161
Cocoa, Bahia, spot	132	116	126	128	123
Coffee, Santos, spot	108	106	107	107	104
Jute	93	97	138	161	172
Sisal	146	147	176	187	189
Flax, coutral	104	123	147	161	144
Copper, electro	109	109	109	109	126
Lead, soft foreign pig	139	143	143	143	174
Zinc, g.o.b.	116	118	118	118	126
Tin, London, spot	136	184	236	209	151
Wolfram	188	308	628	433	457
Shellac	137	147	168	160	150
Rubber	190	238	300	262	193
Tallow	243	333	374	303	221

during the week. Until last week the sugar price remained unexpectedly firm, given the large beet crop; it fell to 7 cents per lb. this week. Shellac and tin, like copra and rubber, are particularly sensitive at the present time; tin has fallen over the past week by £45 to £905 a ton, its lowest since February. Higher up the list, the prices of both jute and sisal are still nearly double their pre-Korea level. Jute has fallen heavily this week to £208 per ton. It is hoped that the jute crop in Pakistan—and possibly also in India—will be decidedly larger than last season. As sisal is in part a substitute for jute, both these commodities may now prove weak. Among the commodities that rose most sharply in the year following the outbreak of the Korean war are tallow, which rose by about 100 per cent in the twelve months, and wolfram, which rose by about 300 per cent. The price of tallow fell again this week and supplies are now plentiful. Wolfram, too, which was rising up to the end of June, has now fallen to 542½s. a unit. It has been adversely affected by reports that an agreement on maximum prices has been reached in the International Materials Conference in Washington; this maximum price is expected to be about 20s. a unit below its present price.

* * *

The Future of FCI

The nationalisation of steel has robbed the Finance Corporation for Industry of its favourite child. On March 31st last the corporation's investments and loans outstanding still amounted to £54.5 million (actually £22 million more than a year before). No less than £35 million of this £54.5 million, however, represented advances to the Steel Company of Wales, and another £5,100,000 was accounted for by loans to other undertakings that have fallen under the axe of nationalisation. All this steel money will be repaid in due course, and, when it is, the FCI will be left with a very depleted bag of assets. The total of its loans outside the steel industry at the end of March amounted to only £14.3 million, to which may be added £13.9 million of commitments that have not yet been translated into actual loans. Although this residual portfolio includes some likely "winners" (including the corporation's once criticised loan to Ultramar), it may also contain an appreciable segment of ventures of uncertain profitability. The corporation wrote down its investments in some of these ventures so heavily last year that no net profit was shown—despite a rise in gross investment income from £705,276 to £1,457,504.

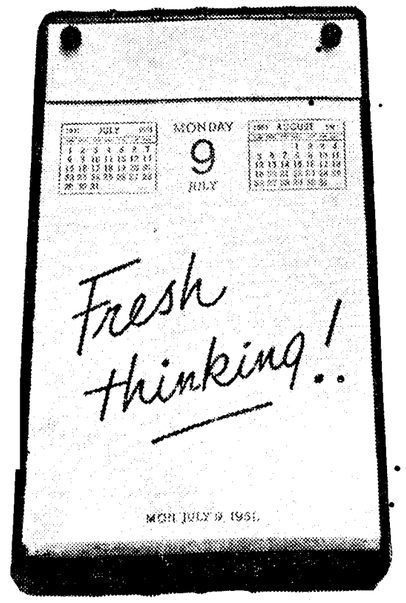
It would be unfair to judge FCI's financial prospects from last year's disappointing absence of profit. The corporation has always followed a policy of seeking only a very narrow margin of profit from ventures in the development stage; it has aimed to recoup itself later by securing profitable options over a proportion of any of the equities and preference shares that its foster children may issue when they float themselves off into the ordinary capital market—as at least one of the Corporation's bigger ventures is likely to do quite soon. (Incidentally, the corporation expects to get some compensation from the Government for its loss of this sort of option on some of its steel loans.) But it is difficult to avoid the conclusion that FCI now faces a central dilemma of policy. It was set up originally to make loans to industries whose postwar capital requirements seemed likely to be either too large (as in steel) or too risky—at least on a short view—for the ordinary new issue market to handle. Those of its customers that came to it because their requirements were "too large" are now mostly the monopoly of the state; it may be preponderantly those whose projects seem too uncertain to appeal to ordinary investors that now stand in a lengthening queue at its door.

* * *

Pyrites Supplies

In the United States, in this country and to a less extent in those European countries still using elemental sulphur, sulphuric acid producers are turning to pyrites; in Britain during 1951 and 1952 a number of new or converted plants are expected to be ready to use pyrites. Courtaulds, for example, has announced in its annual report for 1950 not only that it is converting some existing plants to use pyrites, but also that any additional plant for acid production would have to be based on pyrites. The United States is getting some pyrites from Canada, but Britain's main source is Spain. Spanish production fell severely during both the Spanish civil war and the second world war; but even in 1936 the Spanish pyrites industry was in decline, as a result partly of extensions of pyrites mining in other countries, of the cheapness of United States sulphur and of the extraction of sulphur from other sources. At the end of the war, therefore, the industry had over ten years' leeway to make up in rehabilitation of unavoidably neglected plant and machinery, and in the installation of modern equipment; and since 1945 this process has been held up by difficulties in Spain. The Spanish Government controls foreign currency earnings and has delayed the issue of import licences for machinery, which is mostly British; and it is now difficult either to attract new miners or to get back old miners lost in the thirties. Thus pyrites exports only reached a total of between 1,200,000 and 1,300,000 tons during 1950 compared with an average for the years 1928, 1929 and 1930 of 2,650,000 tons; the Rio Tinto mines, the largest Spanish producer, produced about 650,000 tons in 1950, compared with 1,200,000 in 1937.

As the recently published annual reports suggest, both the Rio Tinto Company and the Tharsis Sulphur and Copper Company are more optimistic now about securing the required machinery and increasing output in the next year or two. The Spanish Government is allowing 7½ per cent of the foreign currency from pyrites export for the purchase of new plant (and a further 7½ per cent to repay the use of the companies' foreign currency for previous purchase) under what is called "operation P." Since the latter part of last year procurement of machinery has been easier, although



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installation of machinery is likely to continue for another two or three years. But the shortage of miners has not been eased and is likely to be the ultimate limit on output. The Rio Tinto Company hopes to deliver an extra 50,000 tons in 1951 to make a total of 900,000 tons; and probably another 100,000 tons extra in 1952. Of these deliveries about 200,000 tons will probably be required for internal consumption, leaving in 1951 some 700,000 tons for export. The Tharsis mines should produce about 550,000 tons for export, and smaller producers another 150,000 tons, to make a possible total export in 1951 of about 1,400,000 tons. The small mines might produce more if the price of pyrites were high enough. In 1952 Spain should be exporting at the rate of about 1,600,000 tons a year.

* * *

Britain's Needs

Britain imported about 200,000 tons of pyrites in 1950 and is now importing at the rate of about 400,000 tons a year. The greater part of these imports come from Spain, but Cyprus and Portugal also occasionally supply this country —and Norway could do so. Consumption of pyrites for sulphuric acid production in 1950 was 205,000 tons. Total exports from Cyprus in 1950 were 630,000 tons, which was more than the peak export of prewar years, and some 650,000 tons may be exported during 1951. Portuguese production is running at about 700,000 tons a year and exports may reach 550,000 tons in 1951. The deposits in Portugal and Cyprus are not very large and the present rate of production may not be improved upon substantially. Norway, with a prewar output of 1,000,000 tons, was then second to Spain in European pyrites production; it has the second largest European reserves. Output in 1945, however, was only a quarter of that figure, but in 1950 it was about 750,000 tons, of which about 400,000 tons were exported, mainly to Western Germany and Sweden. Next year further deposits are to be opened up with an initial output of 150,000 tons, and there are other deposits as yet untouched.

The intention of the Norwegian Government, however, is eventually to refine as much as possible of the pyrites in Norway and to export elemental sulphur, if it can be successfully extracted, or sulphuric acid. Thus Norwegian pyrites, subject to the plans of the government, should provide an important supplement to Spanish supplies in coming years. After 1952 it is probable that supplies of pyrites will be plentiful, for the Spanish deposits are huge and the Norwegian deposits very extensive. Between now and the end of 1952 the adequacy of supplies will depend on how quickly new pyrites-using plant is brought into commission; it is conceivable that new capacity may outrun the supplies of the raw material.

* * *

Commercial Atomic Energy

A project to build what may become the first privately owned atomic energy plant has been undertaken in the United States by the Monsanto Chemical Company. With the help of the Union Electric Company of Missouri, the company is to start design studies for a nuclear reactor as soon as formalities with the Atomic Energy Commission have been completed. These studies will show whether it is possible for a commercial enterprise to build and operate such a plant on an economic basis.

Monsanto is the largest producer of elemental phosphorus in the United States. Large quantities of electricity are used in the course of production and the plants are far from any easily accessible source of power. For this reason the prospect of supplying these plants with power from a nuclear reactor is attractive. If the company can also sell to the AEC the plutonium that is produced as a by-product of fission, the comparative cost of the power may not be excessive. Equally, it may be cheaper to produce plutonium in conjunction with the generation of power than in present reactors operated solely for plutonium production.

Although several American companies have carried out projects on behalf of the AEC, this is the first proposal to finance such a project by private capital. The initial studies will be on paper only: if actual building starts, the costs to the company will be extremely high. Calculations of the cost of an atomic power plant are highly conjectural, but American estimates put it as two and a half times that of a coal-fired station. In this country Sir John Cockcroft has put the cost at between two and three times that of a coal-fired station, and has suggested that the construction costs of a small reactor might work out at about £7,500,000 compared with £2,500,000 for a conventional generating station of the same capacity.

The Monsanto project is the first of a number of similar schemes to receive official sanction. In Britain no company has yet approached the atomic energy authorities with a comparable project; conceivably it would be given a favourable hearing, although the fuel and power industries might have their views about it. In the early stages nuclear power may be economically more attractive in isolated territories without established electricity supplies. The method of approach adopted by Monsanto suggests, however, that the economics of the process are likely to be improved if the reactor is taken as the starting point for a number of processes rather than, as at present, simply as a source of heat. Design studies for a nuclear reactor are already being prepared at Harwell and towards the end of the year it should be possible for Sir John Cockcroft to give a detailed report on the feasibility of nuclear power generation. It will then rest with the fuel and power industries, and with private industry, to reach decisions about the course of future development.

* * *

Barcelona Traction—the Company Replies

The Barcelona Traction Company has now issued a counterblast to the statements published last week by the Spanish Embassy (quoting the joint Spanish-British governmental minute on the still unpublished report of the Commission of Experts) and by the Prior Lien Bondholders' Committee. The essence of the Joint Governmental Minute was:—

(1) that the Spanish Government was justified in not authorising transfers of foreign currency (required to service the Company's sterling bonds) since the necessary information in support of the applications for exchange had not been supplied, and

(2) that "in the light of the reports submitted by the experts and with the detailed knowledge of the activities of the group of companies furnished by these reports, the decision of the Spanish Government to declare the applications in question ineligible has now been fully justified."

According to the company's statement, the charge that its subsidiary failed to supply the information called for by the Spanish authorities in relation to its applications for transfers of exchange, is without foundation. There is here a patent conflict upon a question of fact, in which the good faith of the British and Canadian Governments seems involved. The company's statement also asserts that the only irregularities of which its board is aware (irregularities implicit in the Joint Governmental Minute and explicit in the Spanish Government's statement) were in connection with certain transfers of funds carried out without the permission of the Spanish Government between 1940 and 1946, the first of such transfers and approximately half of the total having been carried out in conjunction with and at the expressed request of HM Government. The Company further complains that it was denied the right of replying to the charges

made against it, and it also joins issue upon the correct interpretation to be placed upon the report (which has not been published) of the British and Canadian experts, who are distinguished independent accountants.

Where there is such a marked disagreement on vital matters of fact and construction, it is scarcely for the outsider to venture an opinion—at least until the reports of the independent experts have been made public. The Company concludes its statement by calling for the publication of the report of the British and Canadian experts. In view of the seriousness of the allegations and the involvement of the British and Canadian Governments, such publication seems now imperative. It also seems desirable that the report of the Spanish experts should be published as well.

* * *

"Tangerine" Gold Certificates

More information has recently become available about the new market in gold certificates in Switzerland and Tangier. These certificates represent gold deposited in Tangier with the Société de Banque Tangero-Suisse, which is an offshoot of a finance house established in Zürich ; they are issued in denominations of gold bars of one-tenth kilo, one-half kilo, one kilo and 12½ kilos—some of them in bearer and some in registered form. Although the certificates are quoted regularly in Switzerland, the market for them is not yet a large one. Since a Swiss citizen is entitled to hold gold in Switzerland (and plenty of gold is available in the convenient form of one-quarter, one-half and one kilo bars—mostly manufactured in France), there seems to be no particular advantage in his acquiring titles to gold deposited in far-off Tangier—except that Tangier would be an even safer repository than Zürich if a European war broke out. The gold markets themselves bear evidence of the fact that fears of war have been receding in the past few days ; the free market price of the metal is now no higher than $39¾-$40 per fine ounce.

Shorter Notes

The Anglo-Iranian Oil Company is paying an interim dividend of 25 per cent on July 31st ; this will make a total dividend for the operating year 1950 of 30 per cent, less tax—the same as for the preceding four years. The company is, however, holding up publication of its accounts and its annual meeting of shareholders until later in the year ; presumably it feels that there is little that is new or profitable that could be told to shareholders at this time, while any figures in its accounts that indicated successful trading experience would be sure to be seized upon by Persian propagandists.

*

The changes in the United Kingdom tariff that result from concessions made at the recent Torquay conference are to be made on September 1, 1951. A full list of changes in rates is published in the *Board of Trade Journal* this week.

*

Lever Brothers and Unilever N.V. and Van den Bergh's N.V. have announced that the procedure to implement the 1948 convention for avoiding double taxation between Britain and the Netherlands has now been agreed by the taxation authorities of both countries. British residents will now be able to claim relief from the 15 per cent Dutch dividend tax on any dividends paid from January 1, 1948 ; details of how to make the necessary claim are given in the companies' circular. The amount of dividend tax recoverable will, however, rank as additional income for the fiscal year in which the dividend was paid and thus give rise to additional liability for British income tax. If the shares have changed hands, dividend tax relief must be claimed by previous owners ; present shareholders can claim relief only on any dividends they have received since they acquired the shares.

Company Notes

Courtaulds.—The peak of Courtaulds' postwar programme of expansion is now well past, and the rate of physical investment in new buildings and plant has been reduced. In consequence profit retentions have enabled the group to increase its holdings of gilt-edged stocks from £14,817,421 to £18,239,790 and of cash from £7,285,454 to £9,809,320 ; these liquid resources compare impressively with outstanding capital commitments of £4,750,000. The completion of this capital programme has borne fruit in all-round increases in productive capacity, in a greater volume of sales and in an astounding advance in trading profits from £10,233,623 to £18,392,835. As was pointed out in *The Economist* of June 14th, however, these figures can create an illusory picture unless the whole question of replacement costs is borne in mind ; it must be remembered too that the tax-collector, who claims £9,049,664 this year, against £3,787,193 last year, pays no heed to this problem in his assessment. The size of the "replacement cost problem" now facing Courtaulds can only be partly gauged by the company's decision to put £4,687,071 (against £2,081,311) to specific reserves against increased costs of materials and of plant and machinery. Another sign of the problem is that the recorded increase in stocks from £12,930,329 to £13,612,608, and in debtors from £3,926,710 to £4,919,589 does not connote any increase in real values ; in fact, stocks are currently at a low level.

In his address to shareholders, Sir John Hanbury-Williams emphasised that the burden of making provision for replacement from undistributed profits could not be borne indefinitely. The directors believe that the time has not yet come for a revaluation of fixed assets, but there is a broad hint in the chairman's statement that fresh capital will have to be raised once further new ventures are planned. Before this can be done, however, the directors consider it necessary to reconstruct the company's capital structure, presumably by means of a bonus issue ; with reserves retained in the business totalling £45,151,369 against an issued capital of £32,000,000 the validity of their case is clear. If Courtaulds were to follow the precedent set by I.C.I. in revaluing fixed assets, then the discrepancy between the real capital worth of the company and its issued capital would, of course, become even more obvious. The chairman also argued that it would be unwise at this stage to increase the dividend beyond 11¼ per cent in view of the uncertain outlook for some raw material supplies and of the Government's wish for continued dividend restraint. Indeed, until the prospect for future raw material supplies and prices is a little clearer, the chairman believes that "it is not only difficult but well-nigh impossible to forecast the immediate part which the rayon trade will play in the textile industry." He added, however, that if the requisite raw materials were obtained at satisfactory prices, then there was no reason why the company should not work its factories at full capacity.

	Years to March 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	10,233,623	18,392,835
Total income	10,967,322	20,224,670
Depreciation	2,497,191	2,484,748
Taxation	3,787,193	9,049,664
Group earnings for ordinary stock	*1,674,123*	*3,126,670*
Ordinary dividends	990,000	1,447,500
Ordinary dividends (per cent)	7½	11¼
Retained by subsidiaries	614,851	1,556,527
Added to carry forward	83,005	168,175
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	28,518,581	30,172,340
Net current assets	18,045,761	22,946,327
Stocks	12,930,329	13,612,608
Cash	7,285,454	9,809,320
Reserves	35,158,371	45,151,369
Ordinary capital	24,000,000	24,000,000
£1 ordinary stock at 49s.xd. yields £4 10s. 6d. per cent.		

*

Rolls Royce.—Although Rolls Royce have had a full order-book for some time, rising costs cut into the company's profit margins last year, and trading profits fell from £1,736,406 to £1,575,120. Inflated costs eventually forced the company to raise motor-car prices in October, but this change came too late to have any appreciable effect on the year's figures. In the coming year, defence orders will make necessary a considerable expansion of the company's manufacturing facilities at Glasgow, but the capital expenditure involved will be borne by the Ministry of Supply. Defence orders have often dictated the pattern of production and development in the past, that the company should be better fitted than most to take rearmament in its stride. Nevertheless, costs are rising rapidly,

All in the dark, Mr. Andrews?

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BARCELONA TRACTION, LIGHT & POWER COMPANY, LIMITED

The Board of Barcelona Traction, Light & Power Company, Ltd., have noted with astonishment the terms of the Declaration signed on June 11th by the Spanish Minister of Industry and Commerce and by H.M. Ambassador in Madrid, which has been published in the British press by the Spanish Embassy in London.

The Board draw attention to the following facts as to the procedure adopted, the contents of the Declaration—and what it omits.

The Procedure Adopted

The Declaration accuses the Management of Ebro Irrigation & Power Company, Ltd., the principal operating subsidiary of the Barcelona Traction group, of having failed to supply to the Spanish Government information which had been called for in relation to the Company's applications for transfers of exchange, and it justifies the Spanish Government's refusal of transfers on this ground. It further records that the Spanish Government accuses the Management of the Group of various irregularities—the nature of which is not specified.

The most elementary rules of natural justice require that no man should be condemned without being heard in his own defence. The Board were denied this right. So far from being given an opportunity of replying to any of the charges referred to in the Declaration, they were not even informed what accusations were being made. They do not even now know what are the unspecified irregularities of which, with the implicit assent of H.M. Ambassador, they are alleged to be guilty.

The only irregularities of which the Board are aware were in connection with certain transfers of funds which were carried out between 1940 and 1946 without the permission of the Spanish Government. If these are the irregularities referred to, it was less than candid to state in the Declaration that the British representatives were "informed" of them, since the first of these transfers and approximately half of the total were carried out in conjunction with and at the express request of H.M. Government itself.

The Contents of the Declaration

As respects the only specific allegation made in the Declaration, namely that Ebro failed to supply information which was called for by the Spanish authorities in relation to its applications for transfers of exchange, the Board—now that they know what the charge is—are in a position to state categorically that it is without foundation. At no time up to the end of 1945 did the Spanish authorities even suggest that the failure to permit transfers of exchange by Ebro was due to any lack of information as to the Company's affairs or to any other cause than Spain's own economic situation. Such requests as were made for information in relation to its applications were answered by the Company which offered to supply further details if they were considered necessary. So far from asking for further details the Spanish Government indicated that they were satisfied with the particulars which had already been supplied. The view that Ebro's inability to obtain transfers was due to Spain's own economic situation was expressly confirmed to the Company by the representatives of H.M. Treasury, then in Madrid, who as late as November, 1944, advised Ebro not to press further for remittances at that time as the Spanish Government had not the necessary foreign currency available.

In December, 1946, in connection with their refusal of consent to the Plan of Compromise which had been approved by the Sterling Bondholders and the Supreme Court of Ontario the Spanish Government indicated their wish for a full investigation into various matters including in particular the amount of foreign capital invested by the Barcelona Traction group in Spain. The Company immediately instructed its auditors, Messrs. Turquand, Youngs, McAuliffe & Co., to prepare a report showing in full detail every relevant financial transaction of the Group since the inception of the undertaking 35 years before. This report was in process of completion when the Company was made "bankrupt" in Spain in February, 1948.

The complete file of correspondence which proves these facts is available and would willingly have been supplied to H.M. Government had the Board been given any opportunity of doing so. That the Board was given no such opportunity is the more astonishing in that the joint report of the British and Canadian experts, upon which the Declaration purports to be based, is at pains to point out that the Commission of Experts had not "the means to satisfy itself that such documents and records as may be available to it in relation to any particular matter are complete." For this reason in expressing the view, based upon the only correspondence which they had seen, that Ebro had failed to deal adequately with requests for information from the Exchange Authorities, the Experts add the vital qualification "unless there has been other correspondence or conversations which had made good this apparent deficiency."

Knowing of this qualification on the part of its own expert, aware that the Management of the Group had been given no opportunity of supplying the full correspondence, H.M. Government nevertheless subscribed a declaration which states "that the Experts have *unanimously agreed* that Ebro Irrigation and Power Co., Ltd., the head of the Barcelona Traction group of subsidiary companies in Spain, has not made available the information called for on various occasions to justify the origin, destination and basis of the financial obligations claimed to be the ground of their applications" for transfers of foreign currency.

What the Declaration Omits

The Declaration, although purporting to be based upon "the reports prepared by the Spanish, British and Canadian members of the Commission of Experts appointed to investigate the activities of the Barcelona Traction group,", omits all reference to their findings upon the only matter which they were appointed to investigate. The Spanish Government having early in 1950 sought to justify its failure to grant transfers of exchange on the ground that the Barcelona Traction group was a debtor and not a creditor *vis-a-vis* the Spanish economy, the Commission was appointed, in the words of the Report of the British and Canadian Experts: "to examine the facts and documents relating to the investment of capital in Spain by the Barcelona Traction, Light & Power Co., Ltd., and its subsidiary or associated companies, and also the returns realised on such investment and transferred abroad from time to time, in order to establish the true position of the Barcelona Company, and its subsidiaries *vis-a-vis* the Spanish economy, namely, whether it is a debtor or creditor."

The British and Canadian Experts, distinguished independent accountants, point out in their Report that the Commission "was not and could not be constituted as a judicial authority to deal with allegations concerning the conduct of the proprietors and officials of the Barcelona Company and its undertaking in Spain." Their finding upon the only matter referred to the Commission is that the Barcelona Traction group is and always has been a creditor of the Spanish economy and that the net foreign investment in the enterprise in Spain at December 31st, 1949, was £19,695,522, according to book figures without taking into account the appreciation in value of the physical assets in terms of present monetary values.

This important vindication of Barcelona Traction's case and confutation of the Spanish Government's contention on the very matter which the Commission was appointed to investigate is omitted from the Declaration signed by H.M. Ambassador.

The "Bankruptcy" in Spain

The enterprises of the Barcelona Traction group supply approximately 20 per cent. of the total electric power produced in Spain. The replacement cost of their installations would be not less than 6,000,000,000 pesetas or approximately £55 million. The last Profit and Loss Account of the Company which it was possible to publish before the Spanish "bankruptcy" covered the year 1946 and was as usual audited by Messrs. Turquand, Youngs, McAuliffe & Co. It showed net income of 2,374,945.18 Canadian dollars after deduction of all expenses and of interest on all the Company's sterling and peseta bonds. It is noteworthy that interest on the Company's peseta bonds, although they are an issue junior in ranking to the two sterling bond issues, continued, with the approval of the Canadian Trustees for the senior issues, to be paid until the Company's subsidiaries in Spain were seized in 1948 in this Spanish "bankruptcy." The Company is prosperous even to-day and would have no difficulty in meeting the service of its sterling bonds, but for its inability to obtain transfers of exchange. Its failure to pay interest on its sterling bonds was the ostensible ground upon which three Spanish holders of £11,500 of First Mortgage Bonds which they had acquired a few days before, obtained in two days, without having made any attempt to receive payment of the interest on their bonds and without the Company being notified, a declaration of bankruptcy of Barcelona Traction by the Court of Reus on February 12th, 1948. Barcelona Traction is advised that the bankruptcy is illegal; but even to-day, after nearly three and a half years during which the enterprises of its subsidiary companies which were seized in the bankruptcy have been in Spanish hands, the Company is still prevented even from being heard in any Spanish Court upon its contention that the bankruptcy is illegal. This has been the Company's experience of "the framework of Spanish legislation" within which the Minister assures foreign investors that they "will always find the necessary protection."

Statement of the Prior Lien Bondholders Committee

As regards the statement issued by the Prior Lien Bondholders Committee, which was formed in 1948, it may not be realised that the Bonds which it represents, although previously held principally by British investors, have since 1947 been beneficially owned as to their majority by the Juan March group. Even so it is surprising that the Committee should regard the Declaration as having "done much to clarify the position" without the Report of the investigation, which they state they recommended, being published at all.

The Board, on the other hand, anxious as it always has been that the Company should be placed in the position of being able to reach a just settlement with its creditors, considers that this object could only be advanced if the full facts were made known. They have asked the British and Canadian Governments to publish the complete text of their Experts' Report and have undertaken to defray the cost.

further heavy expenditure on the development of oil engines is inevitable, and the re-imposition of the 66⅔ per cent purchase tax on motor-cars may have its effect on that particular section of the group's activities.

	Years to Dec. 31 1949	1950
Consolidated Earnings :—	£	£
Trading profit	1,736,406	1,575,120
Total income	1,641,388	1,863,458
Depreciation	476,881	535,805
Taxation	889,505	803,309
Group earnings for ordinary stock	*249,252*	*253,800*
Ordinary dividends	126,500	184,000
Ordinary dividends (per cent)	20	25
Added to general reserves and carry forward	193,002	282,499
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	1,849,316	2,170,627
Net current assets	3,040,932	3,284,233
Stocks	2,858,599	2,686,190
Cash	202,012	636,770
Reserves	2,863,558	3,213,433
Ordinary capital*	1,150,000	1,533,333

£1 ordinary stock at 125s. yields £4 per cent.

* Includes workers' shares.

The latest year's results reflect, therefore, something of a transitional stage in the development of the group. The way has been prepared in part by the rights issue of 383,333 £1 ordinary shares at £3 15s. in November; the substantial expansion of the company's business clearly justified the introduction of more permanent capital. The board has also recommended that the shareholders' interest in the company's many activities should be established on a more permanent basis by the capitalisation of £1,533,333 from reserves, thus raising the ordinary capital from £1,533,333 to £3,066,666. Rolls Royce's expansionist policy has been made possible in the past by substantial retentions from profits, and the directors feel that the time is ripe for a change in their conservative dividend policy, under which a dividend of 20 per cent has been maintained since 1939, an interim dividend of 10 per cent was paid on the capital of £1,150,000 and a final of 15 per cent on £1,533,333 capital. This decision, taken in a year when profits had fallen, suggest that the directors feel that the company's prospects are sufficiently good to hold out the promise that the prewar level of dividends should be assured for some time to come.

★

Metal Box.—The familiar—but acute—problem of securing adequate finance, both for the replacement of stocks and worn-out equipment and for an expansion of business, stands out clearly in the accounts of Metal Box. The chairman points out that after taxation had taken £1,541,820 from trading profits of £3,132,791—in the previous year taxation had taken £1,063,472 out of profits of £2,423,535—earnings retained by the company were insufficient to provide for bare replacement needs. In addition, money is not at present available "to meet an estimated capital expenditure of £850,000." The company appears therefore to be considering a fresh issue of capital. This news will have taken the gilt off the gingerbread for many shareholders who found good grounds for satisfaction in a record volume of turnover (£28.3 million against £26.2 million), in the substantial improvement in overseas earnings from £421,378 to £934,601, and in an ordinary dividend of 12½ per cent on the present capital of £3,612,770 against last year's dividend of 20 per cent on the original capital of £1,806,385. There was a 100 per scrip bonus in June. Despite the higher dividend disbursement, steps have been taken to tackle the problem of replacement, for the group have retained £243,000 (against £188,750) in stock reserves and £76,750 (against £238,256) in fixed assets reserves.

	Years to March 31 1950	1951
Consolidated Earnings :—	£	£
Trading profit	2,423,635	3,132,791
Total income	2,455,025	3,148,048
Depreciation, etc.	548,537	582,415
Taxation	1,063,472	1,541,820
Group earnings for ordinary stock	*818,021*	*573,465*
Ordinary dividends	186,703	239,346
Ordinary dividends (per cent)	20	12½
Retained by subsidiaries	132,072	203,045
Added to general reserves and carry forward	38,804	215,035
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	5,671,218	6,479,769
Net current assets	6,294,921	7,557,523
Stocks	5,311,134	7,114,314
Cash	732,300	1,288,489
Reserves	6,390,246	5,499,774
Ordinary capital	1,806,385	3,612,770

£1 ordinary stock at 52s. 6d. yields £4 15s. 3d. per cent.

The serious shortage of tinplate raises yet another problem for Metal Box. Supplies of containers had to be reduced last year, and the expansion of overseas earnings was only made possible by drawing upon supplies of tinplate in the United States. The chairman emphasised that the supply position would be "bleak indeed" if the Steel Company of Wales were not expected to begin production of tinplate at Trostre at the end of the year; there appears, however, to be every prospect of a world shortage even when all known production plans are in operation. In view of the scarcity of tinplate the company is giving attention to the development of the manufacture and sale of paper cartons and containers. It is also continuing to concentrate heavily on its overseas trade, following the formation of Metal Box Overseas last year.

★

English Sewing Cotton.—The trading experience of English sewing cotton last year is described by the chairman as "very confusing." At the beginning of the year import and currency restrictions—and possibly a return to somewhat more competitive conditions—curtailed the volume of export trade. After the outbreak of the Korean war, however, demand grew to such an extent that reserve stocks were rapidly exhausted and production had to be geared up to meet the new situation. The advance in trading profits from £1,160,842 to £1,352,575 must therefore owe a very great deal to the trading boom in the second half of the year—especially in the United States, where American Thread's net earnings expanded from $1,853,684 to $2,296,807 and dividends paid by this company to English Sewing Cotton rose from £236,057 to £313,523. There is, however, a reverse side to the medal, for the post-Korean boom has brought with it disquieting increases in raw material prices and higher replacement costs; a considerable portion of earnings has therefore to be retained to meet working capital commitments. Moreover, the increases in controlled selling prices at home have not kept pace with the rise in raw material prices, particularly in raw cotton, since devaluation. Despite their recognition of the need to conserve resources, the directors consider that dividends should now reflect in some measure the benefits accruing from the large dollar earning capacity of American Thread; the ordinary dividend has therefore been raised from 7½ to 12½ per cent. At the moment the group's factories are running at full capacity and the chairman is confident that the company will be able to sell this output even when more competitive conditions return.

	Years to Dec. 31 1949	1950
Consolidated Earnings :—	£	£
Trading profit	1,160,842	1,352,575
Total income	1,413,521	1,669,993
Depreciation	161,944	174,708
Taxation	548,606	670,268
Group earnings for ordinary stock	*590,434*	*708,564*
Ordinary dividends	82,500	135,000
Ordinary dividends (per cent)	7½	12½
Added to general reserves and carry forward	514,525	576,722
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	1,590,211	1,634,566
Net current assets	3,031,899	3,174,411
Stocks	2,552,712	2,808,678
Cash	800,578	976,451
Reserves	2,452,175	3,046,716
Ordinary capital	2,000,000	2,000,000

£1 ordinary stock at 54s. 4½d. yields £4 12s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1951 Jan. 1 to July 4 High	Low	British Funds and Guaranteed Stocks	Price, June 27, 1951	Price, July 4, 1951	Gross Yield, July 4, 1951 £ s. d.
101⅛	100⅜	War Bonds 2½%.. Mar. 1, 1951-53	100⅞	101⅛	0 17 2d
101⅜	100⅜	War Bonds 2½%.. Mar. 1, 1952-54	100⅜	101⅛	0 14 4e
102⅝	100⅜	Exch. Stk. 2½%.. Feb. 15, 1955	100⅜	101⅛	1 18 2
103⅝	101⅛	War Bonds 2½%.. Aug. 15, 1954-56	102⅛	102⅛	1 17 4e
102⅛	100⅛	Funding 2½%.... June 15, 1952-57	101⅛	101⅞	2 2 11
103⅜	101⅛	Nat. Defence 3%. July 15, 1954-58	101⅜*	101⅜*	2 6 1e
104⅛	102⅛	War Loan 3%.... Oct. 15, 1955-59	102⅛	102⅜	2 13 8l
101⅛	96⅜	Savings Bonds 3% Aug. 15, 1955-65	97⅛*	98⅛	2 10 0e
99⅛	96⅛	Funding 2½%.... Apr. 15, 1956-61	96⅜	96⅞	2 14 6l
99⅛	92⅜	Funding 3%..... Apr. 15, 1959-69	92⅞	93⅜	3 5 5e
99⅜	93⅛	Funding 3%..... Aug. 1, 1966-68	93⅛*	93⅜*	3 6 9e
107⅜	102⅛	Funding 4%..... May 1, 1960-90	102⅜	103⅛	3 10 9l
99⅛	91⅞	Savings Bonds 3% Sept. 1, 1960-70	92⅛	93⅜	3 13 4e
94⅞	89⅜	Savings Bds. 2½% May 1, 1964-67	89⅜	90⅛	3 11 1l
110	104⅛	Victory Bonds 4% Sept. 1, 1920-76	104⅛	104⅜	3 9 4e
97⅛	89⅜	Savings Bonds 3% Aug. 15, 1965-75	89⅞	91⅛	3 6 3l
103⅛	97⅜	Consols 4%..... Feb. 1, 1957	97⅛*	98⅛*	3 18 5e
96⅞	88⅛	Conversion 3½%.. (after Apr. 1, 1961)	88⅝	89⅛	4 1 4f
71⅛	64⅛	Treasury Stk. 2½% (after Apr. 1, 1975)	64⅜	65⅛	3 19 3f
84⅛	75⅛	Treasury Stk. 3%. (after Apr. 5, 1966)	76	77⅛	3 16 10f
103⅛	93⅜	Treasury Stk. 3½% June 15, 1977-80	93⅜	94⅛	3 17 11f
92⅛	82⅜	Redemp. Stk. 3%.. Oct., 1986-96	83	84⅛	3 16 8e
94⅜	87⅛	War Loan 3½%.... (after Dec. 1, 1952)	87⅜	87⅝	3 16 3l
71⅛	64	Consols 2½%.....	64⅜	66	4 0 0f
97⅛	89⅜	Br. Elect. 3% Gtd.. Apr. 1, 1968-73	90⅛	91⅜	3 15 9f
96⅜	88⅛	Br. Elect. 3% Gtd.. Mar. 15, 1974-77	89	90⅜	3 15 3e
103⅜	94⅛	Br. Elect. 3¼% Gtd. Nov. 15, 1976-79	94⅜	95⅛	3 13 10e
92⅛	82⅛	Br. Tpt. 3% Gtd.. July 1, 1978-88	83	84⅛	3 15 6l
97⅛	89⅛	Br. Tpt. 3% Gtd.. Apr. 1, 1968-73	89⅜	91⅛	3 19 2e
91⅜	82⅜	Br. Gas Gtd. 3%... May 1, 1990-95	82⅜	83⅞	3 16 0l
99	94⅛	Br. Iron & Steel 3½%. Feb. 15, 1979-81	94⅛	95⅛	3 15 7l
					3 16 8e
					3 16 4l

(e) To earliest date. (f) Flat yield. * Ex dividend. † Assumed average life 13 years 7 months.

Prices, Year 1951 Jan. 1 to July 4 High	Low	Ordinary Stocks	Price, June 27, 1951	Price, July 4, 1951	Yield July 4, 1951 £ s. d.
8⅝	6⅜	Anglo-Am. 10/-	7⅛	7⅛	3 15 7
6⅜	4⅜	Anglo-Iran £1	5⅛	5⅜*	5 11 7
100/-	82/6	Assoc. Elect. £1	95/-	93/9	4 6 4
111/-	80/-	Assoc. P. Cem. £1	106/3	106/3	5 3 6
37/4½	26/6	Austin 5/-	35/-	35/3	4 19 3
156/-	143/-	Bass £1	148/1½	149/4½	6 7 6
58/6	46/4½	Boots 5/-	57/-	57/-	3 10 2
39/-	23/1½	Br. Celanese 10/-	35/6	36/3	2 15 2
101/6	89/3	Br. Oxygen £1	99/-	99/-	4 0 10
70/-	54/9	Coats £1	62/6	63/1½	3 19 3
52/-	38/-	Courtaulds £1	48/6*	49/9	4 10 6
25/1½	19/1½	Distillers 4/-	23/9	23/9	3 7 4
68/6	54/6	Dunlop £1	64/9	66/6	5 8 1
61/3	46/3	Ford £1	58/9	58/9	4 5 1
99/6	81/3	Gen. Elect. £1	93/9	92/6	3 15 8
153/-	127/6	Guinness £1	144/6*	146/3	4 7 6
45/9	30/9	Hawker Sid. £1	39/-	38/7½*	5 3 7a
53/10½	42/11½	Imp. Chem. £1	51/10½	53/1½	4 10 4
5½	4⅜	Imp. Tobacco £1	5	5	6 8 0
58/6	39/10½	Lancs. Cotton £1	54/4½	53/1½*	4 14 1
58/1½	40/10½	Lever £1	51/3*	52/6	5 2 10
61/9	55/9	London Brick £1	58/9	58/9	5 2 2
104/-	80/-	Marks & Sp. A. 5/-	98/6	98/9	3 15 11
69/6	53/9	P. & O. Def. £1	63/6	63/-	5 1 7
45/3	36/3	P. Johnson 10/-	42/-	41/6	6 0 6
5¼	3⅝	"Shell" Stk. £1	94/4½	95/-	5 0 3
7⅜	6⅜	Tube Investmt. £1	6⅞	6⅞	3 14 6
103/9	82/1½	T. & W. Newall £1	94/4½	99/4½	4 0 6
47/-	35/10½	Union Castle £1	38/-	38/6	5 3 11
77/6	49/6	U. Sta Betong £1	58/9	59/4½	16 16 1e
56/-	35/3	Vickers £1	52/-	51/-	4 18 0
50/-	43/-	Woolworth 5/-	47/9*	47/9	4 9 0

* Ex dividend. (a) Yield basis 10%.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 30, 1951, total ordinary revenue was £77,070,000, against ordinary expenditure of £68,082,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £2,610,000 the surplus accrued since April 1, 1951, is £13,829,000 compared with a surplus of £41,021,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to June 30, 1950	April 1, 1951 to June 30, 1951	13 days ended June 30, 1950	Week ended June 30, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624000	184,972	214,463	14,677	19,541
Sur-tax	128,000	23,100	23,700	900	1,100
Estate, etc., Duties	180,000	50,600	51,900	3,800	3,500
Stamps	65,000	12,215	16,100	565	1,600
Profits Tax	312,650	44,420	54,000	2,200	3,200
E.P.T.		3,700	...	900	...
Other Inland Rev.	500	50	55	20	15
Special Contributn.	1,500	1,570	920	140	80
Total Inland Rev.	2302400	320,627	361,138	23,202	29,036
Customs	930,500	215,431	242,293	18,167	19,365
Excise	720,500	168,200	184,019	19,185	25,800
Total Customs and Excise	1651000	383,631	426,312	37,352	43,165
Motor Duties	62,000	5,234	6,414	.....	.....
Surplus War Stores	20,000	10,112	8,792	...	1,553
Surpl's from Trading	50,000	25,974	25,000	...	...
P.O. (Net Receipts)	5,400	...	...	*Dr 900*	*Dr 200*
Wireless Licences	13,600	2,450	2,700	550	700
Sundry Loans	27,000	1,389	2,599	...	...
Miscell. Receipts	105,000	19,037	13,084	2,465	3,818
Total Ord. Rev.	4236400	768,754	846,039	63,769	77,070
SELF-BALANCING					
Post Office	179,431	40,300	44,200	3,300	3,200
Income Tax on E.P.T. Refunds	4,900	2,658	1,275	218	126
Total	4420731	811,712	891,514	66,287	80,396

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to June 30, 1950	April 1, 1951 to June 30, 1951	13 Days ended June 30, 1950	Week ended June 30, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	106,739	112,701	...	...
Payments to N. Ireland	38,000	8,182	8,362	...	1,506
Other Cons. Funds	11,000	979	1,121	210	10
Total	584,000	115,901	122,184	210	1,516
Supply Services	3612921	609,308	707,416	49,744	66,566
Total Ord. Expd.	4196921	725,209	829,600	49,954	68,082
Sinking Funds	...	2,524	2,610	10	...
Total (excl. Self-Bal. Expd.)	4196921	727,733	832,210	43,964	68,082
SELF-BALANCING					
Post Office	179,431	40,300	44,200	3,300	3,200
Income Tax on E.P.T. Refunds	4,900	2,658	1,275	218	126
Total	4381252	770,691	877,685	53,482	71,408

After increasing Exchequer balances by £1,204,385 to £4,062,682, the other operations for the week increased the National Debt by £4,207,610 to £26,299 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Interest outside Permanent Debt Charge	1,194
E.P.T. Refunds	154
Export Guarantees Act, 1949, s. 3(2)	970
Housing (Temporary Accommodation) Acts, 1944 and 1947	50
Local Authorities Loans Act, 1945, s. 3(2)	6,300
Miscellaneous Financial Provisions Act, 1946 s. 2(1)	
War Damage: War Damage Commission	5,000
Finance Acts, 1946 and 1947: Postwar Credits	323
	11,991

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	23,476	2½% Def. Bonds	325
Nat. Savings Certs.	200	Other Debt :—	
3% Def. Bonds	520	External	4,801
Tax Reserve Certs.	14,091	Ways & Means Advances	33,275
Other Debt :—		Treasury deposits	500
Internal	4,822		
	43,109		38,901

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Mean. Advances: Public Depts.	Ways & Mean. Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950 June 30	4856·9		404·2	12·8	350·0	5623·6
1951 Mar. 31	5009·9		446·8	...	283·5	5740·2
April 7	3190·0	1774·8	432·3	...	338·5	5736·1
„ 14	3200·0	1749·3	436·5	...	363·5	5749·3
„ 21	3220·0	1779·5	450·5	...	344·0	5794·0
„ 28	3230·0	1789·8	434·3	...	319·5	5773·7
May 5	3220·0	2040·5	439·0	...	319·5	6018·8
„ 12	3230·0	2015·2	448·6	...	319·5	6013·3
„ 19	3230·0	2035·1	456·4	...	319·5	6021·0
„ 26	3230·0	2043·5	454·8	...	319·5	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
„ 9	3220·0	2114·4	370·4	...	320·0	6024·8
„ 16	3230·0	2080·9	385·4	...	345·0	6041·2
„ 23	3230·0	2098·7	384·5	2·3	345·0	6060·5
„ 30	5552·2		353·0	0·5	344·8	6050·3

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950 June 30	240·0	302·4	240·0	10 3·21	73
1951 Mar. 30	250·0	332·4	250·0	10 2·98	66
April 6	240·0	320·3	240·0	10 3·13	67
„ 13	250·0	351·2	250·0	10 2·67	59
„ 20	240·0	354·5	240·0	10 2·60	54
„ 27	250·0	359·0	250·0	10 2·44	48
May 4	240·0	364·8	240·0	10 4·52	15
„ 11	250·0	350·3	250·0	10 2·79	60
„ 18	260·0	350·9	260·0	10 2·80	63
„ 25	250·0	336·6	250·0	10 2·98	68
June 1	250·0	349·5	250·0	10 2·78	60
„ 8	260·0	355·2	260·0	10 2·80	62
„ 15	250·0	344·0	250·0	10 2·88	62
„ 22	250·0	344·0	250·0	10 2·81	63
„ 29	250·0	340·5	250·0	10 2·91	64

On June 29th applications for 91 day bills to be paid from July 2 to July 7, 1951, were accepted dated Monday to Saturday as to about 64 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for July 6th. For the week ending July 7th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 12 Weeks ended June 24, 1950	Totals 12 Weeks ended June 23, 1951	Week ended June 30, 1951
Savings Certificates :—			
Receipts	20,650	51,200	4,000
Repayments	30,700	36,100	3,300
Net Savings	*Dr 10,050*	15,100	700
Defence Bonds :—			
Receipts	4,235	11,554	895
Repayments	13,540	11,800	835
Net Savings	*Dr 9,305*	*Dr 246*	60
P.O. and Trustee Savings Banks :—			
Receipts	150,048	160,126	11,681
Repayments	155,136	196,759	16,787
Net Savings	*Dr 5,090*	*Dr 36,633*	*Dr 5,106*
Total Net Savings	*Dr 24,445*	*Dr 21,779*	*Dr 4,346*
Interest on certificates repaid	8,588	8,723	809
Interest accrued	28,729	29,053	2,447
Change in total invested	*– 2,903*	*– 1,449*	*– 3,708*

BANK OF ENGLAND RETURNS

JULY 4, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1359,417,610	Other Govt. Securities	1384,770,260
In Banking Department	41,939,213	Other Secs.	693,869
		Coin (other than gold)	3,514,771
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	349,527,955
Rest	3,805,812	Other Secs.:—	39,972,793
Public Deps.:—	25,583,798	*Discounts and*	
*Public Accts.**	*18,903,893*	*Advances*	*17,464,880*
H.M. Treas. Special Acct.	*9,679,905*	*Securities*	*22,507,919*
Other Deps.:—	388,389,861		
Bankers	*300,402,924*	Notes	41,939,213
Other Accts.	*87,986,737*	Coin	692,406
	432,332,271		432,132,271

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

COMPARATIVE ANALYSIS

(£ million)

	1950 July 5	1951 June 20	1951 June 27	1951 July 4
Issue Dept. :—				
Notes in circulation	1302·6	1343·4	1349·3	1358·4
Notes in banking department	47·8	56·9	51·1	41·9
Government debt and securities*	1349·2	1395·8	1395·8	1395·8
Other securities	0·8	0·7	0·7	0·7
Gold and Coin	0·4	3·9	3·9	3·9
Fiduciary at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·4	15·3	20·4	15·9
Treasury Special Account	217·9	4·4	4·4	9·7
Bankers	292·4	301·0	290·1	300·4
Other	97·1	85·9	86·6	83·0
Total	620·8	406·6	401·5	414·0
Securities :—				
Government	537·6	336·0	326·4	349·5
Discounts, etc.	23·1	7·9	7·9	17·5
Other	24·0	23·2	33·6	22·5
Total	584·7	367·1	367·9	389·5
Banking dept. res.	54·3	57·6	51·8	42·6
" Proportion "	8·7	14·1	12·8	10·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,350 million to £1,400 million on January 10, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 28	76·5	90·16	197 12	115 7
„ 29	76·5	90·16	196 11	114 8
„ 30	Markets	Closed	196 10	115 14
July 2	76·5	90·16	192 2	112 13
„ 3	76·5	90·16	192 1	112 0
„ 4	76·5	Closed	193 12	112 2

COMPANY MEETINGS

CADBURY BROTHERS, LIMITED

DE-RATIONING HOPES

COCOA PRICES AND FUTURE SUPPLIES

MR. L. J. CADBURY'S SPEECH

The fifty-second ordinary general meeting of Cadbury Brothers, Limited, was held on July 2nd at Bournville, Birmingham.

Mr L. J. Cadbury, the chairman, in moving the adoption of the report and accounts, said:

Throughout 1950 we had a continuation of consumer rationing and of the chief controls, regulations, and shortages with which we have become so distressingly familiar. Only in one respect did we make a step towards greater freedom: we were once more able to buy our own cocoa last autumn. I have stated our desire to do this year by year at these meetings, and it is satisfactory at last to be able to record some progress.

FREEDOM TO BUY COCOA

As from November 1st open general buying licences were issued for sterling area cocoa. This does not, of course, mean we have reverted to all our prewar practices. Far from it. For one thing, the bulk of our cocoa supplies are purchased from only two sellers, the Gold Coast and Nigerian Marketing Boards. This is likely to be a permanent arrangement. More ephemeral is the scheme we have operated during last winter's cocoa season of setting up a cocoa-buying panel for the industry. Its members are drawn from our own firm and those of Messrs Fry, Rowntree and Nestlé. The panel negotiates for a minimum 75 per cent. of everyone's estimated requirements if they so desire; and although every firm is equally free to buy its own cocoa, the membership of the scheme is practically 100 per cent. The object of the panel system is that all firms should hold cocoa at substantially the same price. This safeguard was regarded as very important by some manufacturers when negotiations were on foot to take over cocoa buying from the Ministry of Food. After so many year of war-time control they felt a lack of cocoa market experience. The scheme has also been of assistance for the Ministry's price-control calculations where a common price for the industry has to be found. Though it has been agreed to continue operating the panel scheme for another year, we do not believe it should be maintained indefinitely.

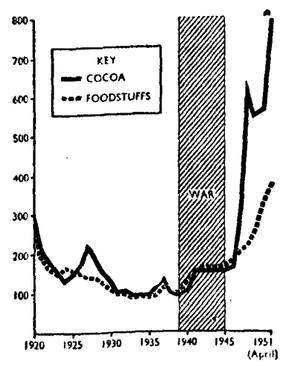
It is our experience that one big composite buyer finds it very difficult to disguise his market operations, particularly when the great bulk of cocoa destined for the United Kingdom is sold through the one London office of the African Marketing Boards. We believe our interests, and also those of our competitors, will be best served when the London markets, both actual and terminal, are once more in normal operation and when brokers and dealers are again in keen competition with each other for raw cocoa business not only in this country, but in the wider international field.

WORLD COCOA PRICES

World prices of cocoa, which had been falling early in 1950, rose with the development of the Korean hostilities to 360s. per cwt. in September. They declined to 260s. two months later, but have since risen again, and our purchases over the buying season November to March have averaged about 287s. duty paid, ex store. This is about eight times the 1939 figure, and the future course of cocoa prices has been causing us anxiety. We must consider not only the actual price we have to pay, but the price in relation to that of other food raw materials.

I have here a chart showing the cost of cocoa beans and of wholesale foodstuff prices derived from *The Statist*. The year 1938 is taken as 100 and the graphs plot the percentage increases or decreases.

RAW COCOA AND FOODSTUFFS
PRICE INDICES: 1938 = 100



You will note the general trend between the two wars. Cocoa prices rose in 1927 and again slightly in 1937. Otherwise they were low or were actually falling over the period. Raw materials generally followed the same trend, including most of the supplies required for our industry.

We took full advantage of these circumstances. Lower costs of raw materials combined with increasing mechanisation and economies of production allowed us to stage successive price reductions, until we reached our final achievement of 2 oz. for 2d. in milk chocolate. The better value for money that we continued to give, stimulated by our marketing efforts, increased the sales of chocolate and established it definitely as one of the country's foods. The figures for our cocoa imports are striking. The United Kingdom consumption of beans doubled between the two wars, and the chief cause was the reduction in price of cocoa products. Such are the fruits of competition!

LONG-TERM VIEW

Turning to the postwar position, you will see that whereas cocoa has gone up from 100 in 1938 to 800, food generally has increased from 100 to 375. We are naturally concerned about this disparity and do not want cocoa products to become permanently dear in relation to other foods. We do not think this is inevitable, and believe that over the long term it should come more nearly into line with the General Index.

Such expectations depend on the future course of raw cocoa supplies, which have not kept pace with an increasing demand. The latter has risen with the improving living standards of most people in the Western world, while cocoa production has remained relatively stagnant. In 1939 exports of beans from all sources of supply were 740,000 tons; in 1949, 700,000; in 1950, 695,000.

Why has this happened? In the first place, the war discouraged cocoa-growing in West Africa. There was a lack of shipping, particularly in the early years, and this led to the burning of beans that could not be exported. African manpower was also diverted on a large scale to military purposes. Another reason was that the low prewar price of beans did not give sufficient encouragement to increasing world production.

Anything approaching the present price, however, should give great encouragement to increasing supplies both from the traditional sources and from elsewhere, as, for instance, from Malaya, where we have a joint experimental cocoa estate in conjunction with Messrs Harrisons and Crosfield and the Colonial Development Corporation. We are also investigating the practicability of growing cocoa on rubber plantations. This may prove a very useful and important development for us, and for the rubber growers a possible hedge against the competition of the synthetic product.

PRESENT POSITION—IMMEDIATE PROSPECTS

I have so far only dealt with the long-term view. For the immediate future the position is precarious, particularly so because of swollen shoot disease in British West Africa—a subject on which I am glad to say there has been considerable publicity. It is the view of the experts that the only effective remedy is to cut out the diseased trees. This is naturally not popular among the cocoa farmers, but by the end of the year compulsory cutting out had been organised on a systematic basis and was being pursued with diligence. However, in February the new Gold Coast Constitution came into being, and under pressure from his supporters its African leader declared, first, a cutting out holiday, then the complete abandonment of compulsory operations.

With some other representatives of the industry I had an opportunity of meeting Mr Nkrumah when he was recently in this country. I am sure that he appreciates the importance of stamping out swollen shoot. He has also every confidence that while he will not reintroduce compulsion, he can organise cutting out effectively on a voluntary basis. We shall do anything we can to help him, and the progress of the voluntary campaign will be watched with the closest interest, but I fear with some anxiety.

SUGAR AND DERATIONING

The Minister of Food said recently that he believes the de-rationing of chocolate and sweets should take place at the earliest moment and that the industry and the Ministry should not necessarily be inhibited by the failure of the experiment two years ago.

We agree with the Minister and hope it will not be long before our industry returns to the system of the free market. There are certainly signs that, at present prices, the 6 oz. ration is proving sufficient to meet the demands of the average consumer, but it is difficult to prophesy what the demand will be when the coupon is removed. The initial demand, as the experience of two years ago showed us, will certainly be large and it will be necessary to build up stocks to meet it. It is well to remind ourselves and the public that the sugar allocation to our industry for home sales is still only 62½ per cent. of the prewar basic year use. This should be compared with 88 per cent which is the average use for all sugar-using manufacturers and 92 per cent. which is the supply to the domestic consumer. The increased production which has made the 6 oz. ration possible is due, not to additional sugar being allocated

by the Ministry, but to the use which manufacturers have made of other ingredients, and, strange to relate, of composite products consisting mainly of sugar, which they are free to import. A relatively small increase in our sugar supply is all that stands in the way of derationing, a move which we believe is justified by the world sugar position.

NEW ENGLISH FACTORY

Despite the restrictions on home sales of chocolate, the increase in our exports, and the altered pattern of production, due mainly to the shortage of milk, have made it necessary for us to consider an extension of our factory capacity. We naturally should have liked to have made a further increase at our Bourneville factory, which has grown continuously since the original move from the centre of Birmingham in 1879. But the Board of Trade are not willing to agree to such an extension, and, with their approval and encouragement, we have acquired a site at Moreton, Wallasey, on the Wirral Peninsula.

Merseyside is a development area, and we hope the new factory will in due course be useful in providing employment for local labour as well as giving us increased productive capacity.

RESALE PRICE MAINTENANCE

The Government have recently issued a White Paper on Resale Price Maintenance following the Report of the Lloyd Jacob Committee, before which Mr Paul Cadbury gave evidence.

Our industry had no price-maintenance organisation in prewar days, but in conjunction with some of our friends we did endeavour to deal with price-cutting which took the form of using our own and other well-known lines as "loss-leaders."

Such price-cutting was not the result of low-cost distribution, but often arose merely from the desire of a distributor to attract custom to his own shop by cutting the price of a few well-known branded lines. It has always been our policy to give the public goods at the lowest price and to economise wherever possible in the costs both of production and distribution, but we believe there should be reasonable freedom both to the individual manufacturer and for a group of manufacturers to deal with this type of practice.

It is regrettable that on this question the White Paper does not follow the recommendations of the Report, and proposes legislation that will make it illegal for us to take such action ever again in the future. It has come to this decision on the somewhat dubious grounds that what it calls "the present high level of demand" will always be maintained and that we need not fear a return to the prewar buyer's market.

TURNOVER AND FINANCE

The tonnage manufactured by this company in 1950 was almost identical with that of the previous year. The output of our subsidiaries, however, particularly overseas, has gone up, and there has been a general rise in prices. The total sales, therefore, of the group of companies owned by our parent concern, the British Cocoa and Chocolate Company, rose by over £4,000,000 to £41 million.

This has required further working capital and we have also to finance our cocoa purchases. The latter has been a costly business, as we realised it must be when the decision was finally made to take over cocoa buying from the Ministry of Food. To find the necessary funds we added on January 1st this year a further £3,000,000 of Unsecured Notes to our loan capital. For the same reason since that date there has been a substantial increase in our loans and acceptance credits. These will be repaid as we approach the buying season at the end of the year and cocoa stocks are worked off. During the course of the year application was made and has been granted for an official quotation of the British Cocoa and Chocolate Company's 6 per cent. preference shares on the Birmingham Stock Exchange. The dividend on the preference shares is covered 15 times by the net profit being paid into the parent company, and over 60 times by the net profits of the group.

The report and accounts were adopted.

THE BUTTERLEY COMPANY, LIMITED

(Ironmasters and Ironfounders)

STEEL POSITION

COAL COMPENSATION PROBLEMS

MR E. FITZWALTER WRIGHT'S VIEWS

The sixty-fourth annual general meeting of The Butterley Company, Limited, was held at the registered office of the company, Butterley Iron Works, near Derby, on June 29, 1951, Mr E. Fitzwalter Wright (chairman of the Board of Directors) presiding.

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

The chairman said: Ladies and gentlemen,—A brief note in the directors' report has told you that Mr Hull does not seek re-election to the Board. Our sorrow at his decision is increased by the reason for it. For more than 50 years Mr Hull has been the company's legal adviser, and for 13 years he has been a member of the Board. That sentence epitomises a lifetime of tireless, ungrudging, and invaluable service to the company, for which we should never cease to be grateful. But Mr Hull would, I am sure, tell you that he has enjoyed his work, and that there has continually been throughout all these long years a most happy association between him and our Board, at the beginning as clients, at the end as colleagues. Our thanks and good wishes are his in full measure.

At the end of the year Mr Coote decided to take life a little less strenuously, and though I am glad to say he remains on the Board, he has relinquished his executive duties. We are grateful to him for all he has done for us, as our agent in the North of England, as manager of the wagon works, as London agent, and latterly as estate manager, welfare director, and director in charge of brick sales. The multiplicity of his duties in the various stages of his career with us is some indication of the many-sidedness of his character and abilities, and we are glad to think we still have his clear judgment and long experience of past problems at our disposal.

The balance sheet of the parent company shows the effect of the payment to us last summer of £2,000,000 in Three and a Half per cent. Treasury stock in partial satisfaction of our claim for compensation. This stock was sold and realised £1,996,248. It has therefore been possible to reduce the balance sheet figure of the assets vested in the National Coal Board to £1, and to make a transfer to capital reserve of £363,701. We had hoped that by this time further sums on account of compensation would have been received, and that we should have been able to put before you a scheme for the reduction of our ordinary share capital. A glance at the balance sheet shows how desirable such a reduction is. But for reasons I shall be speaking of later, I cannot, I fear, give you any indication of when it will be possible to do so.

THE YEAR'S PROFIT

Turning now to the consolidated profit and loss account, the profit for the year before taxation amounts to £205,071, compared with £245,170 for 1949. After taking into account profits attributable to prior periods and provisions no longer required, and deducting the proportion of profits attributable to outside shareholders, there is a balance before taxation of £249,018, compared with £299,602 in 1949. Taxation takes £113,627 this year, compared with £151,479 last year, so we are left with £135,391, compared with £148,123.

This year we have thought it prudent to provide £30,000 for the renovation of our houses and buildings, which has lagged behind somewhat owing to shortages of materials and labour and the difficulty of obtaining licences. There remains therefore available for the shareholders from the year's trading £105,391, compared with £148,123. Out of this figure we have paid the dividend on the preference stock for the year, and an interim dividend of 3 per cent. on the ordinary stock, amounting together to £41,388, and now recommend the payment of a final dividend of 5 per cent. on the ordinary stock absorbing a further £47,250, which I trust will meet with your approval.

HEAVY ENGINEERING PRICES

Last year I told you that in our heavy engineering departments competition had become more pronounced, and that we had made certain reductions in the prices of some of our foundry products. While the works are still very fully employed and our order books are if anything fuller than they were a year ago, the profit margin has been smaller. For reasons which seem good to us we have not attempted in all cases to increase our prices to the full extent which increases in wages and materials might have justified. In this way we have made our own modest contribution to the avoidance of inflation. The reductions in profits in these departments have been considerable, but I do not regard them as permanent and they have been offset to quite a large degree by increases in profits in other departments and subsidiaries. The improved results in these departments and subsidiaries are most encouraging.

The Kelvin Construction Company have once again exceeded the previous year's profits and have not only increased their dividend but put a substantial sum to reserve. The extension to the works of Messrs. Hughes and Lancaster are completed so far as the buildings are concerned, and now only await certain items of plant and a proper supply of electricity before they can begin production. In this connection I would mention that last autumn, in company with Mr Newman and Mr Barnett, I visited the United States, and as a result we have concluded an agreement with Air Products, Inc., of Emmaus, Penn., for a licence under which we shall manufacture oxygen generating plants to their design. We have already received orders for three plants from the Air Ministry, and I feel confident

that we have laid the foundation of a prosperous business which will prove capable of great expansion.

GOOD DEMAND FOR BRICKS

During the whole of 1950 demand for bricks was good, and though during the early part of this year the wet weather caused some contraction, I have little doubt that over the year as a whole we shall be able to dispose of all we can make. The new kiln at Blaby was started up early this year and is giving very satisfactory results.

Last year I told you of our anxieties about opencast coal production on our farms. These anxieties have, I am sorry to say, not proved groundless. A further 150 acres have been requisitioned. In order to avoid a serious reduction in the number of pedigree cattle which we have bred over the last few years, we have taken a lease of a 700 acre farm in East Notts, to which most of the young stock will be sent for rearing, leaving substantially only the milking herds here. Every possible step will be taken to see that the opencast land is properly restored, but I fear we must face a big drop in the yields from the opencast areas for many years to come.

STEEL NATIONALISATION

In common with all other concerns engaged in the heavy engineering industry, we have watched with anxiety the transfer of the steel industry to the State. Our most pressing need if we are to continue to compete with our products in world markets is a steady supply of raw materials—of which steel is the chief—at reasonable prices.

The experience we have had with other nationalised industries gives little ground for optimism, and there can be little doubt that steel prices will rise. But more important even than the price, is an assurance that we shall get what we need, when we need it, and if the only way to provide that assurance is a return to some form of licensing or allocation I hope the Government will not hesitate. In this connection I should like to pay a tribute to our buying department, headed by Mr Redfern, for the sterling work they have done over a most difficult period.

COMPENSATION FOR COLLIERY ASSETS

Finally, I come once again to the subject of compensation for our colliery assets. You will have seen that the sums we have already received have enabled us to write down the balance sheet value of those assets to £1, and last year to have paid just over a quarter of a million pounds as a capital profit distribution. But there is more to come.

When I spoke to you last year I had hopes, as I told you, that voluntary arrangements in our two valuation districts would be arrived at by which the complicated procedure of valuation as laid down by the regulations under the Act could be by-passed. Ever since the Act was passed your Board have been active in attempts in this direction. By this time last year we had arrived at the stage in our districts when very large majorities in terms of individual companies, and to a slightly less degree only in terms of tonnage, had signified their willingness to take part in a voluntary arrangement, but many, I think rightly, made it a condition that the arrangement should receive unanimous support. That unanimity we have so far failed to achieve.

NEED FOR UNANIMITY

There are many and pressing reasons why that unanimity should be achieved. May I mention some of them? First, from our own point of view, our capital structure is lopsided, and we can only straighten it out if the money is available for a reduction of our Ordinary capital. Secondly, the value of the pound—ever since vesting date the pound has been decreasing in value, and who at this time can say when it will stop?

Is it not true to say that if our shareholders had been asked five years ago to accept a share of our district allocations 10 per cent. less than they might really have been entitled to, and they had accepted it, they would be better off than they are today? And who can be sure that the same is not true now, if one looks forward another five years? I do not, of course, suggest for one moment that voluntary arrangements necessarily mean unjust valuations, but that is an argument which is often put forward. It is said that shareholders must be protected by the full exercise of their rights under the law. There is an old story of a pedestrian who stood up for his rights and was run over by a lorry. Our lorry is inflation. Thirdly, there is the quite fantastic waste of time, money and ability which the procedure under the Act entails.

NOT A COMPLEX JOB

There has grown up a theory—I might almost call it a religion—that the job of dividing up a certain number of million pounds among a certain number of colliery companies is a task of the utmost complexity on which years of study should be spent. It is nothing of the kind. The Act lays down that the valuations should be on the basis of a willing buyer and a willing seller at the vesting date, as if the Act had not been passed.

You may say that is not a very realistic approach in 1951, but once you have attuned yourself to the slightly Alice in Wonderland atmosphere created by the Act, you find that what you are asked to do is what was done quite frequently and without any fuss by mining engineers and accountants all over the country in the normal course of business. Is it really suggested that when one colliery company was in negotiation with another with a view to purchase, that it took the experts three, four, or five years to make a valuation? On the contrary, it would have been a matter of weeks, let alone months.

AGREEMENT ESSENTIAL

The only way to avoid this waste is for the coalowners to come together and agree to accept the verdict of a tribunal or an individual of their own choosing. It is well known that in Durham and Northumberland such an agreement has been made, and they expect to have their figures in a comparatively few months, and other districts are doing similarly. It is deplorable that the intransigence of only a few coalowners in our districts should block the road to similar progress here.

May I once again offer on your behalf our thanks to our staff and workpeople, who never fail to respond to our calls upon them?

I now have pleasure in moving:—That the directors' report and balance sheet, which carries with it the directors' recommendation of the payment on June 30, 1951, of a final dividend on the Ordinary capital of 5 per cent. less income tax (making 8 per cent., less income tax for the year), which will absorb £47,250 and the carrying forward of the balance of £182,601, be received, approved and adopted. After it has been seconded, any shareholder can ask any questions before the motion is put.

The report and accounts were adopted; the retiring director, Mr H. D. M. Wright, was re-elected; the auditors, Messrs Price, Waterhouse and Company, were reappointed, and the proceedings terminated with a vote of thanks to the chairman.

HIELD BROTHERS

MR DAVID H. HIELD ON DANGEROUS LEVEL OF WOOL PRICES

The twenty-ninth annual general meeting of Hield Brothers, Limited, was held in Bradford on June 29th, Mr David H. Hield (the chairman) presiding.

The following are extracts from the chairman's circulated statement:—

I have pleasure in presenting our balance sheet showing a trading profit of £364,159, as against £317,564 (excluding exchange profit) last year. This increase is due to two factors, increased production and rising wool values.

After providing for the dividends, our net liquid assets are £1,045,470, against £959,054 last year, showing an increase of £86,416. Our stock, approximately the same in volume as last year, at £1,113,687, shows an increase of £279,248. Our profit of £364,159 is, therefore, largely in this increase of stock values, but taxation is based on this inflated result and such taxation makes impossible the accumulation of adequate reserves.

Though there has been a substantial fall in wool values since the end of March, we consider the price today to be still at a dangerous level, and to guard against a further possible fall we are increasing our present reserve of £175,000 by £75,000, making a total reserve of £250,000. The price of wool today is still ten times that of prewar.

We are recommending this year the same dividends as for last year; that is to say, 10 per cent. on the £220,000 preference stock and 25 per cent., or 3d. per 1s. unit, on the £220,000 ordinary stock.

DIVIDEND BONUS

Our trading profit of £364,159 is a record and in addition to the dividend of 25 per cent. we propose paying a bonus of 5 per cent., but I must impress upon you that this exceptional profit is largely due to exceptionally favourable conditions which are not likely to recur; wool has rocketed during the past year and rising prices bring rising profits falling prices the reverse.

I wish, however, once more to point out that the total figure of capital employed in the business is far in excess of the £440,000 issued capital. It amounts to the sum of £1,270,823, and on this sum the dividends declared represent a gross return of under 7 per cent.

The price of wool presents formidable financing difficulties, and these have our urgent and constant attention; present circumstances make it doubly unfortunate that taxation takes so much from our cash resources.

Our borrowing powers today are limited to £440,000, the issued capital of the company. With the price of wool at its present level £440,000 may not be adequate to meet our needs in certain circumstances and we are, therefore, as a precautionary measure, seeking authority to increase these powers to £880,000.

I venture no forecast of the future and while we have a full order book for the coming year, I must point out that the public in every country in the world have not yet felt the effect of the prices ruling today and it remains to be seen how far demand will be maintained for cloth made from wool at its present high price.

We have not speculated in wool; we have only bought as we sold; our commitments of necessity are large but are covered by orders on hand.

Owing to exchange and political difficulties in various parts of the world some of our most important export markets are for the time being closed to us and we see no immediate prospect of their reopening.

I can say with confidence that our goods are held in the highest esteem by our customers. The report was adopted.

JOHN THOMPSON LIMITED

(Steam Power Plant and General Engineers)

INCREASED OUTPUT AND WORK ON HAND

MR EDWARD W. THOMPSON'S REVIEW

The sixteenth ordinary general meeting of John Thompson Limited, was held on July 4th at Wolverhampton.

Mr Edward W. Thompson, M.A., chairman and joint managing director, presiding.

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

For the year 1950 our net profits, after paying £570,512 for taxation and providing £186,589 for depreciation, are £402,400 as shown on the consolidated accounts, compared with £312,174 for 1949.

The total output invoiced over the whole group for the year 1950 amounted to £9,460,336 compared with £7,476,498 for the year 1949. The corresponding output for the year 1946 was approximately £4,300,000, which the 1950 figures more than doubled, indicating the great increase in productivity since the war.

All the trading companies included in the previous year's accounts showed a profit, but one small accessory company which was purchased in the middle of 1950 has to record a loss; and in addition our recently opened branch in Brazil, which, for ease of administration in that country, was formed into a company, also is shown as making a loss. In the latter case, however, the "loss" merely reflects the expense of that branch, and is, in effect, the cost of a small part of our export drive.

As will be seen from the consolidated balance sheet at the end of 1950, the total unappropriated profits and reserves of the group have increased to £1,593,855 from £1,292,860 as at the end of 1949—an increase of £300,995. It will be recalled that last year we made a special reserve of £50,000 for depreciation, and your Board have considered it only prudent to repeat this special reserve this year, so that with the normal annual allowance for depreciation we have provided a total sum of £186,589 for depreciation in respect of the year 1950.

We believe that this special reserve is again necessary in view of the continued increase in the cost of replacement of plant and machinery, and building charges.

In the recent Budget the Chancellor proposed to discontinue the initial allowances for taxation purposes of 40 per cent. of new capital expenditure on plant and machinery and 10 per cent. on industrial buildings, to have effect as from April 6, 1952. Whilst, as I pointed out in my statement last year, the effect of the initial allowances in respect of any one year's capital expenditure was to defer the tax liability from the present to future years, we must contemplate a substantial amount of capital expenditure each year in order to keep our various works up-to-date with the best possible machinery for production requirements. The initial allowances only afford a very small relief towards the continually rising costs of replacements generally, and the withdrawal of this small benefit now means that there is no compensation for, or recognition whatsoever of, these increased replacement costs.

In addition to the special depreciation allocation of £50,000 mentioned above we have put a total of £210,000 to general reserve and £20,000 to research and development reserve. This continues our previous policy which has enabled us in recent years to finance the increased output. Including 1950, the amount put to reserve or otherwise retained in the business over the past 13 years is £1,573,309, which is 69 per cent. more than we shall have paid in dividends over the same period.

In 1950 our capital expenditure was £194,193, which as I forecast last year shows a marked reduction. Since the war and including 1950, the total group capital expenditure has been £1,311,722, and our various works are now better equipped than ever before. The policy of your board is to continue their efforts of improvement in the interests of increased production and works efficiency.

I would repeat my statement of previous years that the only means of providing for capital expenditure is out of taxed profits or by further issues of shares for cash as the depreciation allowed against taxation is quite inadequate.

PROFITS AND TAXATION

In spite of the increase of nearly £2,000,000 in our output, our net profits have only increased by £90,226, due largely to the increasingly heavy burden of taxation imposed on British industry. The total taxation charged in the accounts this year is £570,512—an increase of £211,767 over the previous year. It should be appreciated that a large proportion of the profits shown is not in cash or its equivalent but is locked up in stock and work-in-progress. Again the major part of the reserves proposed in the accounts has in fact been expended on fixed assets during the past year. Taxation has, of course, to be found in cash, and the present very heavy burden creates serious problems in financing industry.

The Budget proposal to increase the profits tax on distributed profits from 30 per cent. to 50 per cent., with the increased income-tax, has the effect of bringing our maximum rate of tax payable up to no less than 13s. 3d. in the £ on our profits.

DIVIDENDS

The Chancellor and the F.B.I. envisage "moderate" increases in dividend declarations following on increased profits in industry generally. In view of the excellent results of 1950, your board, after careful consideration, have decided that it is only just to the shareholders to make a moderate increase in the dividend. As your company has 1,400 ordinary shareholders, of whom the great majority hold only small individual amounts of our stock, with the rising cost of living even a small increase in dividend may be of great help to many.

It is therefore proposed to declare a final dividend of 12½ per cent., which will make a total of 22½ per cent. for the year. Compared with last year, we therefore propose to pay out approximately £16,769 more in dividends, which is a small figure even in relation to the increase in net profits.

The greater output and the consequent increase in profits would not have been possible if we had not pursued our re-equipment policy since the war. As an appreciation of the efforts of all employees, both in the offices and works, in contributing to these results, your board have decided to pay all concerned a special bonus of one week's basic pay, amounting to £32,000.

FUTURE PROSPECTS

The amount of work on hand un-invoiced for our group of companies is now over £25 million. Again the increase is, to a large extent, the result of long-term contracts for water tube boilers for power stations at home and abroad, but throughout our various manufacturing companies the work ahead is still rising. During the first three months of 1951 the total output of our companies has exceeded the figures for the corresponding period of 1950.

In this respect the prospects for the present year would look encouraging were it not for the very serious difficulties in obtaining our raw materials, mainly steel plates, sections, tubes, etc. In some cases the steel mills are not, at the moment, in a position even to accept orders, and unless this situation changes very quickly, which appears from general information to be unlikely, I cannot see that the increased production of the first few months of this year can be maintained.

On the other hand, many of the products of our group companies are of an essential nature; for example, we are undertaking an increasing amount of work for the home power stations for the British Electricity Authority, and also power stations abroad. Naturally, a group of our size has undertaken its full share of rearmament contracts, but adequate power supplies are essential to industry for the fulfilment of the rearmament programme both at home and in the Commonwealth. Serious delays will be unavoidable unless the necessary materials are forthcoming to our industry.

EXPORT TRADE

Our export trade continues to increase. We know that, directly and indirectly, nearly 70 per cent. of the present output of our Motor Pressings Company goes abroad. The exports of metal windows from our Beacon Windows Company have expanded, particularly in the dollar area. John Thompson (Wolverhampton), Limited, our main boiler manufacturing works, continue to export a large number of Lancashire and Economic boilers to India and South Africa.

Our Australian companies have increased work on hand, and have recently secured another important order, in this case from the Electricity Commission of New South Wales, for a large power station near Sydney, valued at approximately £1,750,000. Following a visit that I made to Australia in 1950 it was decided to increase our office organisation in Sydney, to deal with contracts in New South Wales and Queensland. Mr G. D. Elliott, one of the directors of our Water Tube Company, has gone to Australia for a period of three to four years, to act as chairman of the Australian companies and to reorganise, as necessary, to deal with our increased business there.

Our companies in India and South Africa continue to progress. We have strengthened the board of our South African company by the appointment of Mr E. G. Gearing, of Rutherfords, Limited, who have been our agents in the Cape Province for some years.

RESEARCH AND DEVELOPMENT

In the ordinary course of our business we are continually carrying out a considerable amount of research and development as applied to our normal products. Quite apart from this special research, investigations are being carried out both in our laboratories and on plant in commission. We have planned to co-ordinate the research activities of our various companies and, as you will see from the consolidated balance sheet, have this year set aside the sum of £20,000, which should meet our immediate needs.

As mentioned earlier in this review, the board have already appreciated, in a tangible form, the efforts of all employees who have contributed towards the excellent results of the past year. On your behalf, as well as on my own, I sincerely thank all concerned, and extend my good wishes to all.

The report and accounts were adopted.

BRITISH TIMKEN LIMITED

SATISFACTORY RESULTS

MR JOHN PASCOE'S REVIEW

Mr John Pascoe, chairman, at the annual general meeting of British Timken Limited said: Last December we suffered a grievous loss in the death of Mr Michael Dewar, who had been chairman of British Timken for 23 years. We shall indeed miss his wise and experienced leadership.

I hold that the first duty of a board of directors is to make profits. The profit motive, or, in other words, the desire for personal gain, has been responsible throughout history for all industrial development; and all else, service to the community, technical invention and development, and good working conditions, depend on the ability of a board of directors to perform its main function of making profits. It is therefore with some satisfaction that we are able to report favourable results for the year 1950.

Our turnover for 1950, three times that for the year 1946, was approximately 17 per cent. higher than in 1949, while the number of employees increased by approximately 7 per cent.

CAPITAL EXPENDITURE

You will observe from the accounts that we had as at December 31, 1950, outstanding commitments of £300,000 in British Timken and £122,000 in subsidiaries (chiefly Fischer Bearings). These capital commitments follow a total capital expenditure of £563,320 in 1950. As this capital expenditure becomes effective we shall have a very considerably increased capacity, but, quite clearly, we are nearing the end of capital expenditure which can be financed from our own resources.

Our raw material position, particularly in alloy steels, is causing us at the moment considerable anxiety. We have lost some output through lack of steel, and we foresee considerable difficulties in keeping our expanding capacity fully occupied, and, indeed, the problem of planning further expansion with the uncertain raw material position is one that needs the most careful consideration.

Our main subsidiary company, Fischer Bearings Company, Limited, has had a satisfactory year, and in general is facing the same problem as the parent organisation in the matter of raw material and the need for increased capacity.

Following the death of our chairman, Mr Michael Dewar, the Timken Roller Bearing Company of Canton, Ohio, exercised its options under agreements going back to 1928 to purchase all his shareholding in British Timken Limited, with the result that the Timken Roller Bearing Company now hold approximately 54 per cent. of our ordinary capital. The Timken Roller Bearing Company have, however, through their board of directors, indicated to your board that they have no intention of proposing any change of management of British Timken, preferring to leave the management of the company in British hands, but naturally, as shareholders, they will not hesitate to exercise their right to ensure that the management shall remain efficient. My appointment as chairman and managing director has met with the express approval of the directors of the Timken Roller Bearing Company.

UNITED STATES SUPREME COURT'S DECISION

The Supreme Court of the United States handed down on June 4th its decision in the action instituted by the United States Government against the Timken Roller Bearing Company of Canton, Ohio, under the so-called anti-trust laws of the United States. The Court has held that the American company may not under American law continue to be a party to the existing business agreements with your company, but has permitted the American company to retain its holdings of shares in your company. The decision cannot fail to have a significant effect upon the nature of the relations between the companies. A considerable time must elapse, however, before the precise course of those relations can be determined.

UNION MINIÈRE DU HAUT-KATANGA

RECORD OUTPUT FIGURES

MR E. SENGIER'S REVIEW

The annual general meeting of Union Minière du Haut-Katanga was held in Brussels on June 28th. It approved the accounts for the year ended December 31, 1950.

Mr Gaston Blaise was in the chair.

Gross profit was 2,780,754,793 francs. Deduction of depreciation, provision for profit tax and other charges left a net profit of 1,838,049,720 francs. The carry-forward from 1949 of 124,387,139 francs gave a balance available for distribution of 1,962,436,859 francs.

After carrying forward 111,804,549 francs and deducting appropriations to the reserve fund, the special reserve and contingencies fund and the special renewals fund, the balance available was 1,181,357,007 francs. A dividend, for 1950, of 750 francs net per share was approved by the meeting. Taking into account the 400 francs already paid in accordance with the resolution of the extraordinary meeting of shareholders held on January 18, 1951, this entailed a balance of dividend amounting to 350 francs, net per share.

MR E. SENGIER'S STATEMENT

Mr E. Sengier, chairman of the executive committee, addressing the meeting, began by calling attention to two facts:

First: The importance attained by this vast industrial complex which plays a dominating part in the activities of Katanga.

Second: The fact that operations were most satisfactory and that favourable factors only were to be recorded.

The report, said Mr Sengier, rightly emphasised their achievement in the field of native labour; all those who attempted to build in the Congo would soon perceive how much that question prevailed over all others and was the condition of lasting success.

Encouraged by the results obtained in the past, they were promoting in every possible way the moral education and the technical training of their native workers.

The accomplishment, within the scheduled time, of the tasks undertaken, said Mr Sengier, constituted an exceptional result when taking into account conditions prevailing in Central Africa. Besides the efficiency and the enthusiasm of the staff, the task required the co-operation of all who had at heart the general interest, i.e., the Government, the Comité Spécial du Katanga and the missions whose help was so valuable to them.

The appreciation given recently by the Governor of Katanga of the perspicacity and perseverence of the mining companies, whose expansion had benefited in such a way the Katangese economy, and the opinions expressed by industrialists who were solving similar problems in North America and in Africa brought to their colonial enterprise based on private undertaking, a very gratifying testimony.

COPPER PRICES

Mr Sengier further made some comments on metal markets. He thought that present copper prices should be considered as abnormally high. The present world price of 27.5 cents compared with the 21.6 cents, average quotation for the year 1950.

Any estimate of supplies and demands, even in the near future, was rendered difficult by the confused situation prevailing.

With a world copper output progressing slowly and a demand steadily increasing, rendered particularly acute just now by reason of the armament programmes and strategic stockpiling, the present price level of copper would probably have been higher had it not been checked by the mining companies who voluntarily maintained their selling prices below what they would have been in a market solely subjected to commercial influences.

The reason was that they considered—and the company fully shared that opinion—that it was contrary to their permanent interest to have prices reaching exaggerated levels. Those prices upset the markets and brought about conditions inconsistent with operating programmes that had to be established long beforehand and carried out with a certain regularity.

Reverting to the results of the past financial year, Mr Sengier wished to confirm his previous hopes to be able to continue to finance by the company's own means the heavy construction expenditures and the vast social programme which had been elaborated in view to consolidating the technical and financial results of the future.

These heavy capital expenditures originated in the increasingly powerful installations and equipment which were needed to reduce operating costs and increase production.

These aims had already largely been reached.

The costs of the company favourably compared with those of its competitors. If the improvements of the financial results were due in part to the above fact, they were also due, it went without saying, to the increased sales prices of products, increases which could very well be temporary. And this eventuality, added Mr Sengier, justified the care with which they drew up their balance sheets, and which should inspire confidence in the management.

ADMINISTRATION

"To end," said Mr Sengier, "I wish particularly to underline the chapter of the report concerning the administration of the company and the changes which occurred on January 1, 1951, in the high management.

"Mr Cousin and myself, closely associated for forty years, that is since Union Minière and its subsidiaries began operating, have thought that the time had come to transfer a substantial part of our responsibilities to our younger associates trained at our sides for many years. It is first of all a tribute we wished to pay to their ability and to the zeal they have displayed. They will continue our work in what I shall call the spirit of the house. These appointments have been unanimously approved by our employees at all levels.

"As mentioned in the report, Mr Cousin accepted to be chairman of the local committee which will control the operations in

Africa in connection with the activities of the subsidiary companies.

"As far as I am concerned, in my capacity of chairman of the executive committee, I will continue to assume the high supervision of the company. That means I am not abandoning ship: Union Minière is a very good ship of which I will remain the pilot. The somewhat rough seas she has crossed seem to have smoothened and I can assure you that the management has passed into excellent hands."

RECORD OUTPUT FIGURES

The report circulated to shareholders shows that in 1950, out of a world copper output estimated at 2,500,000 metric tons, Union Minière produced 175,920 tons, as against 141,399 tons in 1949. This is the highest figure ever reached since the origin of the company. Cobalt and zinc concentrate outputs have also been raised substantially.

Ore mined during the year totalled 4,317,066 metric tons. Nevertheless, copper, cobalt and zinc reserves have notably increased.

Besides copper, 5,148 tons of cobalt were produced, which sets a new record; 51,287 tons of crude and 66,619 tons of roasted zinc concentrates were delivered to the Belgian zinc industry.

As a by-product of the roasting operations, 29,668 kgs. of cadmium were recovered.

Refining of blister copper yielded 138,720 kgs. of silver and 43.3 kgs. of gold.

The uranium-radium ores and concentrates have been exported, and the radium content recovered as usual at the plant of the Société Générale Métallurgique de Hoboken.

The extension and appropriation programme of mines, plants and installations remains generally the same as last year. As a consequence, the electrification of the western group of mines, the sinking of the two shafts at Kambove-West, the development of the Kipushi and Kolwezi concentrators as well as the increase of capacity of the copper and cobalt electrolysis plant and the copper refinery at Jadotville-Shituru have been either pursued or achieved.

The Bia power-plant, built on the Lufira River, and equipped with three 15,600 kVA. groups, went into operation.

The average capacity of both Francqui and Bia power-plants is thus about 500 million kWh. per year.

When the third hydro-electric power-plant (Delcommune power-plant) on the Lualaba River will be commissioned, this average capacity will nearly double and attain one billion kWh. per year.

The rapid social evolution of the native workers has led to a complete re-examination of their labour status. Wage-scales were reconsidered and the more deserving workers receiving in cash the entirety of their wages allowed to live in the public districts.

A special tribute was rendered by Mr Sengier to the European staff of the company in Africa and in Europe and to the members of the religious missions and social workers who collaborated to the social works set up by the company for its native dependants.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

JACKSON THE TAILOR LIMITED

RETAIL DEVELOPMENT IN LONDON

The nineteenth annual general meeting of Jackson the Tailor Limited was held on July 3rd at Newcastle, Mr Lionel Jacobson, chairman and joint managing director, presiding.

The following is an extract from his circulated statement for the year ended January 31, 1951:

During the past five years a policy of steady progress and expansion in selected key positions has been carried out by the retail organisation. At the same time the capacity of the manufacturing division has been progressively and systematically expanded to cope with the anticipated increase in demand. The efforts of the previous years are now producing their effect, as instanced by the figures of the past year. It has been the declared policy of your directors at all times to endeavour to reduce the margin of unit gross profit, and it is a source of some satisfaction to them that these results have been obtained with the margin again reduced, and that in addition the record turnover figures of the previous year were once again surpassed.

Your Board is convinced that we must at all times ensure full employment for the manufacturing division and with this in view we have acquired a number of selected sites in the provinces which should be available for trading within the next few months. In addition the group has acquired one of the principal sites on the south side of Oxford Street, London. When the necessary alterations are completed this store will make a substantial contribution to the turnover and results of the group. We have, furthermore, two sites in the suburbs of London which it is hoped will be open shortly after the central site in Oxford Street. We have a considerable number of customers already in the south of England who travel long distances in order to purchase from one of our branches and with this nucleus of customers already in existence, we have reason to feel that our retail development in London will be as successful as the new branches have been that we have opened during recent years in the larger provincial towns.

PURPOSE OF DECISIONS AND ACQUISITIONS

I would emphasise that the purpose underlying these various decisions and acquisitions has been to ensure that turnover and unit demand should be maintained and, consequently, that the manufacturing division be fully employed even if retail demand should fall away; however, we have also taken the additional precaution of providing for a reasonable expansion in production should demand rise above its present level.

I view with some concern the increases that have taken place in practically every element of our manufacturing costs. Wool, in the form of cloth, is one of the major items in the cost of a suit. The cost of linings and interlinings and the many other items that are necessary has increased considerably.

During the past few years we have created through our subsidiary companies a substantial export trade, particularly with the United States of America and Canada. It was my pleasant duty recently to visit our customers in these countries and I am happy to inform you that our product has been well received.

In the uncertain world political and economic conditions it would be unwise to indulge in any forecast with regard to the future. So far this year we have made further advances and we can face the future with confidence.

The report was adopted.

W. T. HENLEY'S TELEGRAPH WORKS COMPANY, LIMITED

THE SECOND BEST YEAR

The annual general meeting of W. T. Henley's Telegraph Works Company, Limited, was held on June 29th in London, Sir Montague Hughman, the chairman, presiding.

The chairman, in the course of his speech, said: My mind goes back to 27 years ago, when I became a director of this company. Throughout the whole period during which I have been your executive chairman the organisation has shown, year by year, progress and development, culminating in 1949 in a very high record of output from our factories, and which, after 112 years, is something to be proud of. For the one hundred and thirteenth year, which is 1950, we have not reached the high figures of 1949, but I think you can look upon the accounts before you as being the second best in the company's history, and all our subsidiaries paid dividends out of satisfactory profits earned in 1950.

STEEPLY RISING COSTS

We were faced throughout the year with many difficulties; it was a period of steeply rising production costs and frequent price adjustments, and competition during the first half of the year was extremely keen in every department of our business at home and overseas. With the outbreak of war in Korea last June, business showed a rapid change from a buyers' to a sellers' market in a few days. Prices of practically all materials began to rise—delivery times were lengthened—and by the end of the year there was a shortage of practically all materials we require. These conditions have tended to become more acute during the current year. The changes in the Budget by the Chancellor of the Exchequer recently have made the burden of taxation still more onerous.

Woolwich and Birtley Rubber Cable Works: The Combined output was 5 per cent. higher than the previous year. The demand for rubber cables during the first half of 1950 was on a much reduced scale. The autumn demands were so heavy in some of the "bread and butter" types that in a number of cases we were unable to execute orders as promptly as we should have liked.

Gravesend Paper Cable Works: The opening months of the year found us well clear of the end of the postwar rush of business, and this fact, together with the unsettled conditions brought about by the financial crisis and the cut in Government expenditure created an appreciable reduction in the demand for power cables. During the second half of the year, however, there was a considerable improvement.

GREATER DEMAND FOR TYRES

The demand for Henley tyres both at home and overseas has never been greater, but the year has been an extremely difficult one. Notwithstanding the difficulties, the result of the year's work shows a very satisfactory profit.

The balance of our trading account for the year 1950 is £1,486,283. Our overseas business taken as a whole is not quite so good as in 1949, representing a little under 40 per cent. of our total turnover. The results are nevertheless satisfactory.

The report was adopted and a final dividend of 10 per cent., making 15 per cent. for the year, and a cash bonus of 5 per cent. were approved.

HOLYROOD RUBBER LIMITED

INCREASED DIVIDEND

The thirty-eighth annual general meeting of Holyrood Rubber Limited was held on June 29th in London.

Mr Jack Addinsell, the chairman, after expressing appreciation of the courage of the staff under very dangerous and trying conditions, said in the course of his statement: The crop at 1,057,000 lb. fell short of the previous year by 120,000 lb. largely due to unprecedented rains. In the current year absenteeism through intimidation and military operations has resulted in a further fall in output, and for the four months to the end of April 294,500 lbs. were harvested, compared with 332,000 lb. in the corresponding period of last year.

The rise in the price of rubber is reflected in the sum received for the output at £109,253, compared with £53,257 for a larger crop. Estate expenditure was higher by some £8,800 at £46,790, but the effect of increased wages is only partly reflected and we must expect a considerably higher cost for the current year. The greatly increased export duty from January 1st will add substantially to costs.

The profit, before making provision for taxation (£33,160) amounted to £7,314 against £11,786. Your directors propose that £6,000 be transferred to general reserve and £5,000 to replanting reserve. For 1949 the dividend was 6 per cent. An interim 10 per cent. on account of 1950 was paid in March and a final 15 per cent. is recommended.

With regard to our war damage claim, there are indications that we shall soon secure at least a portion of what we have spent, which to the end of the year amounted to £19,004.

RUBBER PLANTATIONS INVESTMENT TRUST, LIMITED

INCREASED REVENUE

The annual general meeting of this company will be held on July 25th in London.

The following is an extract from the circulated address of the chairman, Mr H. J. Welch:—

We began the year with a carry forward of £119,008 and, after making the proposed distribution of 6 per cent. for 1950, as against 5 per cent. for 1949, a balance of £125,789 will be carried into the current year. During 1950 gross revenue receipts were £157,187, equal to earnings of 6.3 per cent. on our issued capital and an increase of approximately 50 per cent. over those of 1949. Net income amounted to £83,595, against £52,688 for the previous year.

The valuation of the investments is given in the directors' report. If to these valuations is added the sum of £713,369, the cost of our holding in Sumatra Tea Estates Limited, it gives an aggregate of £2,571,185, compared with their total net cost, the difference of £534,103 being covered by reserves and surplus totalling £675,789.

As to the immediate future of the Trust, revenue continues to accrue at a satisfactory rate and in the current year we are reaping the benefit of the increased prosperity enjoyed by the rubber industry. But political and economic factors preclude the possibility of making any reliable long-term forecast.

In Eastern countries, where tea and rubber producers principally operate, much unrest and uncertainty prevail. Governments often do not realise the important part played in the past and which could be played in the future by foreign capital and personnel.

RANGALLA CONSOLIDATED

STRONG LIQUID POSITION

The twenty-eighth annual general meeting of Rangalla Consolidated Limited was held on July 2nd in London, Mr Eric Davenport, A.C.A. (the chairman), presiding.

The following is an extract from his circulated statement: The balance of profit and loss, after deduction of London expenses, amounts to £30,003, against £34,090 for 1949. The appropriations made are set out in the report and include the payment of an interim dividend of 15 per cent. for 1950, leaving £5,914 to be carried forward. No further payment is recommended for the year. Our liquid position is strong and it needs to be so, for the rising costs of production require substantially increased figures to meet the monthly requisitions of the estates.

The tea crop at 1,283,173 lb. compares with 1,330,200 lb. in 1949. Out of the 1950 crop 819,423 lb. were delivered under the M.O.F. contract and secured 2s. 8.86d. net. The balance was disposed of locally at a net average of 2s. 5.67d., or an average for the whole crop of 2s. 7.53d., against 2s. 3.69d. in 1949. The crop shortage is mainly due to climatic conditions. The cost of production was 2s. 1.55d., against 1s. 9.21d. in 1949.

As regards the current season, the crop to the end of April is 428,220 lb., against 461,860 lb. in 1950 and 421,744 lb. in 1949. We hope for at least the same crop for May as last year and from then onwards it will depend on the strength of the S.-W. monsoon. The London auctions were resumed in April and on the whole satisfactory prices have been secured.

The report was adopted.

NOTICES

UNIVERSITY OF MELBOURNE, AUSTRALIA

DEPARTMENT OF SOCIAL STUDIES

Applications are invited for the post of DIRECTOR OF A RESEARCH PROJECT ON THE CONDITIONS AND NEEDS OF OLD PEOPLE IN VICTORIA, AUSTRALIA. The successful applicant will be expected to make recommendations as to how these needs can best be met. The project, which is sponsored by the Sidney Myer Trust in conjunction with the Rotary Club of Melbourne, will be carried out under the general supervision of the Department of Social Studies.

Applicants should hold a university degree in one or more of the social sciences and have had experience of social surveys; in addition a Diploma of Social Studies would be an advantage.

Salary up to £1,500 (Australian) per annum, according to qualifications and experience.

Duration of the appointment would be for at least 18 months. A first class return passage to Melbourne will be paid.

Further particulars and information as to method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is *August*, 20, 1951.

COUNTY BOROUGH OF BLACKBURN EDUCATION COMMITTEE

MUNICIPAL TECHNICAL COLLEGE AND SCHOOL OF ART

DEPARTMENT OF COMMERCE, ADMINISTRATION AND LANGUAGES.

Applications are invited for the appointment of Assistant Lecturer in the Department of Commerce, Administration and Languages, to commence duties on September 1, 1951, or as early as possible.

Salary:—Grade B—£450 x £25 to £725 plus additions for degree training, etc.

Applicants should have good teaching experience. Preference will be given to a man with qualifications and practical experience in Industrial Accounting and/or the Teaching of Management Subjects.

Further particulars and forms of application (which should be returned to me within 14 days of the appearance of this advertisement) can be obtained from this Office.

G. F. HALL, Chief Education Officer.

Education Offices, Library Street, Blackburn.

UNIVERSITY COLLEGE OF SOUTH WALES AND MONMOUTHSHIRE

COLEG PRIFATHROFAOL DEHEUDIR CYMRU A MYNWY

The recently advertised research assistantship in Industrial Relations will not be filled until September. Further applications will be received up till September 10, 1951

July 2, 1951 (Signed) E. R. EVANS, Registrar.
Cathays Park, Cardiff.

THE GLASGOW AND WEST OF SCOTLAND COMMERCIAL COLLEGE

Principal: Dr. Eric THOMPSON, M.A., B.Sc., Econ.

Applications are invited for the post of Lecturer in the Department of Business Administration. Candidates should hold a degree in Commerce. The possession of some business experience would be an advantage. Applications should be submitted as soon as possible. Further particulars may be obtained from the Secretary, The Glasgow and West of Scotland Commercial College, Pitt Street, Glasgow, C.2.

POST VACANCIES IN UNITED NATIONS

The United Nations Economic Commission for Europe in Geneva, Switzerland, is seeking qualified applicants for certain senior posts in the Research and Planning Division. Candidates should possess the highest academic qualifications in applied economics and economic theory, especially in the field of international trade and payments, as well as considerable experience in economic research and analysis. Candidates must be able to give satisfactory evidence of ability to produce finished drafts in a form suitable for publication, to organise and supervise the work of a small professional staff, and to participate effectively in planning the lines of research of the Division. Qualifications must include excellent knowledge of English or French and ability to prepare acceptable drafts in one or the other of these languages; knowledge of other European languages desirable. Applicants should be nationals of member countries of the United Nations.

Letters of application should be addressed to:
Personnel Officer, United Nations, Palais des Nations,
Geneva, Switzerland.

THE Provisional Board of Directors of the National Oil Company of Iran, in connection with the sale of Oil Products, announces to all purchasers of oil from Iran for the purpose of export that they can within one month of this date obtain delivery of the oil products they require against receipt. They must, however, refer to the Board of Directors within one month and effect the payment at standard international rates. The sale prices after expiry of the aforesaid period of one month shall be at standard international rates for quantities which customers of the former Anglo-Iranian Oil Company used to buy during the period January 1, 1948, to March 20, 1951. For any quantities exceeding these, other terms and conditions being equal, the buyers in question have priority of purchase.—Provisional Board of Directors in charge of enforcing the Nationalisation Act of the Oil Industry in Iran at Khorramshahr, Iran.
June 22, 1951.

YOUNG MAN (24), five years' commercial experience, knowledge French/German, seeks position with prospects in manufacturing or distributing organisation. Conscientious worker, adaptable, has just sat for B.Sc. (Econ.) exam.—Box 683.

LAYTONS Wine Merchants, 2a, Duke Street (Manchester Square), W.1, are also party caterers. Welbeck 8808, 1864.

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For the purpose of preparing the Interest Warrants due September 1, 1951, the Balances will be Struck at the close of business on August 1, 1951, after which date the Stock will be transferred ex-dividend.—For the Bank of Montreal, Financial Agents of the Government of Canada in London, A. D. HARPER, Manager, 47, Threadneedle Street, E.C.2. July 2, 1951.

LEEDS COLLEGE OF COMMERCE

Principal: E. V. ROBERTS, B.Com., A.C.A.

Required as soon as possible a full-time teacher of Commerce, Economics and Book-keeping. Applicants should have a degree or good professional qualification and preferably have had business experience. Ability to teach Secretarial Practice would be an asset.

Salary will be in accordance with the Burnham Scale for Assistants (Grade B)—Men £150-£725, Women £105-£580—with allowances for degree, training and war service.

Further particulars and form of application to be returned not later than two weeks after the appearance of this advertisement may be obtained by sending stamped and addressed foolscap envelope to the undersigned. GEORGE TAYLOR, Chief Education Officer.
Education Offices, Leeds, 1.

UNIVERSITY OF ABERDEEN

APPOINTMENT OF SECRETARY TO THE UNIVERSITY

The University Court will, in the Autumn, 1951, proceed to the appointment of a Secretary to the University which office will become vacant on September 30, 1952. It is intended that the person appointed should take up duty some months before the present Secretary demits office.

Salary at least £2,000 per annum with F.S.S.U. and Children's Allowance. The University pays a proportion of removal expenses.

Further particulars and form of application may be obtained from the Secretary, with whom applications should be lodged not later than September 30, 1951.

H. J. BUTCHART, Secretary.

The University, Aberdeen.

I.L.O. invites applications from men and women aged between 23 and 35 years on July 31, 1951, for a post of Member of Division in the Non-Metropolitan Territories Division of the International Labour Office, Geneva, Switzerland.

Qualifications required:
1. University degree (preferably in economics or social science) or the equivalent in experience.
2. Familiarity with labour and social problems in Africa.
3. Good knowledge of one of the official languages of the I.L.O. (English and French) and some knowledge of the other.

Preference will be given to candidates of African descent.

On application with stamped, addressed foolscap envelope, further particulars and application forms may be obtained from: The International Labour Office, 38-39, Parliament Street, London, S.W.1.

Completed application forms must be submitted by July 31, 1951.

ASSISTANT to Production Control Manager is required by large mass production factory. Some administrative industrial experience and statistical background are essential and academic qualifications desirable. The age limits are 28-33, and commencing salary will be appropriate to the degree of responsibility. The selected candidate is able to assume immediately. The position offers considerable prospects for the right man.—Apply to Personnel Manager, Harris Lebus, Limited, Finsbury Works, Tottenham, N.17.

BARRISTER, over three years' commercial experience as company secretary with many executive responsibilities, specialist knowledge of taxation and of export trade, seeks permanent appointment. Aged 35.—Write Box 682.

TRANSLATOR-TYPIST to work in Spanish, with Portuguese as secondary language if possible, required by large engineering concern in Midlands, one and a half hours from London. Excellent working conditions in modern offices.—Applications, stating particulars of previous experience, qualifications and salary required, should be made in writing to Box 5026, c/o Charles Barker & Sons, Ltd., 31, Budge Row, London, E.C.4.

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R. D. Moore, General Manager.

METROPOLITAN BOROUGHS' (ORGANISATION AND METHODS) COMMITTEE

APPOINTMENT OF TEAM LEADER

The above-named Committee, which has been set up by 20 Metropolitan Borough Councils for an initial period of not less than 4 years commencing April 1, 1951, to undertake systematic reviews of their executive machinery and departmental methods, invite applications for the post of Team Leader. Concise particulars should be furnished of education, qualifications, present and past appointments and other information showing the candidate's suitability for the position. The names and addresses of three referees must be given.

Inclusive scale of salary for the post, which will be superannuable and subject to the Scheme of Conditions of Service of the N.J.C. for Local Authorities' Administrative, etc., Services, is £1,200 by annual increments of £100 to £1,500. The appointment may be made at any point within the scale according to qualifications and experience and will be subject to a medical examination and to 3 months' notice on either side.

If the person appointed holds a post in the Civil Service or the Local Government Service, the Committee will be prepared to ask his employing authority to agree to his being seconded during his service with the Committee. A university degree or diploma, or a professional qualification, together with wide administrative experience will be essential; whilst experience in research work will be an advantage. Applications must reach me on or before August 18, 1951, in envelopes endorsed "O. & M. Team Leader."

PARKER MORRIS, Honorary Clerk.
Westminster City Hall, Charing Cross Road, W.C.2.
June, 1951.

DO YOU NEED REPRESENTATION IN BRAZIL ?

Consult J. D. Magalhães—Caixa Postal, 1352—Rio de Janeiro; Member of the: American Chamber of Commerce for Brazil—Associação Comercial do Rio de Janeiro, British Chamber of Commerce in Brazil Inc., Liga do Comercio do Rio de Janeiro, etc.
Purchasing Agent for: Minerals, raw material, sugar, wood, etc.
Selling Agent for: Iron, steel, metals, tools, abrasives, machinery, implements, chemicals, wheat, etc. Agent for: Investments of capital in local enterprises, etc., outright importer.

ARTS GRADUATES.—A food manufacturing company in the Greater London area, marketing its well-known products on a large scale, is able, by reason of planned expansion to offer an opportunity for a non-technical graduate to train for an executive appointment within its production division. The successful candidate will be given an intensive and well-planned course of training (6-9 months duration) to equip him for management responsibilities which he will assume immediately on completion of the course. The company looks for qualities of leadership, decision and readiness to shoulder responsibility and can offer opportunities of promotion to higher management posts to a man of the right calibre. The appointment carries a salary well above the average together with non-contributory pension, life assurance and sickness benefits. Graduates (22-28 years) who are determined on a career which allows scope for initiative within an organisation which recognises individual merit, are invited to write in confidence, sending details of education and career to date, to Box 669.

WE are looking for an efficient and capable young man possessing sound experience in Market, Consumer and Media Research Merchandising and Distribution. He will have the opportunity of expanding a recently created department in a much sought after medium-sized West End Advertising Agency. His salary will keep pace with his performance.—Apply, stating age, experience and initial salary required, Box 681.

HOBBS SAVILL & CO. LTD., announce that on and after July 16, 1951, they are moving to larger and more commodious premises at Plantation House, Mincing Lane, E.C.3. Telephone: Mansion House 7855 remains as formerly.

All departments are being transferred to this address with the exception of the Life and Pensions Dept., who for the time being will continue to operate from Palmerston House, Bishopsgate, E.C.2.

WINE is so easy to enjoy; see if you have a natural ... the wine tasting competition, first prize, a ... among the vines; no charge whatever.—Apply, The Friends of Wine, 1, Vintners Place, London, E.C.4.

COMPANY Executive and Solicitor, under 50, with wide experience in Commercial affairs, business organisation and connections in Britain, Dominions and Overseas, seeks interesting permanent commercial appointment here or abroad. Not afraid of hard work. Write Box 495, Reynells', 44, Chancery Lane, W.C.2

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July 14, 1951

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No Through Road

TWO things provide the harsh content of politics in 1951: the threat of Russian aggression and the renewed difficulties in balancing Britain's overseas trade. The formula by which they are dealt with in "One Way Only," the pamphlet written by Mr Aneurin Bevan and his sympathisers, turns out to be disarmingly simple. Assume that these two problems are even now only half the size everyone else thinks they are, and that with a magic touch of real Socialism they would soon disappear altogether. Then it is easy to promise more than Mr Attlee and Mr Gaitskell can; it is even possible, with a hint of (among other things) 50,000 more houses a year of the current size and cost, to rival the Tories with their 100,000 houses to be achieved in part by cheese-paring economies in size and standards.

The formula rests on well-worn precedents, but that does not guarantee its propaganda success. Indeed, Mr Bevan's pamphlet is probably dangerous less because of its direct challenge to the Right-wing leadership of the Labour party than because it betrays the Left wing. Nothing would do more to revitalise British politics than a realistic expression, in relation to the contemporary world, of something of the inspiration that lay behind the old movements of protest. Enough injustice has survived the arrival of the welfare state; enough new injustice, indeed, has crept into the welfare state; enough sloth and bureaucracy and inefficiency have accumulated round it. There is plenty of material for protest, and here is the natural function of a democratic, non-Communist group on the Left of the Labour party. The importance of "One Way Only" is finally to demonstrate that the existing group is incompetent for the task, not only because Mr Bevan is too personally ambitious—which was well known—but also because the group is doctrinally too rigid, because it is as determined to live conservatively in the past as any reactionary. Unfortunately Mr Bevan is just big enough to crowd out the possible competitors in a poor field. It requires no inhuman detachment to see that British politics as a whole is the poorer in consequence.

The Labour party could hardly be more receptive to ideas from a genuine Left wing. It is only too conscious of disillusionment, of a lost dynamic, of the need for new ideas and new men. But it will be hard put to it to get any precise idea of the "one way" along which Mr. Bevan would like to lead it. The pamphlet contrives to tell very little about either the nature or the direction of the road. The most innocent may suspect that the reticence is deliberate—that in fact the paving is uneven from the start and the road soon peters out altogether. But whatever the obscurity of his advice to the Labour party, Mr Bevan's personal road has proved to be the obvious one. Twelve weeks ago he resigned from the Government on the ground that its defence programme was too big to be practicable; however regrettably, it was, according to Mr Bevan in April, "already dead." In fact the walls of Jericho did not fall to the trumpet; Mr Bevan

has not given up the attack but he has had to look round for new weapons. Recognising implicitly, if not explicitly, that his first position was untenable, he now says not so much that a heavy rearmament is impracticable as that it is unnecessary.

The Russians are not, Mr Bevan has discovered, as bad as people suppose ; they are weaker and less bellicose. The pamphlet offers only one pretence of an argument in support of this faith—the fact that in 1948, when the last war was only three years away, the Kremlin did not risk an attack on another Communist state, Tito's Jugoslavia. What that has suddenly come to prove about Russian policy in 1951 is obscure but in any case irrelevant. Mr Bevan does not deny that Russia is liable to indulge in what the pamphlet calls " adventures " and he does not deny (though he blinks at) the obvious fact that the immediate strength of the West is too small to provide an effective guarantee that adventures will be deterred. But if there has to be some rearmament to meet a present danger, then plainly its main point lies in its being as quick as possible and such adjectives as " breakneck " and " hysterical " are so much emotionalism, quite inconsistent with Mr Bevan's own analysis. The real scope for argument is about the eventual scale, not the present speed, of rearmament; and this is a technical question demanding clear-headed judgment. It is not, on his own avowal, a matter for Mr Bevan but for the smaller minds of the despised experts at the Treasury.

> Most of the great decisions in human history are simple. They demand more of courage than of ability. They reach down and tap the inexhaustible reservoirs of spiritual sustenance which are never reached by intellectual ingenuity alone.

Whatever this may mean (and there is a strangely Hitler-like quality in its elevation of intuition against reason), it certainly does not suggest that nicely calculated questions of whether Britain should in three years spend £3.6 billion or £4.7 billion on defence are the real stuff of politics. Nor, of course, is any of the detailed argument—in which Mr Bevan still tries to save himself from open opposition to the Government—really consistent with the very first " principle " that his pamphlet lays down: " War is not inevitable, but will certainly become so if the rearmament race continues unabated." If that is really, as it appears to be, a statement of policy for 1951 and 1952 rather than a pious declaration about 1954, then it is in fact a thorough-going rejection of the foreign policy—the policy of negotiating only from strength—to which Russia has driven the British Government and its allies.

Mr Bevan's alternative seems to be best summed up as " not neutralism, but halfheartedness." Britain should remain a member of the North Atlantic alliance but should devote its main effort not to the purpose of the alliance, which is to deter Russia, but to restraining the supposed aggressiveness of the United States. Whether Mr Bevan really believes that by this policy Britain would for any time exert much influence on the Americans, or anyone else, is open only to speculation. But then he is not consistent even in his anti-Americanism. He is determined at every point to strike an attitude and promise the best of two worlds.

The motives for all this are plain enough. The argument is never really that some undefined slice of the arms programme is unnecessary for effective defence ; the argument is that it gets in the way of something else —more houses or more consumer goods—that everyone would like to have. The object of the exercise is always to offer the Labour party a more comfortable time than the bleak prospect of rising prices and growing scarcities. There is, it is true, one exception: the " world plan for mutual aid." This is the one constructive proposal in the whole of the pamphlet ; it is borrowed, without noticeable further thought, from the Right wing of the Labour party and the official policy of 1950. No one will dispute that Britain and other countries ought to provide capital to improve the living standards of the backward areas—though the practical problems of doing so have not even yet received the attention they deserve. But what Mr Bevan proposes is plainly of secondary importance. The pamphlet makes much of the " world plan " because it is a grander-sounding alternative to guns than just more butter at home. But when it comes to (hypothetical) figures, only one-sixth of the supposed resources that might be freed by cutting armaments is allocated to the scheme. The other five-sixths would provide 25 per cent more new houses in Britain, 5 per cent more social services, 3 per cent more personal consumption, 10 per cent more industrial investment. Halfheartedness characterises Mr Bevan's attitude to the " plan " he champions as well as to the rearmament he distrusts.

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The real concern of the pamphlet, for which all the rest is designed to provide a cloak or a justification, is to advocate a more " Socialist " domestic policy. Mr Bevan appears as the guardian of the covenant. The party's need is to reaffirm the old faith in which it is faltering because of " concessions to Tory pressure or Tory ways of thought " that are the simple reason for the Government's failures. There should, indeed, be " a fresh series of measures," but when the pamphlet comes down to details all its proposals are alleged to be simply " the implementation of the ideas which the party has already worked out and the policies which it has already accepted." This insistence on orthodoxy has some tactical advantages, but Mr Bevan would plainly have gained far more support within the party by offering it new ideas, if he had any. Is most of the Labour party really so simple-minded, really so lacking in historical sense, as to believe that " a return to the philosophy in which we were born and by which we grew " is the one way to make progress against the problems of the nineteen fifties ? That philosophy was grounded on the industrial supremacy of Britain, on the belief that the problem of production had been solved and that plenty was to be achieved by legislation, on a simple faith in public ownership, on a blunt conviction that profits were wicked and that war was the product of capitalism. Has anyone learned so little from the past six years as to believe that these ideas are relevant now ? Mr Bevan's brand of reactionary orthodoxy cannot rest on anything but poverty of thought.

The fundamental dilemma turns, once more, on the question of economic efficiency. Mr Bevan advocates no more nationalisation than was put into the last election programme—sugar, cement, insurance and a few other oddments. He would leave the main structure of the British economy in private ownership. Yet the rest of " One Way Only " is a straightforward prescription for preventing capitalism and the mechanism of the markets from working. A " general price freeze " (wages

are not mentioned) is to be secured by controls and subsidies ; consumption is to be controlled by prohibiting the manufacture of selected " luxuries " rather than by the influence of financial policy on demand ; dividend increases " above the level of 1947-48 " are either to be prohibited or to be prevented by heavy taxation. Profits are, in other words, relatively respectable if they are the profits that established companies have earned before. What the state will prevent is the enjoyment of profits from new enterprise, from risky investment ; there is to be no incentive for the industrial pioneering, the re-equipment and expansion that the Labour movement professes to urge on reluctant, monopoly-ridden capitalists. Nothing could be further removed from the conception of a progressive economy, socialist or otherwise.

This is the reactionary absurdity to which sheer hidebound prejudice, a blank doctrinal rigidity, has led the professed champions of the Left. There is not even the defence, which the Government has sometimes had, that such measures are a policy for economic siege, desperate devices for clinging on in a storm. In the " one way " the main economic stress has been assumed away by a cut in armaments. Mr Bevan's friends are so muddled that they write about economic policy—" renewing the wartime practice of using physical controls "—as if heavy rearmament were to continue. Yet they began by arguing that it should stop. What is offered is supposed to be a policy for a rising standard of living ; it is in fact an iron prescription for economic stagnation.

Perhaps it would have been unreasonable to expect anything better from Mr Bevan and his sympathisers. Yet that does not make the betrayal of the Left, its commitment to a blind alley, any less tragic. It can only be hoped that the Labour party will find some other source from which to renew its inspiration and reshape its policy.

Patience for Peace

DURING the last ten days something like a peace rush has been seen in the world's capitals. Soviet diplomatists have appeared unexpectedly at American parties ; British Ministers have spent the week-end airing cautious hopes of what may come out of the Kaesong talks ; President Truman has sent to the chairman of the Presidium of the Supreme Soviet a letter expressing the friendship of the American people for the peoples of the Soviet Union, and enclosing a resolution to that effect, passed by both Senate and House of Representatives. It is not surprising that people are asking whether peace is breaking out after all. Are reason and good will calling a halt in this strange thing called cold war ? Shall we be spending the first care-free summer holiday since 1945 ? Unless very firm answers are given to such questions, the peace rush might become like a gold rush, with rumours of great prizes to be won, a helter-skelter movement in directions that are not clearly mapped, with those who have already staked a claim—in this case the Communists—urging on those who have not, and a final result of general disappointment.

The mood could be welcomed without reserve if the evidence to justify it were not so small. It consists at the moment simply of a fair chance that fighting will stop in Korea. From this single probability, deductions about the future are the purest guesswork. It is just as likely—indeed, more likely—that the Soviet price for a settlement in Korea will be some radical and unacceptable revision of the proposed peace treaty with Japan as it is that there will be a chain reaction of peaceful deeds and thoughts throughout the world.

It is now reasonably clear, however, that the position of the West is considerably stronger than it was a year ago. Much the biggest factor contributing to that result has been, of course, the military stand made in Korea. The strength and resolution displayed on the battlefield seem to have made their mark on the cautious realists who control Soviet policy. If there is now a chance of the fighting being stopped, it is because Moscow and Peking think it has ceased to pay. But there have been other factors as well. The gradual building up of strength by the western powers, and the clearer definition of much more to come, have removed a great deal of the fear and defeatism that infected Europe in 1950. Moreover, it can now be seen that the MacArthur incident, and the debate that followed upon it in the United States, have not fulfilled their early promise of disrupting the western alliance, but, on the contrary, have on balance strengthened it. The net effect in the outside world has been to increase confidence in the fundamental moderation and the peaceful objectives of American policy. And the net effect in America has been to rally support for these same policies as against the flamboyant and perilous alternatives.

In short, the result of the past twelve months has been to check over-confidence in the Kremlin and to reduce under-confidence in the free world. Given the new balance created by these facts, and the existence in Korea of a limited, well-defined issue, negotiation between the two camps becomes possible. There could be no clearer illustration of the working of Mr Acheson's policy of creating situations of fact out of which negotiated settlements may emerge ; for if an armistice in Korea should clear the way for more general bargaining about Asian questions, it will be because the mood and opportunity for general negotiation emerged from a particular situation.

Just conceivably, the balance has been tipped too far. As seen from the Kremlin, the spectacle of massive rearmament getting under way in the West, of the alliance of the free nations successfully surviving the strains that are put upon it, and of proposals for preventive war being publicly acclaimed, must certainly be a very impressive one, and possibly a frightening one. It is good that the Kremlin should be impressed and pushed in the direction of caution ; it would be disastrous if the Soviet leaders were frightened into the belief that a general war is inevitable, since in that case they might deem it necessary to begin it at once before the odds lengthen still further and while there are still forfeits to be picked up in Western Europe. It is, therefore, a very good thing that, at this juncture, the leaders of the West should be laying fresh emphasis on the pacific nature of their aims, as Mr Truman and Mr Attlee, in their various ways, have been doing. If western policy is to put a stop to Soviet imperialism without war, it

must consist in equal parts of arms and diplomacy, and every advance in arms should be accompanied by a re-emphasis on diplomacy.

But, though they can be expected to have a good effect on the Kremlin, the danger of these gestures is that they may have a disastrous effect on public opinion in the western countries themselves. For they revive the dangerous delusion that something called a "general settlement" with the Soviet Union is possible. It is doubtful whether the delusion is entertained in the State Department or the Foreign Office; but it is one to which politicians are particularly prone, and quite particularly British Labour politicians—perhaps because so many of them have pacifist antecedents. It is not easy for politicians in any country to preach to their followers principles opposed to those that they have advocated in the past. And it is all the more difficult now because the intensive and ingenious peace campaign is plugging just the kind of slogans that politicians are so tempted to use. The partisans of peace advocate as the cure for all troubles a "five power pact of peace," ignoring all difficulties of interest and detail, and calling warmongers all who point them out. There is, therefore, a danger that relaxation in Korea in the next few weeks will revive the old fond hope that what is called a "general settlement" with the rulers of Russia is possible in a matter of months.

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It is seldom made clear what is meant by the phrase. Does it mean a friendly, free and confident relationship between the Communist empire and the peoples around it? If so, it must be stated quite bluntly that there is no sign of this coming about; and even if it were promised, there would be no grounds for trusting the promise. The nature of the totalitarian state excludes such a relationship, not only because the whole structure and spirit of the regime would be threatened by the free movement of ideas and persons, but also because the notion of an implacably hostile world outside is part of the myth that justifies the regime's suppression of freedom. The free democracy and the totalitarian state challenge one another at their most vulnerable points. To be fair to Stalin, he has never disguised this difficulty: the most he has claimed as possible is "peaceful co-existence" of the two systems—temporary, not permanent—which means something far closer to cold war than to the brotherhood and free exchanges set out as the aim of American policy in President Truman's letter to Mr Shvernik.

If, then, a general settlement cannot mean—at any rate on present evidence—friendly neighbourliness, what else can it mean? It can mean, perhaps, a settlement of the principal territorial and political problems created by victory in the last war. This means, in fact, confirming and perpetuating not only all the decisions of Yalta and Potsdam but also the Soviet interpretation of them: which in turn means recognising for an indefinite period a Soviet claim to preponderant influence in Europe. It is difficult to see why anything less should be thought acceptable to Moscow. Why should it be assumed that Stalin is ready to discuss a revision of the bulwark that he has built around the frontiers of his country since the collapse of Germany and Japan? Why should a statesman of his experience and record be expected to consider such a settlement unless the Americans, British and French have "concessions" to offer? The advocates of settlement never make it clear what those concessions should be. Whatever may be true in Asia, in Europe it is the Soviet Union that is the conservative power, defending the *ad hoc* settlement of 1945, and the western powers are the revisionists. That is why Soviet statesmen insist again and again on the letter of the Potsdam and Yalta agreements, which gave them a new perimeter of defence.

If a "general settlement" means something more acceptable to the West than a simple confirmation of Potsdam and Yalta, then there has been recent proof that the Russians are not ready for it—in the meeting of Deputies in Paris. Mr Gromyko, once he was convinced that German rearmament was not yet an urgent question, showed little interest in the more general proposals before the conference. Indeed, by insisting that the Atlantic Pact should be put on the agenda for the Foreign Ministers, and by throwing in the offer to put on it as well the Soviet treaties with the satellites, he showed that he was more interested in the propaganda value of the proposed meeting than in possibilities of bargaining. For he must have known that the Western governments were no more likely to negotiate—as distinct from talking—about changes in the Atlantic Pact than Mr Vynshinsky was likely to negotiate changes in his treaties with Poland and Czechoslovakia. The lesson of the Paris meeting is clear; and it is one to be clearly explained by statesmen to the public opinion which demanded the meeting.

To give up hope of a quick general settlement is not by any means to despair of peace. On the contrary, there is good reason for hope in the very remarkable fact that in Korea the strength and caution of both sides have been tested for a year without causing world war. Korea provides encouraging proof that western policy is on the right lines. The essential point that experience of dealing with the Russians is constantly driving home is that the diplomacy of the West will have to work from the particular to the general, not the other way round. The hopes of peace and prosperity should be attached not to broad and generous gestures of friendship, but to the kind of meticulous, hard-fought and piecemeal bargains that are based on political and military facts. Such bargains will not stop the cold war—nothing but the collapse of Stalinism from its own contradictions can do that—but they could limit the risks. From a succession of such bargains there could emerge gradually a pattern of settlement that cannot be predicted now, and would probably be very different from anything that could be proposed now. To talk of bigger plums than these is, by first raising impossible hopes in the free world and then disappointing them, to provide opportunities for Communist propaganda to undo all the good that effort and sacrifice in Korea have done.

The aims of the patient policy are in all conscience big enough: to maintain peace for a decade, by diplomacy and arms, to accept Stalin's challenge to co-existence, and to prove the superior staying power of the free nations is work enough for the patience and statesmanship of the United States and its allies. To go on suggesting that there are easier ways, and shorter cuts—either by fighting or by talking, either by arms alone or by diplomacy alone—is to encourage in the West the impatience and defeatism that increase the risk of war.

Fair Shares in Arms

THE American Congress is now tackling the difficult and contentious task of deciding what aid the free world shall receive in the coming year and what burdens the taxpayer shall shoulder. During the past two weeks Administration witnesses have been testifying before the Foreign Affairs Committee of the House of Representatives on the proposal for $8.5 billion of foreign aid—the Mutual Security Programme—which President Truman has sent to Congress in addition to the United States' own $60 billion defence budget for the year ending June 30, 1952. During this coming twelve months about three-quarters of the total American budget is to go on defence in one form or another—on building up America's own forces, on helping the rest of the free world to build their's, and, as Mr Truman put it, on "our Campaign of Truth." Yet these stupendous figures so numb the senses and blunt the vision of all but those few who are daily at home with them, that it is difficult for plain men to understand them. At the same time if the right confidence, resolution and enthusiasm are to be kindled in the alliance, it is quite as important that this massive American effort should be widely understood as that it should be expertly directed into those channels where it can have the greatest effect. And at present there is room for considerable doubt whether all is now well in either of these respects.

Concern about the methods and principles by which American aid will be distributed has been increased by the fact that the future of ECA (the Economic Co-operation Administration) is now in a state of great uncertainty. In the widespread debate at present taking place in both the United States and Europe some argue that ECA's main usefulness is over, and that when the original four-year span of Marshall aid runs out next June it should be virtually wound up. Others, on the contrary, particularly in Europe, have been glad to see a recent revival of ECA's prestige, and regard it as the best, indeed the only suitable, instrument for transfusing the combination of American military and economic aid into the blood stream of the free world. Instead of some such agency as ECA alone, however, the President's suggestion to Congress was that supreme co-ordination of foreign aid should be carried out by the committee on which ECA and the Defence and State Departments are all represented.

These are no doubt details which are domestic to the political life of Washington. But what everyone concerned in this great flow of aid, both at the receiving and the giving ends, has a right to ask is that, whatever is finally decided, weighty decisions should lie in the hands of a single directing agency as free as possible from sectional interest. Never in the whole expanding field of American foreign assistance has there been more need for great problems to be posed at one central point. Yet, to make the right decisions, a single agency—whether a man or a committee—must be in possession not only of the facts but also of the views of those receiving governments which now compose the wide alliance with the United States. And for this in turn to be undertaken successfully, public opinion on both sides of the Atlantic must be given an understanding of the issues.

The first requirement is that people should appreciate the scale of the proposed aid by simple comparison with other things. President Truman is now asking Congress to devote to the Mutual Security Programme sums of money worth nearly half a prewar American budget even in President Roosevelt's day; that is 15 per cent of the present American defence budget, or two-third's of this year's total British budget. In the President's original message, military aid is scheduled to take roughly $6,250 million, which is considerably more than last year, and strictly economic aid $2,250 million, which is considerably less. Some $7,000 million, or 80 per cent, is to come to Europe, including Western Germany, Austria, Trieste and Jugoslavia. The rest is listed to go to North Africa and the Middle East ($125 million of economic aid and $415 million military), to South East Asia ($375 million economic and $555 million military) and to Latin America ($62 million altogether). In addition, the President has again asked that the lending authority of the Export-Import Bank be increased by $1,000 million. Last year the United States gave away 3,500 tanks, 11,000 trucks, 750 aircraft—the last of 70 Superfortresses on last year's programme was delivered to the RAF in Britain at the end of June—100 ships, 3,000 guns, many smaller arms, and millions of rounds of ammunition. This year's figures will not be settled until Congress has approved the Mutual Security Programme and appropriated funds, probably not before the autumn. But even if a truce in Korea leads Congress to make cuts in the President's programme—and some cuts are probably inevitable—the figures can scarcely fail to be considerably higher than what was spent last year unless there should be a major change in American foreign policy.

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Those are some of the broad facts, and they naturally raise many issues. For instance, the vast preponderance of American assistance to other countries is now for military rather than economic purposes; yet is it quite certain that this preponderance should be so heavy? And who should really decide—the Americans alone? Or how much say should the receiving country have, once granted that the United States is willing to include it in the aid programme at all? And on what basis should the relative amounts of military and economic aid be settled anyway? Some of these and other questions arose in the early stages of the Marshall plan, but some are new and are inherent in the scale of military aid. There is, for one thing, a real danger that, if non-military aid to the countries of Western Europe is reduced too far, particularly at a time when the terms of trade are turning against them, they will be unnecessarily weakened. No specific provision was ever made for a fourth year of Marshall aid, but the assessment of what was needed to bridge the dollar gap was always based on a four-year programme. Military aid and European rearmament between them do nothing to make that gap any less important than it was before; indeed, it may yet become more important in the fourth year than the third, if the European economy is to carry its own increasing defence burden without letting living standards slide.

At the moment, decisions about dividing the amount of aid to be allotted are in effect made unilaterally by the Americans. As a temporary measure this is no doubt for the best. One of the lessons gained from the first year of the Marshall Plan was that, if aid is to be given primarily on the basis of what a country asks, "it pays to be poor," and this is bad; in the second year, Marshall aid allocation was accordingly done, not exclusively by OEEC, but under the Snoy-Marjolin formula, and in the third year by ECA unilaterally. It would, however, be wrong to accept indefinitely the principle of a purely American, and at present often in effect an ECA, decision for want of thinking out the most effective procedure. What was good for the Marshall Plan is not necessarily good for a combined programme of military and economic aid—as President Truman recognised from the American point of view when he recommended a change from purely ECA control. ECA is virtually having to decide not only how much each country shall receive, but in what proportions of military or economic assistance. For this there are neither generally accepted principles nor common measurements of relative need by which the division of aid may be made. In practice, ever since the Korean war started, ECA has been talking more and more in terms of defence. The organisation's publicity and ideology have shown a probably excessive tendency to re-assess a country's needs almost entirely according to its potential defence contribution. This in turn leads back to the kind of situation in which, militarily today as economically two years ago, "it pays to be weak." There is at present a dangerous premium on lack of effort; the United Kingdom, for instance, with a heavy arms programme of its own is not as good a candidate for American help as Italy.

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The appointment of a supreme arbiter to divide American aid among its recipients—whether inside ECA or in committee between different departments of the American government—is a matter to be decided in Washington. But those countries which are now gearing their defence programmes to the United States' contribution to their economies ought undoubtedly to have some standing when it comes to determine the considerations on which the supreme arbiter will normally base his decisions. What is wanted, as the arms and subsidies once more flow out from the arsenal of democracy, is a standardised formula by which countries' requirements can be fairly assessed, one against another, and on which they can base their claims. This would also make it possible for the public of the western world to see which country was not doing its stint in the general effort and which was no more than an idle boaster.

A great deal of work has in fact been done on this question in Paris on the new Financial and Economic Board by the experts of ECA, OEEC and Nato. Yet it was originally hoped to draw up—if not to publish—by the end of May a definitive formula for apportioning military aid by means of the Nitze Report. It is now July and still no report has appeared. Moreover, since a primary task for the Financial and Economic Board will be to send out questionnaires under whatever formula is devised, and to collate answers from all the Nato countries, it is depressing that the Board's own terms of reference have not yet been finally agreed.

The fact is that the machinery for handling the growing volume of American aid is at present in urgent need of an overhaul, if it is to do its job properly, without waste and without friction. At the American end, it seems probable that the control panel needs attention—though that is for Washington to settle. At the European receiving end, it is certain that some new element is required to make the existing mechanism more efficient. To determine the precise form which these or any other structural changes may take is difficult and involved. But that in no way detracts from the need for decision and action about them soon. Nor does it mean that it would be anything but a great mistake, at this stage in the halting progress towards union of the western world, to reduce even further the functions of OEEC, by far the most successful organisation for effective international co-operation to be set up in Europe since the war. There is now a great deal to be said for increasing rather than reducing the influence of OEEC. For it constitutes an ideal nucleus for a central organ to which General Eisenhower might turn for decisions in Europe.

Food *versus* Homes?

MANY people have recently expressed concern lest Britain's food supplies should eventually be imperilled by the steady encroachment of urban development upon agricultural land. Before the war this process went on without causing either official alarm or private objections. The maligned "power of the purse" settled all questions about land use. Since the value of land was (and is) almost invariably higher for development than for agriculture, the sale of farmland brought a profit to its owner. Today, however, the position is radically different. In the first place, the operation of the Town and Country Planning Act of 1947 leaves owners with little financial incentive to part with their land. It is not surprising that farmers are up in arms at every proposal to establish a housing estate or new town. There are no pecuniary compensations for losing their present farms, and tenant farmers are hard put to it—because of the security now given to their fellow tenants—to find another farm to which they can move.

In the second place, questions of land use have now to be settled by administrative action in place of the old power of the purse. It is the official duty of the Minister of Local Government and Planning to co-ordinate all forms of land use and to arbitrate between conflicting claims. How this duty will (or should) be interpreted in practice remains very far from clear. But at least it is evident that the Minister will have to determine in general terms how far agricultural land should be protected against those who want to turn it to other uses. His attitude will have an important effect on the development plans that the local planning authorities are now submitting for his approval.

The area of England and Wales is 37 million acres. During the first half of this century, about a million and a quarter acres has passed out of agricultural use. The area left to agriculture and forestry is still about 88 per

cent of the total—or a higher proportion if the whole of Britain is taken. But this land is of very variable quality. A large part consists of "rough grazings," and this part has increased with the decline of hill farming. Its capacity for food production is and must always be small, although it can often yield a good return if diverted to forestry. By contrast, the Land Utilisation Survey recorded only two million acres in England and Wales as "first class" (that is, of very high agricultural value), although 18 million acres were placed in category one ("good").

The land-conservationists fear that good land will be "developed," in one way or another, at a much faster pace during the next half-century than in the past. The Services are, temporarily at least, content with holding about 650,000 acres—a much larger area than before the war. The requirements of mineral undertakings and open-cast mining have also increased. In these cases, however, new statutory provisions require the land to be restored after use, despite the high cost of doing so and the fact that the original fertility of the soil cannot be renewed. The main controversy today is about the standards that should be adopted for residential development. Critics of the present standards, such as Dr Dudley Stamp, suggest that they will eventually deprive the nation of much of its home-grown food. Alarmists have even talked of "building new towns to starve in." Is Britain forced to choose between improved housing and adequate nutrition—between homes and food?

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In the first place, it is important to remember that the standards of land per dwelling now in use do not represent a luxury fad on the part of planners. They are what most people want. Many town planners, indeed, have an aesthetic aversion to the popular model of "open development"; it is not only conservationists who plead for "building upwards rather than outwards" and who would like to maintain or increase the proportion of flats and terrace housing in the cities, in order to save space and make transport easier. It remains broadly true, however, that the English family's ideal is a house with a garden. The mass exodus of the middle classes from congested cities to open suburbs is evidence enough on this point. It hardly needs the evidence of social surveys to demonstrate that most workers would gladly tread the same road.

Popular demand apart, there are sound social reasons for laying out new urban communities more spaciously than the congested cities of the past. An adequate supply of playing fields for both children and adults would make a valuable contribution to national health, although there sometimes seems to be an unnecessary duplication of the two sets of requirements. A better system of roads and footpaths can help to reduce the loss of life in accidents. Room to cultivate a garden or an allotment is an important source of satisfaction to many people in the machine age. The agricultural value of this last activity is far from negligible. Mr F. S. Osborn has gone so far as to claim that the value of farm produce grown within the area of Welwyn Garden City is greater now that most of it is under bricks and mortar. This argument, if true, rests on the fact that vegetable production in back gardens is much more intensive, with a larger outlay of labour per square yard, than general farming. It is not the optimum use of land from the standpoint of agricultural economics, but it does represent an appreciable contribution to food production.

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All these points may be conceded without shaking the beliefs of certain agriculturists. Dr Stamp has estimated that land requirements per 1,000 persons at reasonable "open density" standards work out at 55 acres. This figure includes an adequate allowance for playing fields and allotments (but not, strangely, for cemeteries) and assumes a housing density of 12 to the acre—the minimum necessary to provide reasonable gardens. Actual postwar schemes of development have shown rather lower densities than this. The designated areas of new towns allow for around 100 acres to 1,000 persons, but here part of the area will remain as farms and woods.

From such figures it is possible to make a rough guess at the eventual requirements for *Lebensraum* of the urban population. It will be assumed that one-third of the population must be rehoused (roughly, the proportion now living in obsolete dwellings) and that the space they vacate will be devoted to providing, gradually, more spacious living conditions for the other two-thirds. It will also be assumed that rehousing requirements work out at 70 acres per 1,000 persons—a generous enough allowance. The additional amount of land in England and Wales needed for carrying through this social revolution would be about one million acres or 4 per cent of the present area of improved farmland, crops and grass.

There is nothing intrinsically alarming about this prospect. If demand warrants, the lost proportion of

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home food production could be made up, probably several times over, by a more intensive cultivation of the land that remains. The calculation allows nothing for the value of produce from gardens and allotments. In addition, this urban development—certainly at the present rate of housing progress—will take a long time to bring about and, once complete, it will not be repeated. Whatever may happen to the population of Britain, there is agreement that it is unlikely to rise much further: nor can the family unit become much smaller. And in so far as the population falls, its demand for food will be correspondingly reduced.

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The argument is sometimes pitched, however, at a more dramatic level. It is urged that siege conditions, or a complete breakdown of world trade, may force Britain to live almost entirely off its own soil. This argument does indeed have revolutionary implications—but not only for town planning. It would involve a complete reorganisation of agriculture and industry, as well as a drastic fall in standards of living, if indeed the nation could survive at all in such circumstances. The right policy for coping with them is in any case open to debate. A population housed at open densities would be less vulnerable to siege conditions arising from atomic attack than a population crowded in big cities.

These arguments do not imply that local planning authorities should ride roughshod over agricultural interests. But in general they are unlikely to do so; the present tendency is the other way. For the last twenty-five years the large towns have been denied almost any extension of their boundaries, and the future course of development is therefore largely under the control of the county councils. These bodies, and their planning officers, are generally far from indifferent to the welfare of agriculture—as their development plans may be expected to demonstrate.

At the national level, the new obligations on mineral undertakings and injunctions to the local authorities indicate that the conservationists' warnings have been taken seriously. Local authorities have been urged to build on inferior farmland even if this involves them in higher costs. Probably, too much modern building does take place on flat, good farmland, where constructional costs are lowest, and it will be sad if the new age of town planning produces no hill towns. But it is clear that the Government could go too far in imposing additional costs as a very minor, long-term insurance against a food crisis; and it is paradoxical that the one aspect of such a policy that would cost nothing—namely, the elimination of open-cast coal mining—is prevented by the Government's own failure to recruit sufficient labour to the mines.

Dr Dalton will be badly mistaken if he sacrifices the desire for better living and working conditions—a desire which, more than anything else, has secured for his Ministry its present powers—in order to preserve a small margin of agricultural land. There are, of course, other obstacles to better housing, not the least of them being the economic problems involved in decentralising industry. But at least it may be said that agricultural considerations ought not to be allowed to stand in the way of a gradual improvement of residential standards. The long-term saving of farm land through cutting standards would of course be much less than the 4 per cent mentioned in this article—since the needs of the overcrowded could not on any basis be wholly denied. The whole idea of an antithesis between homes and food has been grossly overplayed. The question is whether the nation can afford decent homes for all its members, not whether it has room to build them.

NOTES OF THE WEEK

Camera's at Kaesong

The root of the trouble at Kaesong is that General Ridgway has the substance of victory, having virtually destroyed the North Korean army and crossed the 38th parallel; while General Nam Ie wants the appearance of victory, having lost most of his forces and being committed by his Soviet ally to talk about a cease-fire. The North Korean general appears to have demanded that both armies should withdraw 10 kilometres from the 38th parallel and that all foreign troops should leave Korea. To concede the first demand would mean that the Uno troops would lose valuable positions north of the parallel and with them some of their capacity to control the military situation should political talks after an armistice break down. In the eastern sector Uno troops would have to withdraw over 60 miles with the enemy advancing over 50 miles. This needs at least thinking about. If the second demand were conceded at this stage, General Ridgway would be accepting the proclaimed objectives of Soviet and Chinese policy. His delegates were right to protest against demands that would prejudice a future political settlement.

It is true, of course, that the United Nations, having no territorial or strategic ambitions in Korea, can be less sensitive on these matters than could a national government that knew it had won a victory—although there are Americans who would take a less moderate view in view of the sacrifices they have made. But Uno must retain the power and the right to see that peace in Korea is maintained. No one pretends that the Korean ulcer can be removed, but it needs time to heal.

The predicament of the Communists was shown clearly in the incidents of the first meeting at Kaesong. Communist cameras were able to record the spectacle of an American helicopter surrounded by Communist armed guards, and of American officers being received by Chinese and North Koreans. Their pictures will make most convincing evidence of the version of events that the Communist leaders want their followers to believe: that the "aggressive" westerners came to sue for peace with gallant little North Korea. The lie has to be played out and it will need great skill and firmness on General Ridgway's part to ensure that the cease-fire terms take a palatable form. Perhaps his strongest card is the evidence that the Russians are in a hurry to use the prospect of peace in Korea as a counter with which to press their objections to the peace treaty with Japan, which is being published this week.

* * *

Persia and the Court

Dr Mossadegh has now extended to the United Nations his campaign against foreign interference. Upon learning from the International Court of Justice the "interim measures" whereby it proposes that the British and Persians should, in effect, freeze their quarrel while the matter is *sub judice*, he has announced that in Persia's view the Court has no jurisdiction in the matter. Dr Mossadegh likes flying in the face of facts and here he is defying an impressive collection. The Court is an organ of the United Nations and its Statute is part of the Charter; by its Statute it is itself the final arbiter in a case of disputed jurisdiction. By its acceptance of responsibility for issuing interim suggestions, it must think that, *prima facie*, it is competent to handle the matter. Thus Persia, which has rendered good service to Uno—and, during the Azerbaijan dispute of 1946, received good service in return—now does the free world a disservice by rejecting the authority of a useful institution.

The Persian case that the Court has no jurisdiction is, presumably, based on the fact that when in 1930 it signed the famous "Optional Clause" that gave the old pre-war Court, and gives the new Court, compulsory jurisdiction, it restricted compulsory compliance to international "treaties and conventions." It holds that its concession agreement of 1933 with Anglo-Iranian is not international but domestic in scope, and that it has therefore every right to nationalise its oil. The British do not question the right to nationalise; they question only the right to do so in defiance of the undertaking to resort to arbitration given in 1933. They also contest the Persian argument that no international undertaking is infringed. The company, they say, is a British national, which is being denied a promised legal remedy. This denial of justice infringes specific international undertakings given by Persia in 1928 to afford foreigners the same treatment as nationals.

The Court has, of course, no power to enforce a decision. Clearly, however, it should not shirk cases in which its prestige may be impaired because its judgment may be flouted. To do this would be to jettison the sanction of world opinion, and to give in far too easily to the rule of the loud-speaker.

* * *

Double Bluff in Teheran

In the pass that matters have reached in Persia, the news that Dr Mossadegh is ready to "welcome" Mr Averell Harriman as President Truman's personal representative must be regarded as good. It offers just a chance that the present Persian government will discuss its pattern of nationalisation on the basis of President Truman's sensible letter to Dr Mossadegh. This dealt with the seriousness of the breakdown of discussions with the Anglo-Iranian Oil Company and the desirability of considering the *modus vivendi* recommended by the Hague Court. But that chance is slender. Dr Mossadegh's welcome to the visitor is uttered with a familiar reservation: "provided, of course, that our indisputable national rights are respected in accordance with the laws concerning nationalisation of the oil industry." If in this phrase Dr Mossadegh includes the methods by which Persia insists on executing those laws, Mr Harriman will find himself up against the difficulty that has already baffled all British negotiators, as well as the American Ambassador in Teheran, Dr Grady. The context in which the welcome is uttered is not hopeful: it follows a succession of snubs to the American Ambassador and it comes at a time when Dr Mossadegh's hold on political opinion in Teheran seems to be weakening. By accepting the American guest, he has played for time in Teheran. He has also played for it at Abadan, where his lieutenants are now in a position to go on interfering with the remaining British residents while they watch how these will react to the insults.

*

This situation at Abadan, intolerable for the local British residents as well as for the surviving remains of British prestige, demands the invention of a remedy. The key point to remedy is the Persian conviction that British threats to go are all bluff and that Persia will in the end retain the British personnel on its own terms. This conviction is enhanced by an increasing number of discrepancies between British statements—by company officials, by the Embassy in Teheran and by Mr Morrison himself—on whether the intention is to go if need be, or to stay, come what may. The only way in which to dispel the Persian illusion is to continue with a policy which has now—happily—been adopted: to withdraw the British well by well, so forcing the National Iranian Company either to take over or else to lose the local equipment at the hands of pilferers. The Persians have been showing great unwillingness to burn their fingers even at one well. By this policy, some equipment might have to be sacrificed but at least the Persian bluff will have been called long before the main asset, which is the refinery proper, need be abandoned. Mr Morrison's dilemma is very great. It is not improved by the humiliating fact that, as a result of British ineffectiveness, all must now be left to an American negotiator. But the essential now is to help Mr Harriman by proving, step by step, that the Persians really are incompetent to take over.

* *

Egypt and the SS. *Empire Roach*

The Egyptians, too, are now ready to fly in the face of international law. Egypt—as was described in *The Economist* of June 30th—has already been stigmatised by a United Nations authority for "aggressive and hostile action" over the Suez Canal. A report on the subject is tabled with the Security Council. Now a far less defensible action has been committed against a British vessel at sea, the *Empire Roach*. This ship, bound for Akaba (at the north eastern tip of the Red Sea) with arms for Jordan, had been cleared by the Egyptian customs at Suez. While in the international channel that runs through Egyptian territorial waters at the tip of the Sinai peninsula, and of which the Corfu Channel is an exact and unhappy parallel, she was stopped by an Egyptian corvette, searched in unwarrantable circumstances and damaged. There are two possible explanations of this high handed action. One is that the Egyptians on the spot made a mistake as to the ship's identity and thought she was a vessel bound for the Israel port of Elat, which is a few miles from Akaba. The other is that somebody in Cairo, prompted by Persian behaviour, wants to see how much Mr Morrison will take. Their Foreign Minister's first reaction to the incident was to brazen it out. His government is, in international law, entirely in the wrong since it had not given the warning which it is necessary to give to international shipping before declaring a prohibited zone. His case in the Security Council would be stronger if he were to explain the motive right away and take the British protest seriously.

* * *

Autumn Election?

The much-feared *Tribune* pamphlet, "One Way Only," was published on Tuesday. It is precisely what Mr Bevan declares it, in the foreword, not to be—an attempt to state an alternative policy for the Labour party. His acknowledgment that the function of Labour policy-making rests with the annual conference begs the question and deceives no one; the document is unmistakably aimed at directing that policy-making towards the ends that Mr Bevan wants.

At Westminster "One Way Only" has made little impact; the general reaction is that it carries matters no further. Since 1950 the Parliamentary Labour party has come to accept strict discipline as the price of power, and few outside the ranks of the known Bevanites are prepared to risk appearing as dissidents. It is significant that most of the 22 other

Labour Members who had some part in preparing the pamphlet have gone to great pains to keep their participation secret. Few of them in fact had a large part. "One Way Only" is little more than a *Tribune* pamphlet, written by Mr Bevan's regular associates in journalism; he failed to make the additional alliances he hoped for.

The Parliamentary Party is closer to the realities of the foreign situation than is the mass of Labour supporters in the country. There the effect of "One Way Only," as of Mr Bevan's resignation, will certainly be much greater. It is, indeed, a surprisingly ill-prepared pamphlet. It declares (in black type) that Asia will receive this year one cent of economic aid for every $300 the United States spends on armaments, although in fact the proportion works out—on the pamphlet's own figures—at one cent for every $2½. But for its main purpose "One Way Only" is skilful. It provides something for each of the various dissatisfied sections of Labour opinion to bite on; it gives a focus not for discussion (the object avowed by the ex-Ministers in their foreword) but for discontent.

In these circumstances Ministers have every reason for concern about the troubles that wait for them at the party conference at Scarborough in October, particularly now that Mr Bevin will not be there to scatter his critics. Mr Morrison, caught up more and more in the work of the Foreign Office, cannot hope to lead any effective counter-attack on the Bevanites before the conference. Only Mr Attlee and, perhaps, Mr Shinwell have the standing in the party to do this. A series of speeches by the Prime Minister in September might draw some of the wind from Mr Bevan's sails before he reaches Scarborough, but on the whole it seems much more likely that Mr Attlee will have to play the trump card that still rests in his hand. By announcing a date in October or November for the general election he can turn the conference into a rally against the common foe instead of a bitter internal struggle. Mr Attlee is unlikely, indeed, to make such a decision purely on tactical calculations, but he can easily find arguments in the national interest why Labour should not try to govern on a tiny majority through another winter even though it clung to office this spring, when the tide of public opinion was running more clearly against it. Such arguments will be particularly powerful if in September the Government loses the by-election at Droylesden, where the former Labour member had a majority of only 4,136 in a three-cornered fight. The assumption at Westminster is increasingly that there will be an autumn election.

* * *

New Rifles for Old

Mr Churchill's request for a debate on the Government's decision to adopt for the British Army a new automatic rifle with the wholly unstandard calibre of .280 inch has been deferred pending consultation "at Ministerial level" with the other members of Nato. It is indeed extraordinary that these consultations were not thought necessary before the decision was reached; until now, it appears, the matter has been dealt with by a joint military working party. This makes one very suspicious that all the old tragic mistakes that make up the history of small arms in the past thirty-five years are about to be committed once again. Mr Shinwell's attitude, when the matter has been raised hitherto, has been that it was one for the experts, whose judgment would hardly be understood, and still less disputed, by the layman. But if one thing emerges clearly from past history, it is that the military expert is incompetent to reach a wise decision on a subject which, when it comes to the point, is one for the industrialist and the production planner.

Between 1915 and 1917 large factories were built in America, on British money, to make Enfield .303 inch rifles. Almost as soon as they were producing, the United States entered the war; the Army Department stopped production of British-type weapons and insisted on a conversion to its own calibre of .300 inch. As a result of this folly, these factories were virtually useless in the first war. But the .300 inch rifles they eventually made were still in existence, unused, when the second war broke out. In fact, in 1940, when rifle production in Britain had to be started up again almost from scratch, these rifles were the only supply immediately available. This time it was the British War Office that missed the opportunity for standardisation by insisting on .303 inch.

It would be difficult to find an area in which the case for standardisation of calibres is stronger than it is in small arms, because of the enormous quantities of ammunition that have to be produced, in many countries, and supplied to armies that may be fighting all over the world and made up of contingents from many nations. The ideal, of course, is that the weapons themselves should be standardised, and that all the Nato armies should be equipped with an automatic rifle of one design. The difficulty here is that the British experts are apparently quite convinced that their new rifle is much better than the American Garand, as it may well be, since it is a much later design; and American military men, more even than those of other nations, are utterly impervious to any suggestion that any other country's design can possibly have any merits; to them, "standardisation" simply means the adoption by other countries of American designs. In these circumstances, it may be right to manufacture a different weapon. Even then, however, one would like to know how many could be produced, in an emergency, from British resources alone; it may easily be a choice between a lot of Garands and very few of the native design. But, in any case, must the calibre be different? Is it not possible to modify the new British weapon to take .300 inch ammunition?

The essential point for the layman to insist upon is that this is a layman's question. In small arms, when supply considerations come up against design considerations, the supply considerations should in nearly every case be dominant. But they are the ones that the military experts always forget. When the matter is argued out "on a Ministerial level," who will advise the Minister? Ten to one it will be a military expert, and history will repeat itself.

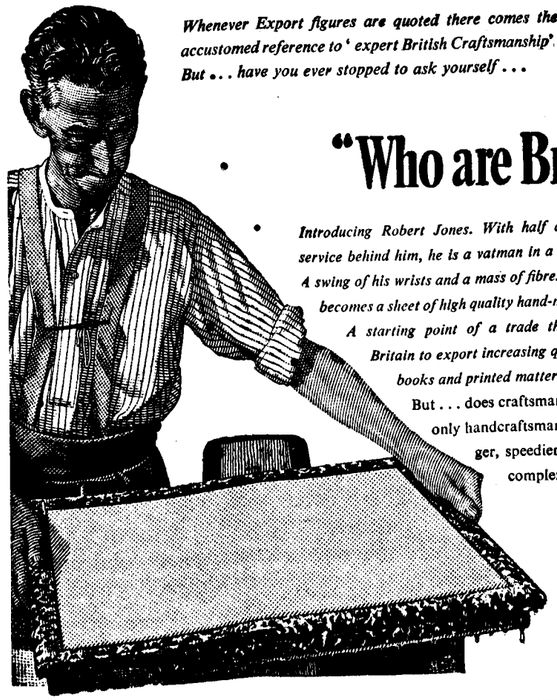
* * *

Atomic Crisis

There can no longer be any doubt that state enterprise is floundering in the development of atomic energy as it has done in so many activities. The principal scientific adviser in the Ministry of Supply's atomic energy section has resigned and is going back to private industry; Lord Portal, who has been Controller of Atomic Energy since 1946, is leaving next month. Whether or not these resignations are a direct symptom of the project's troubles, they have brought serious issues to a head.

Last week's debate in the House of Lords established such facts as are exempt from the requirements of secrecy. Lord Cherwell and others made an overwhelming case for taking atomic energy out of the province of the Ministry of Supply and setting up some semi-independent public organisation instead. The case is that neither civil service salaries nor civil service methods are attractive to many of the first-rate scientists that the work requires. Nor do they encourage the type of business administration that so large an industrial undertaking requires. The difficulties, and in particular the sense of frustration within the organisation, are acute at the lower administrative level of control; the staffing problems seem to have reached a point where the day-to-day work of some departments is definitely hampered by shortage of labour.

Many of the difficulties are probably not inherent in the civil service organisation and could have been avoided if they had been noticed in time. That they were in fact allowed to accumulate to the present point is clear evidence



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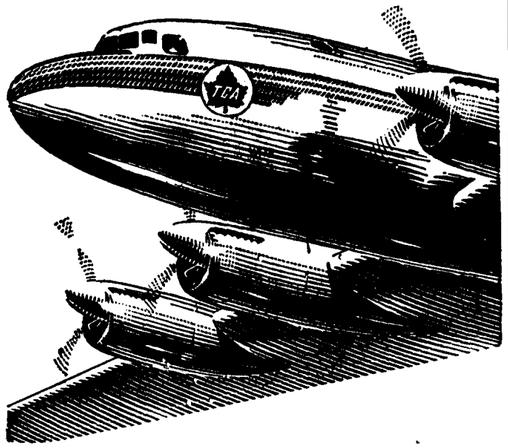

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COST OF LIVING

THERE is no subject more worrying to the Government and everyone else than the cost of living. We are all in the same boat. Crazy world prices and conditions are the source of our hardships and are no more within the control of Britain than storms at sea. Safe navigation, not miracles, is what we have a right to ask of the Government; that, and vigilance to see that we suffer no more than we must.

What is essential for the Government to realise is that the subject cannot be one for sealed lips. It presses too hard upon everyone for that to be possible. The Parliamentary Labour Party and the T.U.C. are doing good work in bringing it into the limelight. They reflect the feelings of the whole country. *However preoccupied Cabinet Ministers are bound to be with the delicate questions of Persia and Korea, the Government should understand that it is time for the fullest and frankest public discussion of the cost of living and what can be done about it.*

Misunderstanding is dangerous. There is expectation that some of the prices we have to pay for supplies from abroad will ease before long; on the other hand, the public has not yet felt the full weight of recent rises and things at home may be worse for a while. *We doubt if most people have any conception of how urgent it is for every single household that we should increase our exports.* The public should have the whole truth made plain to them, even if it is hard.

Once more the need is for leadership and energetic action. *Whatever can be done at home to control the rise in prices must be done without delay.* Attention at the highest level must focus upon this and make its intentions clear.

Reprinted from the editorial column of the Daily Mirror of July 6. The Daily Mirror's net sale—over four and a half million—exceeds that of any other daily newspaper in the world.

of the practical weakness of the organisation and of the need for precisely that sharp jolt which the government's spokesman, Lord Alexander, rejected with nothing better than the adage about horses in mid-stream. No one can imagine, bearing the experience of the nationalised industries in mind, that the public corporation will automatically solve any problems, but it does seem a more hopeful alternative than continued civil service control. The one serious argument for leaving things as they are is that it is the only way to keep the spending of public money under Treasury control. Atomic energy is not a commercial undertaking like the National Coal Board or even to the limited extent of the BBC. There are no precedents, apart from comparatively trifling cases like the University Grants Committee, for removing from Treasury influence the expenditure of large sums out of general revenue. But almost the one complaint that is never heard about the atomic energy programme is that it has been hampered by lack of money at the centre. In other words, Treasury control is not in fact effective; it hardly could be so in a matter at once deeply technical and highly secret. It is no more than a constitutional shadow, to which real administrative improvements ought not to be sacrificed. The Government would be foolish to go on leaving things to the Ministry of Supply.

* * *

False Dawn in Germany

The British Government's act in ending the state of war with Germany on July 9th has same practical significance in international law, and considerable symbolic importance for Germans; but in general it does not do more than legalise a situation which has existed for a considerable time past in day-to-day relations with the Federal Republic. The Republic already has the right to appoint diplomatic missions in the countries on the right side of the iron curtain, and its nationals who visit Britain are subject to no more formalities than others. These are recent developments; but it may be as well to recall that for the past six years, western German reconstruction has been aided by the United States, to the extent of $3,250 million. It cannot be denied, therefore, that Germans have enjoyed a substantial amount of the substance of peace-time status.

Nevertheless, the restoration of sovereignty for the Federal Republic is still a long way off. The ending of the state of war is no substitute for a peace treaty and changes none of the conditions of occupation. This is a matter for the so-called "contractual agreements" which are to replace the Occupation Statute. A long examination by experts of the rights which the Allies feel it essential to retain has shown that the agreements will prove extremely complicated. Talks with the representatives of Bonn began in May, and it is highly improbable that they will end until well into 1952.

Looking forward, it is evident that a very difficult period in relations with western Germany is at hand. The views of the Allies on the extra-territorial rights and supreme powers which they intend to retain will certainly clash with the demands made by Dr Adenauer for a simple act restoring full sovereignty to the Federal Republic. Among the public, there will undoubtedly be resentment when it is fully realised that the end of the state of war does not change the status of the occupation powers. One of the main factors with which the Allies must reckon is the rapidly growing impatience of the Germans with continued tutelage. They are fully conscious of the fact that they are needed as allies in defence against a new enemy, and are sure, *horribile dictu*, that the western world owes them a debt of gratitude for having attacked the Soviet Union in 1941. A grudge which will be left unchanged by ending the state of war is that of Germans against the west for having, as they see it, stabbed them in the back during the war and handed so much of their territory to Russia and Poland afterwards. As the years pass it becomes ever harder—particularly for the young men who were children in uniform in September, 1939—to realise that the last war was as unorthodox as its ending, in that one man bore the overwhelming responsibility for its beginning and aftermath.

* * *

For A European Army

The question of German rearmament might have been quietly shelved if Moscow had shown willingness at the recent conference in Paris to discuss the "root causes of international tension," rather than those symptoms of it which are disagreeable to the Soviet Union. As it is, the question has now been taken up again. Some of the recent newspaper reports have, however, given an exaggerated idea of developments. The initiative in raising the question again has, indeed, come from Washington, where Mr McCloy has just presented his annual report on the German situation to Congress, but nothing dramatic has occurred. There has been no repetition of the mistake made last September, when the American decision to form German armed contingents was made known to an unprepared public.

Some over-dramatisation of the latest position was inevitable, because the course of events since the Brussels conference of Nato governments last December has been obscured by official secrecy lightened by the usual leakages. The conference instructed the High Commissioners in Germany to explore the practical conditions of a German contribution to defence with military experts appointed by the Bonn Government. It also agreed that the French should talk with other members of Nato and the Germans on forming a European army, with the Pleven Plan as a basis. And the Americans seem to have satisfied their present partners that they would have priority in arms.

The Petersberg talks between western military representatives and Generals Speidel and Heusinger have been going on steadily since Brussels. Mr McCloy was able to take with him to Washington an interim account of their course. It was not by any means an agreed report on joint decisions, but consisted largely of the German proposals, with Allied comment. It has become known that the German generals suggested that an efficient force would consist in the first place of 12 divisions, each of about 10,000 or 12,000 men, supplied with their own, very large tactical air force and light naval units. Provisional opinion on the Allied side, including that of the French, appears to concur with the view that the minimum size of a so-called "regimental combat unit" (or German division) must be more than 6,000 men. The report, however, has not yet been discussed by the North Atlantic Council.

The second set of negotiations—those in Paris on the Pleven Plan—began in a somewhat belated and half-hearted manner during the winter. They came to a temporary end quickly, after the Germans had objected to the French proposal that units should be kept down to 6,000 men, and that the proposed organisation of the army would not grant full equality to the Federal Republic. These talks are now being resumed, with Herr Theodor Blank, the head of Dr Adenauer's defence office, as German representative. It is hoped to produce a report which the Nato deputies can consider with the account of the Petersberg conversations. Dr Adenauer, careful of the need to win over the German public and the Bundestag, stressed some time ago that Generals Speidel and Heusinger could commit the German Government to nothing. Like the Social-Democrats, the Chancellor insists that Germany shall be accorded full equality and sovereignty before any binding decision is taken.

Both in Bonn and Paris men should recall what General Eisenhower said in London last week about "patchwork territorial forces" that "foster localised instead of common interest."

* * * *

The Oatis Trial

There were no surprises during the trial of Mr William Oatis, the Associated Press correspondent in Czechoslovakia, in Prague. The form and content of these Communist-staged show trials are by now only too well known. Mr Oatis was technically guilty, according to Communist law, of some of the charges against him. He was accused of espionage under a defence law of November 6, 1948, which enables the authorities to find legal grounds for prosecuting a journalist more or less whenever they choose. Mr Oatis tried to get information that the government had not thought fit to publish; but the government publishes so little that Mr Oatis could hardly have earned his salary if he had confined himself to official hand-outs. He would call his efforts to find out, for instance, what happened to Dr Clementis, the normal duty of a journalist; the Communists call it espionage. And it is a tragic irony that his very conscientiousness—which made him try to cross-check his information—made his persecutors' task all the easier.

Mr Oatis's trial made a dramatic climax to the intensive campaign of the Czech authorities to eradicate every sort of western influence and idea. The very heavy sentences imposed on his Czech colleagues serves fresh warning on all Czechs to have nothing to do with foreigners. The implication of western diplomats, particularly Americans, in Mr Oatis's alleged espionage, provides plenty of fresh material for anti-western propaganda. Above all, the trial not only plugged a hole through which a steady stream of factual reporting on Czechoslovakia has been disseminated all over the world; it has also inflicted a defeat on an organisation which, besides being the world's biggest news agency, is a major business concern of the capitalist Americans. For the Czech Communists, this is a not insignificant victory in the cold war.

Before Mr Oatis's arrest, twelve western correspondents had been expelled from Czechoslovakia. His two remaining western colleagues left the country before his trial and they are hardly likely to return. Czechoslovakia will thus fall into line with the other satellites which have already expelled all western correspondents. The quarantine of the mind is as complete as Communist ingenuity can make it.

* * *

No Change in Broadcasting

The report of the Beveridge Committee on Broadcasting, in spite of its long list of specific recommendations, was a very conservative document. Encouraged by this, a harassed government, with an election in prospect and many other problems on its hands, has heaved a sigh of relief and decided, subject to parliamentary debate, that broadcasting in this country can go on as it is for the time being. The Committee's proposal for a permanent licence is, indeed, rejected in favour of a fifteen-year term; but on the other hand the date of the next inquiry is put off from five years hence, as the Committee proposed, to "about the middle" of the 15-year period. The BBC's monopoly, the prohibition on advertising and the method of finance by receiving licences —of which the BBC is, for the first three years, to receive only 85 per cent—are all confirmed. There is to be no statutory independence for television.

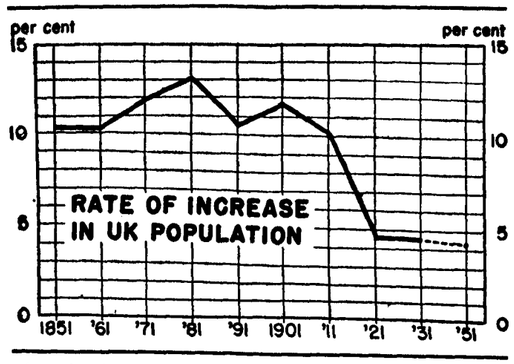
Regional devolution for Scotland, Wales and Northern Ireland is to be secured by a variant of the Committee's proposal. Three Broadcasting Councils are to be set up in these countries "whose primary function would be to control the policy and content of their Home programme." The power of finance is to be reserved to the BBC, though the Councils are to be "responsible for the appointment of staff wholly employed in connection with their Home Service." This is a very odd scheme in any event, but it may be made quite farcical by the provision that the members of the Councils are to be drawn "from the county councils and the major urban local authorities."

* * * *

Fifty Million

Although it gives very little detailed information, the speed with which the preliminary report on the census has been published (HMSO, 5s.) is commendable. For estimates of the total population by age-groups and occupations and for information on the size of houses and how many have a piped water supply, nothing will be available until the sample analysis is published next spring. The main census reports, beginning with a series dealing with each county in turn, will not be out for two or three years.

The present preliminary report gives the numbers of the population by sexes for the country as a whole and for England and Wales by administrative counties, county boroughs and county districts. It confirms the estimate made on the basis of registrations of births and deaths that the population of the United Kingdom of Great Britain and Northern Ireland is now over fifty million. The exact figure



given in the report is 50,210,472, comprising 24,126,549 males and 26,083,923 females. The proportion of females to males declined from 1921 to 1939, and the effect of the second world war was merely to arrest this change, not to reverse it. In 1841 the total population was 20,183,277. Thus there has been an increase of 150 per cent in a hundred and ten years. But, as the accompanying chart shows, the decennial rates of increase have been falling during this century, and the importance of the 1951 census is that it shows the smallest decennial rate of increase on record.

The other interesting fact shown by this report is that, for the first time for more than a century, the rural part of England and Wales has gained population at the expense of the urban. The review of the smaller local government boundaries after the Local Government Act of 1929 resulted in the transfer of nearly a million persons from the rural to the urban category. Thus in 1939 the proportion of the population in urban areas is estimated to have been 82.4 per cent compared with 80 per cent in 1931. In 1951, the proportion had fallen to 80.7 per cent, and the proportion in rural areas had risen correspondingly to 19.3 per cent, compared with 17.6 per cent (estimated) in 1939 and 20 per cent in 1931. The report comments that it is too soon to say whether this represents the beginning of a movement back on to the land or is a temporary phenomenon resulting from the war.

More and Dearer Meat

Mr Webb has been true to his word. The meat ration is to go up both in quantity and in price. In a week's time the public is to get 20 per cent more meat but the ration is to rise by 40 per cent, that is from 10d. to 1s. 2d.; the increase in price is equivalent to an average of 3d. a lb. In the following month the ration will be increased by two further stages to 1s. 7d. a week. At that point it will be equivalent to nearly 1 lb. of meat per adult, compared with the present scale of about 10 oz.

Two things make this larger distribution of meat possible. Home killings begin to increase in August and, secondly, the recent agreement with Argentina has allowed the Ministry of Food to draw heavily on its meat stocks. In May total imports of carcase meat amounted to only 1,500 tons; consumption during the month was 85,000 tons. The Ministry is wasting no time in giving the public the benefit of the increased killings and imports. It seems to have been considerably agitated about whether or not to make the increases in quantity and price simultaneous. Since the causes are the same the arguments for separating the events were political. The Labour Party has been setting some store by the political value of the increased ration, and the higher price no doubt rather spoils the effect. It may equally well be said, however, that the simultaneous increase in quantity enables the price increase to pass off with relatively little damage to the Government's popularity. The Minister of Food has lost nothing by sticking to the economics of the case.

* * *

Disaster Averted in Bihar

It is now almost certain that the disaster of a major famine in Bihar has been avoided. This is the result of American aid, diversions of British shipping, and energetic action on the part both of the central government at Delhi and of the provincial administration in Bihar. Our correspondent in India writes that, during the last six weeks, the situation has greatly improved following the arrival in Bihar of 335,000 tons of food since the beginning of April, compared with only 125,000 tons during the first three months of the year. Almost every means of transport has been used to move the grain, and there is now a month's stock in many deficit areas. Lorries, river steamers, and railways have all played their part, as well as 100,000 bullock carts in those places which no other form of transport can reach.

There can, however, be no end to anxiety until the monsoon is over, and the new crops have been harvested and communications restored. There has been and still is very great hardship. Apart from the battle against sheer starvation, it has been necessary to deal resolutely with prices. The number of government-sponsored "fair price" shops, at which the poor can buy food at one third of the free market price, has been increased from 2,500 in April to 7,500 today; they sell 100,000 tons of food a month to 15 million people. The provincial government is also having to provide work on the railways and in jute-twine making for large numbers of landless people who have exhausted their resources.

In an article on page 97 another aspect of India's population problem is reviewed. From the long-term point of view, the dangers of famine are bound to recur until a more fruitful land is required to support fewer people. The Government of India is to be congratulated for making a start with plans to use for production the counterpart funds being derived from the sale of two million tons of American grain, and for its Five Year Plan announced this week. But the test of these and indeed of all the measures included in the Colombo Plan is in the speed and efficiency with which they are carried out. In India, as elsewhere in Asia, the proof of the pudding is in the eating—not in the elegant phrasing of the recipe.

Banning Australia's Communists

By pressing ahead this week with the Communist Party Dissolution Bill, the Australian Government is tackling something which is of sharp interest to the whole democratic world. Mr Menzies, the Prime Minister, had made it plain that if he was returned to power—as he was in the recent elections—he would proceed with measures to ban the communists. When the Bill was challenged in the High Court before the elections it was declared unconstitutional in time of peace. Now the new move to pass it, along with the Defence Preparations Bill which includes wide powers of economic control is again evoking bitter criticism from the Labour opposition. Mr Menzies is determined and willing to carry both issues to a referendum.

A decision to ban the Communist party in a democratic state involves questions far above mere expediency. As has been stressed in Australia, it is hard to see that there is any moral obligation to give the protection of the constitution to a group of people whose aim is not only to destroy it but who owe allegiance to an outside power that would help them to do so if it could. And on grounds of expediency it is certainly arguable that, if to be a communist is to break the law, it is easier to deal with communists once a law has been passed banning them.

Against this there are two sound reasons for not taking such a step. First, however good the original reasons may have been for denying liberty of expression to a particular group, there is always a danger that the power to deny will be abused, either against individuals or against other groups. There is plenty of experience to show this. Secondly, it is very questionable on grounds of pure expediency whether it is wiser to drive communists underground or to go on watching what they are doing on the surface. Whatever happens, it is certain that communism cannot be stamped out by oppression alone. Mr Menzies, therefore, has a difficult fight on his hands. He has much sympathy in other parts of the Commonwealth where labour conditions and feelings are different; but he will be watched with caution and reserve until it can be seen how far he is justified by events.

* * *

Slow Poison

The use of poisonous chemicals in the growing and processing of food was debated in the House of Lords last week and in the Commons the week before. Lord Douglas's speech sounded like one of those recitations of fearful portents with which Shakespeare built up dramatic tension. DDT had been found in mother's milk; human teeth placed in a glass of cola rapidly dissolved; a cow treated with penicillin yielded milk which would not turn to cheese, and though it was mixed with the milk of 200 other cows still no crumb of cheese resulted. In the House of Commons Dr Stross was rather less horrific. He questioned whether the Government had adequate powers to deal with the use of chemical "additives" in food. At present the Minister of Food has power to prohibit the use of any substance in food manufacture, but he rarely exercises the power. Otherwise, the manufacturer can add what he likes until it is proved harmful—although he would never reject the advice of food inspectors. Dr Stross thought that the burden of proof should be on the manufacturer to show that any chemical which he proposed to add was harmless.

Unfortunately conclusive tests often require prolonged research. Meanwhile the use of chemical fertilisers and insecticides is essential to the expansion of world food supplies; and neither in production nor in processing is there any evidence that they are having a bad effect on general health or that they are a cause of poisoning. Of 2,431 outbreaks in 1949 (the latest year for which complete figures are published) only three were caused by chemical agents, and then there had been mistakes such as storing fruit salad in a zinc bath.

Against this lack of evidence about chemicals, there is ample evidence of the growing danger from infected food. The 1949 figure of 2,428 compares with only 119 outbreaks, including sporadic cases, in 1941. New regulations about notification account for part of the difference, and the rest seems to be the consequence of more communal feeding and a greater reliance on processed meats, which account for over 60 per cent of the cases. The direct cause is usually infected hands and the remedy is education. Several local authorities, led by Guildford, have shown what can be done by a campaign, a code of hygiene and a certificate for the food shops that observe it. This is the important line of attack; additives are a red herring.

* * *

Advertising Advertising

Advertisers are so used to being called economic parasites that they suffer from a strong guilt complex. At the International Advertising Conference this week they have been trying to exorcise it by finding a social purpose in their activities. The speeches were pleasantly characteristic. Lord Beveridge spoke of his reports and arrived at the conclusion that the service of advertising in a free world was to help consumers spend with knowledge—but there were so many restrictions on their choice that he doubted if it could be called a free world. Lady Tweedsmuir thought that besides being a sort of buyer's guide, advertising might do something to improve public taste. Mr Samuel C. Gale recommended the practice, used by advertisers in the United States, of donating space and advertising services to the social purposes appropriate to a Free Dynamic Society. Mr Van den Bergh, of Unilever, Rotterdam, thought that advertising could help to produce larger economic groups on the Benelux model. Mr Francis Elvinger thought that it should explain the free enterprise system. For the economist, at least, the most sophisticated contribution was that of Mr Paul Cadbury. He argued that advertising reconciles mass production and the consumer's freedom. It enables the public to choose what it likes while canalising demand into a limited range of standardised products, so that the advantages of mass production can be enjoyed.

It is characteristic of our time that while nearly everyone is acting from the profit motive, no one can mention the fact. The purpose of advertising—dare it be said?—is to benefit the advertiser. Incidentally it gives an information service to the consumer—a service which he pays for and which is not always reliable. But it is usually amusing when not carried to excess. In this country, as one would expect, it rarely is carried to excess.

* * *

Prepare to Repel Boarders

The executive of the British Federation of Hotel and Boarding House Associations has decided to outlaw Blackpool for price-cutting—a pleasant prelude to the high holiday season. Blackpool thinks a daily minimum charge of 13s. 6d. high enough; the national body insists that "reasonable meals and service" cannot possibly be provided for less than 15s. All, however, share the desire to crush those "seaside spare-room pirates" who turn a possibly tax-evading penny by offering holiday quarters on wholly unregulated terms. Here is a nice *reductio ad absurdum* of price-fixing practice. There is some colour of reason in the minimum price agreement where the combination of depressed trade, high and irreducible overheads, and standardisation of product makes it possible both to assert that "ruinous" competition is against the long-run public interest, and to distinguish it from the normal aggressiveness of the low-cost producers. Nothing could be more remote from the conditions obtaining in the holiday catering trade. What are "reasonable" meals and service? And what should be done with those anti-social holiday makers who would rather pay less for less than more for more? It is possible, as any summer visitor to the high Alps can testify, to have an excellent holiday sleeping on hay and eating black bread and cheese; or under canvas; or in the Spartan surroundings of a youth hostel. It is even possible, however unreasonably, to enjoy the sea air while making one's own bed and dusting one's own room. As for what it is "possible" for the seaside landlady to do, she who attempts the genuinely impossible will soon give it up, while the superwoman who succeeds makes nonsense of the definition.

The association might indeed usefully devise a form of tariff which should ensure that the holiday seeker for room and board knows what he is getting. The family who, attracted by a cheap daily rate, arrive expecting amenities which that rate genuinely cannot cover, are apt to be disgruntled. One party of visitors may be perfectly willing to pitch in and help with the housework, but exacting where food is concerned—not for them the pie "produced" (as in Professor Leacock's "Boarding House Geometry") "any number of times," another may tolerate sketchy catering but insist on undiluted leisure. Where landlady and guests understand one another beforehand, such variations in the holiday spirit are unimportant; while cross-purposes are apt to mean acrimony and a spoiled holiday. There appears, however, little indication that the association is interested in the holiday spirit. One can only wish Blackpool a thoroughly successful season.

Practical Energy

Remove the Crystal Palace? Destroy St. Paul's;—level Westminster Abbey. Public opinion would scarcely be less outraged by the one than the other. The latter are the greatest monuments of the genius of the past, exerted, no doubt, on objects of a more solemn and enduring kind. But, as a specimen of constructive genius, as an evidence of the practical energy of the age, the adaptation of a means to an end, the Crystal Palace stands alone, in this or any other country of the world. To say the least of it, it is one of the greatest and happiest efforts of invention in the most ingenious age the world has seen. Of all the monuments raised to the memory of the greatest statesman of our day, none is so appropriate as the Crystal Palace. But for the policy of Sir Robert Peel, it could not have existed. . . . Nor can any one look upon that monument of fiscal reform without being struck with the folly of impeding the progress of art and industry by such restrictions, as, if continued to this day, would have rendered the conception, had it even entered the mind of Mr Paxton, a barren impossibility. The Crystal Palace is a justification of the policy of the past, and a beacon to that of the future. . . . There are no reasons for its removal. There are thousands why it should be kept. If even the conception of such a building had been well brought before the public, for the many purposes to which it is proposed in the future to apply the Crystal Palace, we have little doubt that public spirit and a conviction of its utility would have secured its successful reception, and that with little difficulty funds would have been found to erect it; but now that it is erected—now that the proposal of a Crystal Palace is no longer a vague theory and speculation, the idea of destroying it after it has performed one single purpose, is revolting at once to the good taste and the good sense of the times in which we live. It requires only to look upon it to feel that such a fate is impossible.

The Economist
July 12, 1851

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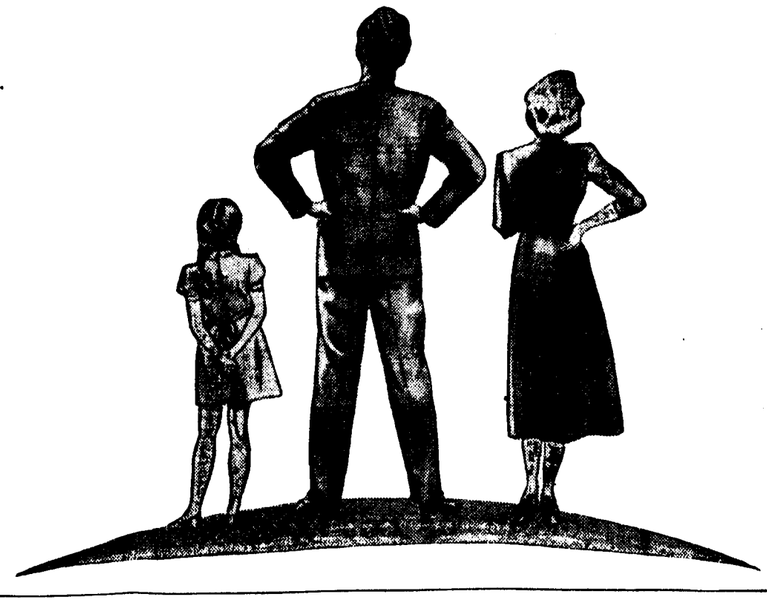

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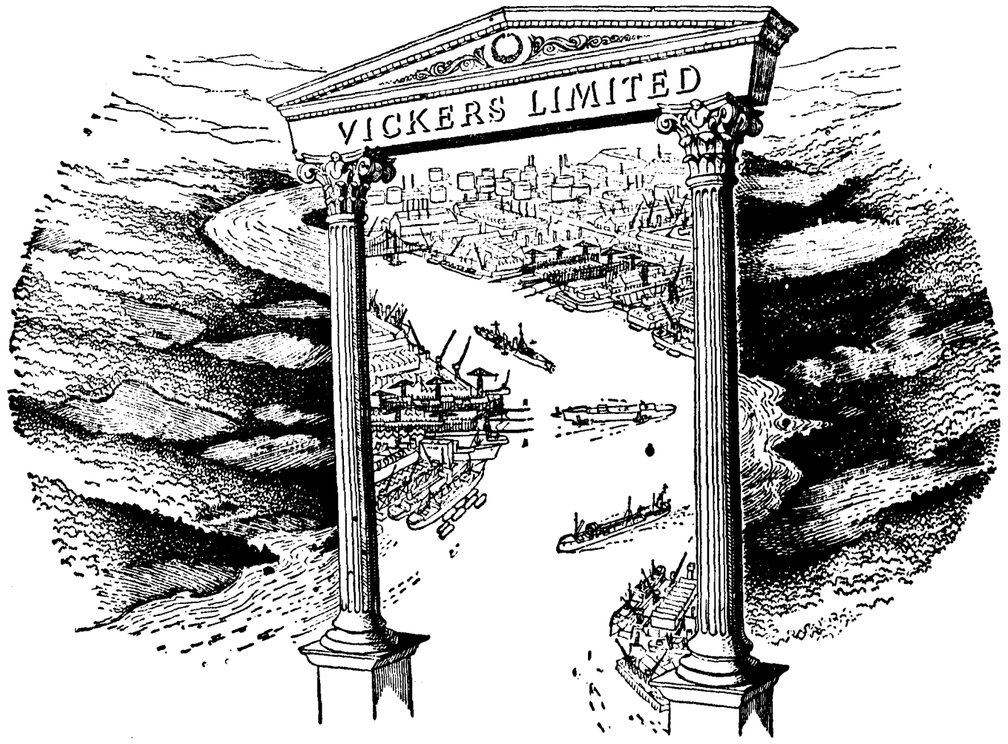

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Industrial development programmes need more than capital and man-power. They require knowledge: the technique of production applied to a wide range of industries. As a result of its long history of industrial achievement, Britain is able to supply this knowledge—and has the manufacturing resources to back it up. The Vickers Group, for instance, can provide capital equipment for land, sea and air transport, factory construction, and primary and secondary industries of many kinds—as well as skilled advisers and technicians to help put the precepts of efficiency into practice. Some idea of what this means in terms of productive capacity is given by an Exhibition now being held at Vickers House, Broadway, S.W.1.

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Letters to the Editor

Korean Anniversary

Sir,—Now that Mr Malik's "crumb" has turned out to be a slice of bread, if not the whole loaf, your anniversary Note of June 3rd, which sought to give "an honest answer" on Korea, is especially apposite.

It seems to me that one very important lesson to be drawn from Korea is the following. Given initial Communist aggression in Korea, and the development of a situation without precedents, it yet remains true that there has throughout been much confusion whether events there formed part of the policy of containing Soviet aggression, or whether they were to be regarded as the first example of the use of the United Nations as an instrument for enforcing international order, or as a combination of both.

The two approaches are, however, basically different. "Containment" aims at a settlement with Russia without war. It requires us to make it clear in advance where we will resist aggression, and to avoid military engagements elsewhere. A United Nations policy, on the other hand, calls for intervention whenever and wherever aggression is threatened. I think there are grave dangers for the future if we confuse the limited objectives of containment with a *carte blanche* United Nations policy, for which the United Nations does not yet possess the necessary overwhelming force.

To put it concisely, partly through circumstances *not* within our control, and partly through confused thinking, the United Nations has gone off at half-cock in Korea.—Yours *faithfully*,

L. A. JACKSON

Weybridge, Surrey

The Poor Countries

Sir,—I found your article in your issue of June 2nd so interesting that I had it translated and published. You make a very important point on Point Four that up till now has been totally overlooked: that with the present level of political education in these countries economic progress is very difficult, if not impossible, no matter what help comes from the outside.

Public opinion simply does not understand the relation between capital investment and high productivity, and between this and a high standard of living. The Marxist idea that the entrepreneur exploits the worker is to be found everywhere, in the masses as well as in the higher intellectual levels, in government, and in left and right political circles. Economic principles that seem to be horse sense to the Anglo-Saxon mind are to the Latin (and I suppose to the Asiatic) meaningless. Under these conditions all economic development under private incentive is absolutely impossible, and what little there is is fortuitous or entirely due to the army, or some sort of dictatorship. There can never be the social enthusiasm necessary to economic progress.

Moreover, nothing is being done to correct these conditions. Colombia, for example, has several universities with law and technical faculties, but there is not one worth mentioning for economics and social sciences. Our good neighbours worry about the millions that they probably will have to give us some day, but they do not realise that just one million spent now on this type of education would probably save the others.

Bogotá HERNAN ECHAVARRIA

Next Stage in Soviet Planning

Sir,—In his article published in *The Economist* of June 23rd, your correspondent discusses the enigmatic changes in the staff of the central planning institution—the Gosplan—which have taken place in the Soviet Union since the end of the war and mentions in particular the dismissal of N. A. Voznessensky in March, 1949. Then he goes on to say: "The Gosplan itself, however, was not attacked."

I venture to submit that this statement is inaccurate. The Supreme Soviet of the USSR at its annual session held in June, 1950, approved an "ukaz" or legislative act decreed by its Praesidium in January, 1948, by which the Gosplan had been wound up as a Government Department with the rights and duties of a People's Comissariat, and replaced by three separate Committees attached to the Council of Ministers. One of them was called the Planning Committee, the two others were put in charge respectively of introducing new techniques in Soviet industry and the supply of manpower and raw materials. As a matter of routine the Ukaz was unanimously endorsed by the Supreme Soviet. Not a single tear was shed for the disappearance of the most revolutionary and original institution of the Soviet regime.

As for the prospects of a new Five-Year Plan discussed in the article, I do not think there will be any such plan announced publicly. For that, there must be given some essential targets in round figures, a thing the Soviet rulers have been carefully avoiding since 1946, when they published the aims of the postwar Five-Year Plan. After twenty years' close study of Soviet economics I have come to the conclusion that from now on Soviet industry and agriculture will be run by the Politburo and the Council of Ministers as an army on the field: working out new schemes of gigantic constructions, setting forth new targets, switching on and off manpower and raw materials from one industry to another according to the changing conditions of the world political scene and the necessities of Soviet power politics.—Yours *faithfully*,

T. ZAVALANI

London, W.11

A Decimal Coinage

Sir,—Your correspondent Decimalist might save himself the inelegance of dividing his revalued penny into five slightly devalued quarters by calling the thousandth part of the pound sterling not a farthing but a franc: the French franc at 980 to the £ (controlled rate) is a little nearer to the exact thousandth than the farthing, which stands at present at 960. Such a suggestion, if made with adequate tact in the proper quarters, might have the effect not only of advancing the cause of decimalisation but also of cementing European unity.—Yours faithfully,

J. A. CLARENCE SMITH

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Books and Publications

Fruits of the Mechanical Brain

The Human Use of Human Beings : Cybernetics and Society. By Norbert Wiener. *Eyre and Spottiswoode. 241 pages. 18s.*

Could a machine—for instance, the new Manchester computor or any foreseeable future refinements of it—ever be said to think? Could it be, as the newspapers already call it, a brain? This question, now far from academic, has been discussed in *Mind*, at special conferences here and abroad, and on the BBC's Third Programme. It opens out into the further question, "How far is it possible to go in constructing mechanical analogues of human behaviour without stripping man of everything that has been thought to be peculiarly his?" Such machines are being constructed, still very primitive affairs, but further progress may be only a matter of technique. Every step in this joint advance of theory and practice will have another important aspect; it is bound to increase understanding, scientifically speaking, of the way the human brain works.

Some scientists have been interested not so much in whether machines which simulate higher human behaviour may be said to reproduce mental processes as in the practical uses to which such machines may be put. Chief among these is Dr Norbert Wiener, the distinguished American mathematician, a pioneer of the subject, to which he has given the name "Cybernetics," or the theory of controls. Dr Wiener has constituted himself the prophet of a robot age for which he finds humanity morally and socially ill-prepared. "The Human Use of Human Beings" is the first of his writings on the subject to be published in England, but he is widely known in the United States. His primary thesis is that the large-scale replacement of human beings in industry by machines of the new computor type is now only a matter of years. If the process goes on at a peacetime rate, he gives it twenty years; if war comes to speed it up, he gives it five years. The completely automatic operation of factories is even now a possibility. Further technical development will make it so economical compared with human labour that the latter, he thinks, will be displaced. Widespread unemployment and social unrest leading to a breakdown of the social order will follow unless industrial society finds a worthy employment for those of its members who are no longer needed for repetitive slave tasks. This Dr Wiener calls the second industrial revolution.

The picture may be technologically correct, but it strikes a sophisticated reader in the circumstances of today as crude, even naïve. So it is with much of this book. It is required reading for anyone who wants to know what is going on, yet a good deal of patient sifting is needed to separate the information—Dr Wiener should appreciate the force of this word—from the irrelevancies. In a book of which the first nine chapters are professedly devoted to "the study of man as a communicative organism," half a chapter is occupied by a discussion of the American patent law. A last very short chapter attempts nothing less than an account of the present state of religion and world politics. A similar lack of proportion is noticeable elsewhere in the book. The exposition of the basic ideas of the subject, in a popular idiom, is well done so far as it goes, but it has to be disentangled from a confusion of political, sociological and historical half truths, or no truths at all. These are views which the author is interested in propagating. They are the views of an old-style American liberal who possesses much native shrewdness but is unversed in modern historical method and in the recent developments of anthropology and psychology. He is also unpractised in political analysis and unaware of the philosophical revolution, which has come so aptly for dealing with the very problems that these new computors raise.

When all this has been said, the book is full of good things. Its very simplicity is ruggedly honest. Its rambling ease of manner both charms the reader and suggests to him fruitful lines of thought. As a populariser of difficult new scientific theories, Dr Wiener can hold his own with the best of his predecessors, but when he enters the arena of politics, philosophy, history, and theology, he must expect to be judged by the standards which centuries of disciplined thinking have established.

Reuter Record

Reuters Century, 1851-1951. By Graham Storey. Foreword by Lord Layton. *Max Parrish. 276 pages. 10s. 6d.*

It was a wonderful emigration that in 1848 brought out of Germany the Eisenhowers to the United States and Julius Reuter first to Paris, then to London. For in Reuter's case it resulted in a German Jew paving the way to three distinctive British achievements: world leadership—until quite recently—in the technique of collecting and transmitting news on a large scale; pioneer work in discovering how an agency can survive without government subsidy; and, finally, an imaginative piece of constitution-making which has made Reuters and its ownership by the British newspapers a model for many other free countries. If the western world's news services are now more confidently immune from government interference than they were before totalitarianism began to spread over Europe, much of the credit goes to Reuters. This, roughly speaking, is the story told in a very readable book, which will make historians' mouths water for a sight of the Reuter files.

The story would have been better told if the balance had been more sternly held between the remoter and the more recent past. The later portion becomes almost ecstatic when it is describing, among other things, the negotiations by which Australian, New Zealand and Indian newspapers became shareholders and full partners in Reuters. If the author had had first-hand contact with newspaper and agency conditions he would probably not have considered the achievement so remarkable. Likewise he would have given a little more attention to the very notable personalities who have served Reuters abroad and to the tricky finances of the work. But there is little other criticism that can be made. The story is told clearly, with a nice choice of detail and has the tang of scholarship, even if here and there one catches a faint trace of the perfume called Unesco.

It is, indeed, an enthralling merchant-adventurer's success story and if one wants to get quickly the essence of the founder's courage, imagination, pertinacity and business skill one need only read the chapter entitled "Reuter Khan," in which he secures from the Shah of Persia what Curzon described as

> the most complete and extraordinary surrender of the entire industrial resources of a kingdom into foreign hands that has probably ever been dreamed of, much less accomplished, in history.

Interesting, too, is the long story of rivalry with Wolff, Havas and Associated Press and the race to instal the cable, telephone and teleprinter. It is to be hoped that Reuters will not be content with this centenary volume but will do what *The Times* has done—produce in more than one volume a full and scholarly record of the rich historical material that must lie in the memories and records of its past.

Spontaneous Generation

The Physical Basis of Life. By J. D. Bernal. *Routledge and Kegan Paul. 80 pages. 6s.*

In this little book, which reproduces in printed form his Guthrie Lecture given before the Physical Society in 1947, Professor Bernal does not so much discuss the physical characteristics of living matter as take them for granted. He examines how they must have originated and evolved. He starts with the evident conviction that living processes grew out of the inanimate gases and liquids of the cooling planet. The end products are separated from them by a long period of chemical evolution, whose contingency on accidental and geophysical factors makes it likely that they are peculiar to our own particular conditions. By comparison, the preconditions are of a much more universal nature, and to this extent he regards the problem of the origin of life as more fundamental than that of its present nature.

Mr Bernal thinks it possible, in the light of modern knowledge, to sketch out a picture—speculative, perhaps, and with many gaps, but still logical and coherent—of the steps by which living processes may have originated and evolved. It relies on no wild hypotheses, which simply conceal ignorance, and much of the research it demands for its elucidation is, according to Mr Bernal, a matter of determining in what way such a process took place, rather than whether it took place at all, which can be taken as self-evident. These are the sort of confident claims that are needed from time to time to stimulate and "brief" research work, and they are laid down here in a plausible and intriguing way.

Mr Bernal likens the physico-chemical evolution of living matter to a play of three acts and prologue. All we have hitherto studied of biology is contained in the closing scene of the last act; but we know a good deal about the stage set (the laws of the physical world) and the first and final groups of actors, and from these we have to infer the intervening play. In the first act, Mr Bernal envisages primitive life forming and developing in isolation, probably on the surface of microscopic clay or sand particles, whose molecular regularity and relatively enormous stable surface would favour the formation of colonies of complex molecules bearing organic relations to each other. The conditions favouring such processes have long ceased to exist—the compositions of sea and atmosphere have radically changed, and a curtain of ozone has cut off the strong ultra-violet light that supplied the energy for the syntheses. Furthermore, such colonies could only survive in the completely sterile conditions of the primitive world; so all-pervasive is life now that they would quickly succumb to the attacks of more highly developed forms. Thus it is plausible to advance spontaneous generation as a hypothesis of the remote origin of life in spite of the persistent failure ever to establish its occurrence under existing conditions.

Much of this book may well be commonplace to the specialists who think and work on these problems; if so, they are to be envied, for it is an exciting book for the layman. In addition to the inherent fascination of its subject, it exhibits a keen and highly informed mind at work on the sorting of an intricate jig-saw puzzle. Those who are aware of Professor Bernal's political convictions will be reassured to find that, though Engels is several times quoted, it is only for the most unexceptionable of scientific statements.

For Freer Trade

World Trade and Investment. The Economics of Interdependence. By Donald Bailey Marsh. *Harcourt, Brace and Company. 594 pages. $6.75.*

One of the more useful by-products of American mass education is the intelligently written, comprehensive, and above all up-to-date textbook for undergraduates. Dr Marsh's work on international economics is an outstanding example of its kind, authoritative and lively, right up-to-1950 in its factual material, its pedagogic purpose unusually well served by the handsome production its publishers have given it.

The focus of the book is on international economic policy, particularly on the major issue of "market process v. control." This issue is posed at the end of Book I, which surveys the facts of international economic relations with the help of a tasteful selection of standard statistics. Book II is a theoretical *tour de force*. Dr Marsh neatly integrates the concepts of the balance of payments with national income accounting, then passes by way of an expert description of the foreign exchange market to an analysis of the mechanism of adjustment through changes in both prices and incomes. This is followed by two chapters on the foreign trade multiplier, unfortunately marred by unnecessary by-play with Keynesian identities and the use of unfamiliar mathematical symbols, and three chapters on the theory of international values, distinguished by the consistent use of the technique of indifference curves and the first appearance in a textbook of the optimum tariff theory.

In Book III Dr Marsh returns to policy problems, and discusses the dollar shortage, the European Recovery Programme, and the Bretton Woods institutions; all of this discussion is penetrating and well-balanced, the four chapters on the problems and possibilities of international investment being perhaps the most useful. Throughout, Dr Marsh leaves no doubt as to his attitude on the central problem of market process *versus* control: the devils of his postwar world are exchange controls and trade barriers. Flexible exchange rate and multilateral free trade are his exorcisms.

The desirability of such a strong political tone in an undergraduate text may well be questioned by the teaching economist; Dr Marsh's transatlantic impatience with the apparatus of controls may equally well irk the European reader. One suspects, too, that the author's advocacy of flexible exchange rates owes something to the limited role of his native country (Canada) in international finance. Nevertheless, strong liberal opinions are the classical privilege of writers on international trade, and they add readability and unity to an excellent textbook.

One Side Only

The United Nations and Power Politics. By John MacLaurin. *Allen and Unwin. 468 pages. 25s.*

Good books about the United Nations are all too few, and it is regrettable that this study, pseudonymously written by "an outstanding educationalist," cannot be included in their number. It is explained in the preface, reasonably enough, that the author, seeing no prospect of his book being read by Soviet citizens, proposes to concentrate his criticism on the Western nations and to discuss Soviet actions only when they "would have to be considered by statesmen pursuing an honest UN policy." In fact, however, Soviet actions are scarcely examined at all, with the natural result that the Western policies which have arisen from them are made to appear arbitrary, intransigent and even brutal. From the account given of the blockade of Berlin one would never realise that the West faced the desperate alternatives of surrendering two million people to Soviet rule or of seeing them starve. In an admittedly brief postscript on Korea the author finds space for several trenchant criticisms of American policy, but none for any suggestion that failure to go to South Korea's aid might have betrayed the whole ideal of collective security. And all the years of Communist intervention in Greece are simply passed over, while the "Truman doctrine," which that intervention helped to forge, is roundly condemned.

By thus ignoring the threats against which the West has had to act, the author demonstrates to his own satisfaction that Russia has in no way prevented the United Nations from working and that this crime should be laid at the doors of America and Britain instead. He appears to hold that to make the United Nations work it is not necessary to strengthen its ability to defend peace; what is required is a conciliatory attitude on the part of the Western nations, and the United States in particular. When he is not engrossed with this main theme the author is able to make some sound points about United Nations' procedures and activities; but even when dealing with relatively uncontroversial subjects he shows a curious lack of balance. It is, for example, surprising to find eighty pages devoted to the largely sterile pro-

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ceedings of the Economic and Social Council, while the specialised agencies, which have a record of real achievement in economic and social matters, are dismissed in twenty.

Middle East History

History of Syria, including Lebanon and Palestine. By Philip K. Hitti. *Macmillan.* 749 pages. 42s.

Professor Hitti attempts to give a balanced and comprehensive account of the history of Syria from earliest times to the fall of the Ottoman Empire and has produced a readable yet scholarly book. He points out how Syria's geographical position has exposed her to invasion and attack and also to cultural influences from neighbouring civilisations; he examines these influences in some detail. The area over which his study ranges varies in extent at different periods but in most cases reaches beyond the frontiers of present-day Syria, Lebanon and Palestine. He also shows how geographical conditions inside Syria were unfavourable to the development of a strong and self-contained state, and he rightly stresses the almost constant struggle between the nomadic and the settled people.

Mr. Hitti divides the history of Syria into four main epochs, apart from the pre-literary period: the Semitic period in which he describes the settlement of the Amorites, Canaanites, Arameans and Hebrews in Syria; the Greco-Roman period, which he regards as something of an interlude; the Arab-Moslem period, of which, on the whole, he gives a favourable picture; and finally the Ottoman period. The last named is covered in some thirty-six pages with an additional ten pages on "the contemporary scene." The allocation of space to the Ottoman period seems somewhat small in a book of this size, while to maintain that the political structure of Syria was not seriously affected by the Ottoman conquest would seem something of an understatement. The most significant developments of the period were, in Professor Hitti's view, the exposure of Syria to western cultural influences and the emergence of the Lebanon as a separate political entity. As such they merit, perhaps, a somewhat fuller treatment than has been accorded them.

Local History

English Husbandry. By Robert Trow-Smith. *Faber.* 239 pages. 18s.

This is the work of a competent scholar with a passion for agriculture and an elegant command of rural idiom. It tells the whole story, and the two opening chapters, "Prehistoric View" and the "Saxon Scene," are among the best in the book. There is little in the middle part that we do not know already from Maitland, Prothero and Tawney, but when he reaches the "agricultural revolution" the author in a few masterly pages puts Jethro Tull back on the pedestal from which some have tried to dislodge him. He is specially strong on animal husbandry and traces the evolution of horses, cattle, sheep and pigs with expert skill. In modern times, he rightly stresses mechanisation and milk.

Occasionally, perhaps, his enthusiasm for agriculture leads him into exaggeration. "National history, and by that is meant the social development of a people, and not the wars of their kings or the political manœuvres of their leaders, is the sum total of local history." But that is just what, in an island empire founded on commerce, it is not. No aggregation of Victoria County Histories can even begin to tell the national, social tale. And again, "as the eighteenth century grew older society moved forward unconsciously towards the industrial revolution." No serious student of industrial history would endorse this. Indeed, there were so many precursors that some writers seem to abandon the term revolution altogether.

The sketch of agricultural conditions from 1793 to 1846 is much below the level of Prothero. "Peace after Waterloo brought a short relapse." If that is all there was to it, were the statesmen and blue books of the day living in a dream-land? The adjustment to a peace economy after a generation of war was every bit as punishing as the inflow of foreign foodstuffs after 1875. "Co-operation" is not indexed, and this most interesting side of modern marketing and purchase, the agricultural co-operative movement, is conspicuous by its absence.

Sample Auditing

Scientific Method for Auditing. By Lawrence L. Vance. *University of California Press.* (Cambridge University Press.) 103 pages. 19s.

When the balance sheet and profit and loss account, those rather inadequate statistical explanations of an organisation's financial position, are handed to the professional auditor, he faces the job of deciding whether they are correct within the limits set by his terms of reference. Before this decision can be made there is a good deal of routine work to be done. Part of this consists of a careful examination of the more important figures in the records and of "danger areas" particularly vulnerable to fraud. It will seldom be possible, however, even for the organisation's own internal auditors (on whom, if they exist, the professional auditor will to a considerable extent rely), to examine all the transactions of an undertaking of any size. It would be too costly. Auditors usually depend a good deal on test checks, in much the same way that a railway company relies for the control of fraud and error on occasional unexpected ticket inspections.

The auditor will expect the undertaking's own accounting organisation to be so arranged as to reduce the probability of fraud and increase the probability of detection if it occurs. The aim of the test checks will be, first, to ensure that this organisation exists and is properly functioning, and secondly, to ascertain the general quality of the records and their degree of accuracy.

The two types of test may differ. The problem is to decide what parts of the records are to be selected and how many items tested in each; what standards of accuracy are to be set and how they are to be measured; what weight is to be attached to errors of varying kinds and seriousness in different parts of the records.

The standard auditing texts provide meagre guidance for the solution of these problems. Professor Vance does not purport to provide a complete solution. His aim is to show how simple statistical techniques, in particular those of sampling theory, can be used to systematise some of the decisions. It is possible to assess the quality of records by methods similar to those employed in the control of quality in industrial production; the degree of confidence in the result can be expressed in terms of a probability ratio. An auditor using these methods would at least be in a better position than hitherto to maintain a consistent standard of work. Furthermore, his client or employer would be able to weigh the higher money cost of a more extensive audit against a measurable gain in precision.

This, as Professor Vance is aware, will not solve the underlying problems, but his work may well contribute to the development of auditing techniques, even if it contains rather more statistical technicalities than will be palatable to some accountants.

Shorter Notices

Essays in Biography. By J. M. Keynes. *Rupert Hart-Davis.* 354 pages. 12s. 6d.

Essays in Persuasion. By J. M. Keynes. *Rupert Hart-Davis.* 376 pages. 10s. 6d.

These two famous volumes of Maynard Keynes's essays are now re-published. To the biographical essays, three are added. Two of these, however, have appeared in print before, the "Centenary Allocution" on Jevons and the memoir of Mrs Marshall, written with filial affection, that originally appeared in the *Economic Journal.* The third newcomer is a paper on "Newton, The Man" read, after Keynes's death, by his brother at the Newton Tercentenary Celebrations in 1946.

It goes without saying that those who would remember Keynes not simply as the pontifical theorist but as the stylist, the wit, the passionately plausible pamphleteer will want to read and re-read these essays.

The ABC of the Foreign Exchanges. By Norman Crump. *Macmillan.* 403 pages. 12s. 6d.

This is the eleventh edition of the book originally written by Mr George Clare in 1892. The substance of the tenth (1936) edition is given in the first twenty-two chapters; the remaining twenty-eight chapters, covering 235 pages, describe war and postwar developments up to September, 1950—largely in the form of an historical commentary. The result can certainly be praised as no mean feat of compression, but its subject lies in a field where compression can only be achieved at the risk of at least some misleading nuances.

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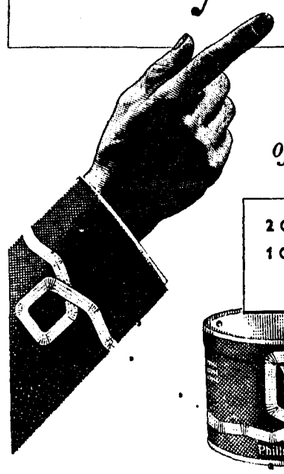

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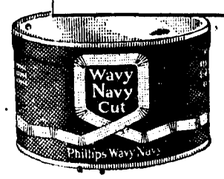

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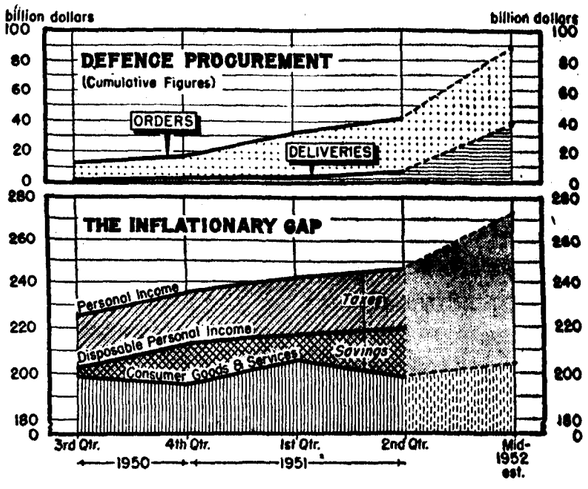
AMERICAN SURVEY

Reactions to Korea

Washington, D.C.

MEMBERS of Congress, like everyone else, are never so diligent as when searching out excuses for doing what they want to do. The prospect of a Korean peace and the three months' lull in the inflationary gale provide twin justifications, both very soothing to the conscience, for crippling an already feeble law to control inflation and for economising on defence appropriations.

The hamstringing of the controls legislation is already far advanced. The Senate not only refused to accept all the provisions to strengthen the law requested by the Administration, but in addition forbade all future reductions in ceiling prices of farm products and eliminated the possibility of really effective reductions on anything else. The House is now trying to cancel some past reductions and bleeding the Bill whiter still. The result will be, as intended, to make all price "stabilisation" run in one direction only, upward.



This attack on controls is not, needless to say, the consequence of a deep philosophical antipathy to *dirigisme* on the part of the members of Congress. It is the result, on the one hand, of the agitation by the most powerful pressure groups, particularly the farm lobby, who think that they stand to make a great deal more money if their prices are not held down by ceilings, and, on the other, of the apathy of consumers, who have been so soothed by the levelling off of prices that they have registered scarcely a protesting word.

*

Furthermore, all indications point to the likelihood that the consumer will not be rudely awakened by much higher prices or increasing scarcities for at least three months and quite possibly not until the end of the year. After that, what will happen depends on how far Congress succeeds in its second endeavour, that of cutting the defence budget. And that, in turn, depends entirely on the nation's reaction to the probable peace in Korea.

What that reaction will be no one can possibly say at this time. But some indication of how seriously the Administration views the prospect can be seen from the fact that President Truman and his highest officials, like so many jammed whistles, have done little for the past two weeks but reiterate the truism that peace in Korea in no way changes the need for a defence programme of the size and urgency determined on a year ago. Congress has not attempted to dispute this logic with a frontal attack. It is not necessary. Logic will not prevail against the deep sense of comfort and relief which an armistice in the Far East will induce.

The reaction cannot help but bring about a let-down, and the only question—the all-important one which will control the course of the economy for a year to come—is: how much? If the Korean talks result in a real, though strictly local, settlement, and if the Administration yields to political temptation and hails it as a great peace, there will be no stopping Congress. A cut in the combined domestic military and foreign aid appropriations of $10 to $15 billion below the Administration's request for over $60 billion would not be impossible. Then—and this would be the object of the exercise—the proposed $10 billion Tax Bill, already reduced to $7.2 billion by the House, would be cut by $2 or $3 billion more.

The effect of this could quite easily be a recession. Ironically, the second quarterly report of Mr Charles E. Wilson, Director of Defence Mobilisation, the theme of which was the threat of renewed inflation, also showed very clearly that it is only the anticipation of very heavy defence spending to come that is preventing a downturn here and now.

For three months there have been no serious price rises. Retail prices, which always take time to reflect economic changes, rose to some extent, but wholesale prices dropped slightly and the prices of basic raw materials and primary commodities have fallen off 10 per cent, losing two-fifths of their post-Korean gains. The wage spiral has been checked, the government has been running a fine surplus, inventories are enormous and, even with a full defence programme, production of most durable goods for consumers is scheduled to be maintained at two-thirds of the record pre-Korean levels—still a fabulous volume.

More than the effect of any controls, what all this really reflects is a series of miscalculations by the American public, businessmen and consumers alike. Imagining that the impact of defence outlays would come much sooner and be much heavier than was ever possible, and envisaging shortages of wartime intensity, they stuffed themselves with goods. They not only filled such of the demands of the war years as were still unsatisfied at the time of the Korean outbreak, but many also bought for the needs of a year to come. Meanwhile, during the long period before full-scale military production could follow the placing of contracts, there was relatively little curtailment in civilian output. The lag was even greater than it might have been, for contracts were slow in being awarded and military production is still running at only 80 per cent of schedule. Output of durable goods for civilian use actually increased during the first nine months after Korea and production of soft goods is probably still rising.

Consequently, consumers' inventories are the highest in history, retail inventories are still exceptionally large, and producers' stocks of raw materials and goods in process have grown rather than diminished in the past year. Rumours of peace only furthered the slackening of buying which had already begun, only softened a market already very elastic. Obviously, then, a heavy cut in defence spending below what had been generally anticipated can remove the support from what otherwise would be a much over-extended situation.

*

But equally, and conversely, if the public and Congress are not stampeded by a Korean peace into forgetting the real stakes of the game, then the inflation warnings of Mr Wilson will be amply justified. If the proposed defence budget for this fiscal year is cut by only $3 or $4 billion, the inflation which the huge residual sum will generate must make itself felt some months hence.

About $42 billion worth of defence contracts have been awarded since Korea and only $10 billion worth have been filled. Much of the rest will have to be paid for in the year ahead, and the surplus is already turning into an inflation-begetting deficit. If this spending is accompanied by the further letting of defence contracts at an even higher rate, business, seeing its earlier forecasts of mounting military expenditures confirmed, will proceed with its plans for a record $29 billion expansion of plant and equipment this year. Consumer goods will finally grow more scarce. Under the pressure of a probable increase of $25 billion in personal incomes by a year from now, prices will resume their climb, unhindered by any effective controls. And as prices rise, the present doldrums in wage movements will freshen into a high wind, perhaps a gale.

Mr Wilson has forecast that, as the programme is now planned, an inflationary gap of $10 to $20 billion will develop by mid-1952. If it is objected that this will be diminished by reason of cuts in the proposed military budget, it must also be recognised that there will be an accompanying reduction in the new $10 billion Tax Bill, which is counted upon to fill part of the gap. And will there be enough savings to close the rest of it if prospective savers see the dollar growing less valuable day by day? By continuing a strong defence effort, by strengthening the present controls on inflation, and by imposing a heavy new tax levy, Congress could still chart a middle course between inflation and recession. There is no sign that it will.

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Other Securities	249,577,266.11	Other Liabilities	18,116,396.28
Mortgages	50,842,286.37	Acceptances Outstanding	42,775,933.95
Loans	1,892,132,154.45	*Less: In Portfolio*	*6,715,812.00*
Accrued Interest Receivable	9,839,383.98	Capital Funds:	
Customers' Acceptance Liability	34,963,268.80	Capital Stock ($111,000,000.00 (7,400,000 Shares—$15 Par)	
Banking Houses	28,495,426.26	Surplus	189,000,000.00
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A Woman's World?

[FROM A CORRESPONDENT IN NEW YORK]

IN pioneer days women were valued in America because they were scarce. In the last two decades they have been courted because their power as the family purchasing agents (they do 55 per cent of the family buying) could be exploited commercially. During the last war, they were pursued because they constituted the biggest potential pool of free labour. The same thing is happening in the present re-armament period, although as yet there are only about 19 million women in the civilian labour force, compared with 20.5 million at the peak of the war. The need for women as new workers is reflected in "Help Wanted" columns which call for them not only as cooks, teachers and secretaries, but also as engineers and machine operators.

Meanwhile women have for the first time in the nation's history become numerically surplus. The actual figures disclosed by the 1950 count—100 women to every 98 men—produced a spate of supposedly humorous editorial comment, but as yet no serious studies of the implications of the change have appeared.

However, the myth that all women spend their working hours testing soap powders, cake mixes, washing machines and dream kitchens continues to be supported by fantastic expenditures on advertising and to be proclaimed in print and on the air, until women who prefer typewriters to vacuum cleaners hardly dare admit it. The fact beneath the myth is that a third of the feminine population spends its working hours not at home but in factory, office, school room or laboratory. It is only since industry began to take household chores out of the home with one hand and to return expensive gadgets with the other that the working part of the house has been pictured as a paradise, only since women have been employed in large numbers outside the home that the kitchen has become—at least to the advertisers of kitchen equipment—a dream world bathed in a rosy glow of dear desire. Earlier in the century it was a prison from which every ambitious woman yearned to escape as quickly as she could.

*

The change came after 1920 when women won the vote, and more particularly after 1934 when a student of social statistics, eager to speed the advance of women, put forth tentative figures to show that they had much more financial power than was usually credited to them. Those figures were seized on by the women's magazines, eager in turn to justify the sale of their pages at high rates to advertisers still labouring under the belief that it was father who kept the wage packet and paid the bills. The experts in persuasion set up a legend of the financial power of women which, for lack of statistics to the contrary, even the women themselves came to believe. Recently the stockbrokers have joined the chorus. Figures have appeared in the Stock Exchange journal to prove that "Women Own a Lot of Stock!" The accompanying illustration showed pearls spilling out of a safe deposit box.

The facts on which all this fanfare ("Women own 47 per cent of our railroads!" "Women inherit 80 per cent of all life insurance!" "Women control 70 per cent of this nation's private wealth!") is based are scarce. Washington has no figures which show how much wealth women inherit or how much land or how many government bonds they own. Reliable evidence is available only in a few fields.

The Institute of Life Insurance reveals that women owned one-fifth of the life insurance in force in 1949 and received slightly more than half of the death claims paid that year. A writer for the Stock Exchange magazine believes, after studying annual corporation reports, "that women outnumber men stockholders generally." But the significant thing is that in both life insurance and ownership of investments the pioneer pin-money pattern continues. The policies held are, on the average, not large and the individual holdings of shares are small—so small that the American Telephone and Telegraph Company, whose million shareholders are more than half women, recently re-elected an all-man board of directors because the men controlled 67 per cent of the shares.

Income figures support the unpopular thesis that women's economic position is, with flamboyant exceptions, relatively modest. A study made by the Census Bureau in 1950 showed that only a little more than a third of the women in the United States reported any income at all. These 22,725,000 got only 17 per cent of the total income payments made to individuals. Even on the spending side woman's power is less than is commonly pictured. Professors at the universities of Illinois and Florida conducted a joint study which brought out the fact that women do, not 80 per cent of the family spending as alleged, but 55 per cent. None of these studies has made a dent in the golden cloud that surrounds the ladies.

Meanwhile their educational status is steadily improving. There are some two and a half million women in the country with college degrees, and the assumption that bright girls will go to college is as much of a commonplace as it is for bright boys. The political status of women, the cause of so much clamour before 1920, has not advanced as fast as their working value or their voting numbers. The Senate has only one woman among 96 Senators—Mrs Margaret Chase Smith of Maine—and the House only half a dozen out of 435 members. On the executive side things are only a little better. No woman sits in President Truman's Cabinet, though five of them occupy unusual positions on the second level. Mrs Georgia Neese Clark is Treasurer of the United States, Mrs Nellie Taylor Ross is Director of the Mint—two jobs which rank as political plums customarily handed to masculine supporters of the Administration. Mrs Anna Rosenberg is Assistant Secretary of Defence in charge of manpower allocation—a difficult job which is a measure of her extraordinary abilities. Mrs. Eugenia Anderson is Ambassador to Denmark, Mrs Pearl Mesta is Minister to Luxembourg. Women have certainly got feet in a great many doors, but nevertheless the United States is still far from being the women's world that it is popularly supposed to be.

American Notes

Bringing Europe up to Scratch

The House Foreign Affairs Committee is now studying the prospectus of what Mr Harriman has called America's investment in security, the Administration's request for $8.5 billion for foreign aid, more than has been spent for this purpose in any other postwar year. Congress's decision on how much should be put into this Mutual Security Programme will, it is generally agreed, be the "pay-off" on the great MacArthur debate, the test of whether America wants to "go it alone" or with allies.

This year military and economic assistance, in proportions of roughly three to one, are combined in one Bill and

economic aid, at least as far as Europe, which is to get most of it, is concerned, is to be used mainly for purposes that will add to the military potential of the recipients. The Administration's witnesses, while emphasising that the success of the programme depends on the progress made in the next twelve months, did not hide the fact that it would take at least two more annual instalments of similar size to build up the strength of the free world. General Marshall had no doubt that this money would pay better dividends if invested abroad than if put into the rearmament programme at home, but he did suggest that some of the North Atlantic allies were not pursuing their defence preparations as enthusiastically as might have been expected. The members of the Senate Foreign Relations Committee immediately took to the air to investigate this question on the spot in Europe, before opening their hearings in Washington.

Congress has already tried to penalise Europe for failing, in its opinion, to come up to scratch in its restrictions on exports to the Soviet and its satellites. The Kem amendment, which in effect would have stopped all economic aid to America's allies, has been suspended by the National Security Council, but Congressional indignation at this circumvention was such that it became only too likely that a similar embargo, without any escape clause and covering military aid as well, would be included in the mutual security legislation. Representative Battle is, however, coming to the rescue with a sensible alternative, applying to both military and economic assistance, stricter than the Kem amendment but also more workable, conforming more or less with existing conditions. Mr Battle would ban all aid, without exception, to any country exporting arms to the Russian area; while a similar ban would be placed on aid in cases where petroleum or other strategic materials are exported; exceptions would be allowed if the free world would on balance benefit from the goods received in exchange for these exports.

From now on, Americans themselves will have to pay more for anything that they buy from behind the iron curtain, for tariffs on such imports are going up to the Hawley-Smoot levels of twenty years ago, about twice as high as at present. This is the result of the latest version of the Reciprocal Trade Agreements Act, which requires that Russia and its satellites should be denied the benefits of tariff concessions, most favoured nation clauses and so on. The caviare which Senator Kem thought the President was exchanging for American blood when his amendment was suspended will become even more prohibitively expensive. But the volume of trade affected is nowadays very small and includes little that is essential, for of late the United States has received only negligible quantities of such once important commodities as manganese from Russia and tungsten from China.

* * *

Ten Billion Dollar Question

The size of his budget surplus was already showing, to Mr Snyder's embarrassment, when the Secretary of the Treasury appealed to the Senate to add $3 billion to the $7.2 billion Tax Bill passed by the House, thus meeting in full Mr Truman's request. On June 30th the surplus was $3.5 billion, a record some $6 billion better than the $2.7 billion deficit prophesied in January by the President; revenues had increased more rapidly, and defence spending less rapidly, than he had expected. Such a miscalculation increases the Senate's determination not to accept uncritically the estimate that this year's spending will, at $68 billion, outrun revenues, under present tax laws, by $10 billion; Senator George, chairman of the Finance Committee, intends to cut at least $1 billion from the House measure, though, like everyone else, he is in the dark as to what will really be required, as Congress has completed work on no major appropriation measure.

The National City Bank of New York

(Incorporated with limited liability under the National Bank Act of the United States of America)

Condensed Statement of Condition as of June 30, 1951

Established 1812

HEAD OFFICE:
55 Wall Street
New York

67 Branches
in Greater New York
54 Branches Overseas

LONDON BRANCHES:
117 Old Broad Street, E.C.2
11 Waterloo Place S.W.1

ASSETS

Cash, Gold and Due from Banks		$1,490,164,077
United States Government Obligations		1,508,670,959
Obligations of Other Federal Agencies		37,700,556
State and Municipal Securities		495,273,218
Other Securities		116,879,899
Loans and Discounts		1,823,836,643
Real Estate Loans and Securities		15,621,467
Customers' Liability for Acceptances		43,517,990
Stock in Federal Reserve Bank		9,000,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		28,417,564
Other Assets		3,795,404
Total		$5,579,877,777

LIABILITIES

Deposits		$5,078,996,110
Liability on Acceptances and Bills	$75,311,022	
Less: Own Acceptances in Portfolio	28,122,805	
		47,188,217
Due to Foreign Central Banks (*in Foreign Currencies*)		8,774,800
Items in Transit with Branches		33,886,792
Reserves for:		
Unearned Discount and Other Unearned Income		11,730,373
Interest, Taxes, Other Accrued Expenses, etc.		35,529,201
Dividend		3,312,000
Capital (7,200,000 Shares—$20 Par)	$144,000,000	
Surplus	156,000,000	
Undivided Profits	60,460,284	
		360,460,284
Total		$5,579,877,777

Figures of Overseas Branches are as of June 25, 1951.

$463,831,001 of United States Government Obligations and $9,010,700 of other assets are deposited to secure $384,754,715 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

Chairman of the Board: WM. GAGE BRADY, Jr. *Chairman of the Executive Committee:* W. RANDOLPH BURGESS *President:* HOWARD C. SHEPERD

Affiliate of The National City Bank of New York for separate administration of trust functions.

CITY BANK FARMERS TRUST COMPANY. Head Office: 22 William Street, New York

Capital Funds $30,791,521

What the Administration's critics overlook is that even the House Bill, if the Senate were to pass it by September 1st, would, because of lagging tax collections, contribute only about $5 billion, or perhaps a little less, to this year's revenues. And beyond yawns the fiscal year 1953, when the Budget Bureau predicts that spending will reach a peacetime total of $80 to $90 billion, something which even Mr Snyder admits cannot be met by present types of taxes. Even after 1954, when, if there is no war, the budget can settle down, it will, in the view of the Bureau, settle no lower than $65 billion a year—a level which would leave no room for reducing taxes below the peacetime peak they reach in the House Bill.

This is an alarming prospect for conservative business groups such as the National Association of Manufacturers and the Committee on Federal Tax Policy, who believe that the House Bill has reached, if not overstepped, the desirable limits on corporate and high individual incomes. It may give a dangerous impetus to the movement, already approved by 22 of the necessary 32 states, to seek a constitutional amendment limiting federal taxes to 25 per cent of any individual income. The House measure, which the Committee on Tax Policy denounces as the worst ever, did not go even as far as the Administration had proposed in increasing taxes in the lower brackets, where the chief danger of inflation lies; votes are to be lost there, and so the lion's share of the load was placed on corporations and on individuals with more than $15,000 a year. The House was equally obstinate about raising excise taxes on wireless and television sets and appliances. The view of the NAM is that the tax base should be broadened by adoption of a federal sales tax, if incentives to produce are not to suffer. But its arguments have met with a frosty reception from the Senate Committee; to the political unpopularity of such a measure, and its regressive character is added the objection that to adopt it would invade a basic source of revenue of 29 of the states.

* * *

Reds on the Run

At a cost of $80,000 in bail, four of the eleven Communist leaders whose conviction was upheld last month by the Supreme Court have purchased their freedom. The remaining seven have begun to serve their sentences. Also on the run are four of the twenty-one "second-string" leaders of the Party, indicted on June 20th on similar charges. The fugitive eight include four members and three alternates of the Party's national committee; if they can elude the Federal Bureau of Investigation, whose face must be as red as its quarry, they can continue to draw the party line, presumably from foreign soil.

The rest of the Party's indicted leaders are not likely to be able to purchase their freedom so cheaply. The government has asked that bail for sixteen of them—the seventeenth is ill—be increased from $177,000 to $876,000, not far short of the $1,000,000 which was asked for the first eleven after their conviction in 1949. This was scaled down by the court, but today's judges may take a different view of what constitutes excessive bail for Communists. The government also asked that the Civil Rights Congress, a left-wing organisation on the Attorney General's "subversive" list, which provided the earlier bail, should not be allowed to find the larger sum. By an odd coincidence, however, the bail requested is almost precisely the total of the Congress's bail fund. Mr Frederick Vanderbilt Field, the millionaire "angel" of Communist causes and descendant of Cornelius Vanderbilt, who is secretary of the Congress, has risked a 90-day jail sentence rather than reveal the names of contributors to the fund. Two other trustees, Mr Dashiell Hammett, the detective-story writer, and Mr Alpheus Hunton, have been sentenced to six months in jail on similar charges.

The Communist Party itself is still legal, though its revolutionary activities are proscribed, but it is a shadow of its former self. Disillusionment on the part of former fellow-travellers is now almost universal, while the revelation of how many agents the FBI had planted in the Party must have sown distrust among its 43,000 members. No restrictions are placed on Communist publications or other above-ground pursuits, but the *Daily Worker* is having a thin time. Its price has gone up from five to ten cents for a copy of eight instead of twelve pages. Ironically, the fact that it keeps afloat at all is probably due to those who buy the paper to see what the enemy is saying.

* * *

Anti-Trust on the Defensive

Although it has not yet approved the details of the scheme, the Department of Justice has in principle promised immunity from prosecution under the anti-trust laws to the nineteen American oil companies which are making voluntary agreements to counter the effects of the Iranian crisis on world supplies of petroleum. These companies, which operate abroad, have formed a foreign petroleum supply committee; their immediate objective is to work out methods of making the best possible use of available transport and refining facilities, in order to provide at least the minimum essential supplies of petroleum products to India and other countries which have depended on Iranian output. As far as can be foreseen at present, the effect of these readjustments on the American consumer should be slight; they may, however, involve renewed attempts to encourage industry to use coal instead of heavy fuel oil wherever possible.

The Department of Justice is apparently not altogether happy about the agreement, for it fears that the arrangements may prove detrimental to the interests of the small independent domestic oil companies. The anti-trust exemption for the pooling scheme was granted under the authority of the Defence Production Act, which similarly exempts the Industry Advisory Committees which are helping the mobilisation and stabilisation authorities. The Department is keeping a wary eye on these committees too, suspecting that the members may be tempted to use their governmental positions to further their private interests. The Department has made it clear that, if business abuses the privileges it has been given under the DPA, there will be no hesitation about bringing anti-trust suits. Furthermore, during the present rearmament programme it is not expected to be so easy as it was during the war to win exemption from anti-trust prosecution on the grounds that defence production will be interfered with.

But at least the government has just signed an armistice in its old war with the steel industry, whose pricing policies have long been under attack. Under the pact, the producers have promised not to plan a common course of action when fixing steel prices, but are permitted to quote delivered prices and absorb freight charges, provided they act independently and in good faith for the purpose of meeting competition. This way out of the so-called basing point controversy was indicated last January by the Supreme Court, when an oil company was permitted to discriminate between its customers by quoting different prices, because it had been genuinely trying to meet, and not to undercut, competition. A Bill to make sure that the Supreme Court will not change its mind has been put before the Senate, but may not be proceeded with now that the Federal Trade Commission has accepted the principle in its agreement with the steel industry.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Drawn by A. R. THOMSON, R.A.

A.B. in a paper boat

It takes more than the boy with the bicycle to deliver the morning newspapers which rustle so regularly through your letter-box. Well back in the chain of production you would find Olaf Larsen*—that is, if you knew where to look for him. A likely place would be Bowaters' private docks at Ridham, serving their paper mills at Kemsley and Sittingbourne in Kent.

Larsen is an Able Seaman, a foremast hand in one of the ships which, from May to December, converge on England with decks stacked high with logs of spruce which is paper in the raw. There are many such ships chartered by Bowaters, for each separate paper-making machine needs the trunks of 10,000 trees to keep it going for one week.

Some of the widest paper-making machines in the world are in operation at Kemsley, turning out their eight miles of newsprint every half hour, all round the clock, but even that rare sight fails to tempt Larsen down the gangway. "For the engineers, yes" he explains politely. "But me, I am a sailor." The real reason is he dare not spare the time; he is working for his Second Mate's 'Ticket'. If you told him he was already doing quite a job helping to ensure the constant flow of raw material for the free press of the world he would modestly take your word for it!

The whole wealth of Bowaters craftsmanship, experience and research in the art of making paper—the 'know-how' in short—is freely at your service.

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* *Fictitious name for a real character.*

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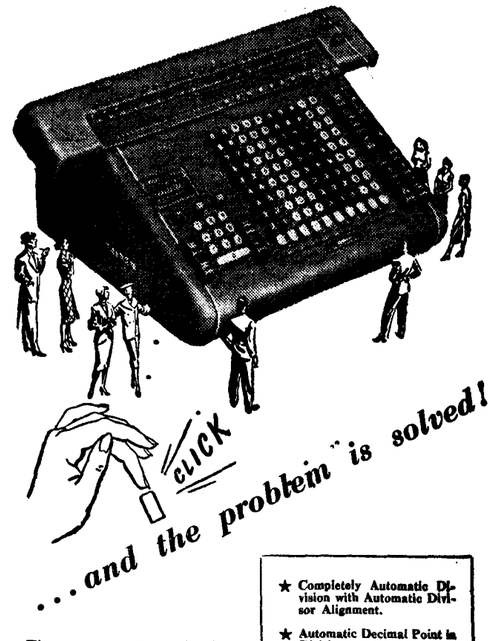

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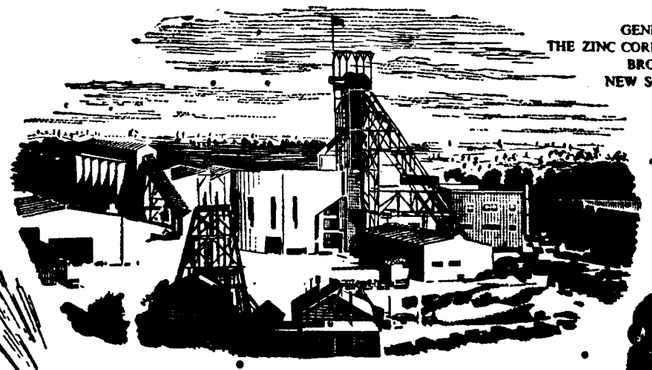


GENERAL VIEW
THE ZINC CORPORATION, LTD. MINE
BROKEN HILL
NEW SOUTH WALES

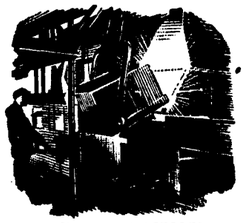
CONVEYING ZINC CONCENTRATES, AVONMOUTH

MAZAK PRODUCTION BLOXWICH
(Spectrographic Control)

ZINC
AND CHEMICALS

During the last 30 years a great industry has been built up in Britain. Imperial Smelting Corporation have produced annually substantial quantities of zinc, including high purity zinc (99·99+%)—Cadmium, Sulphuric Acid, Mazak, Orr's Zinc White Lithopone and Fricker's Zinc Oxide. The production of Anhydrous Hydrofluoric Acid, Fluorine and fluorine compounds are being actively developed from fluorspar mined by the Corporation in this country.

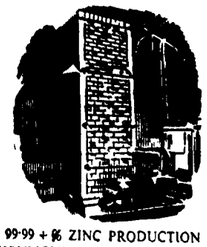
The Corporation employs a large research staff in order to keep abreast of modern technique and scientific progress and thus plays an indispensable part in the complex metallurgical and chemical industries of the country.



CHARGING RETORTS
ZINC DISTILLATION PLANT

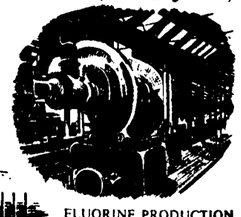
LITHOPONE PRODUCTION WIDNES
(Drying Plant)

CASTING ZINC SLABS



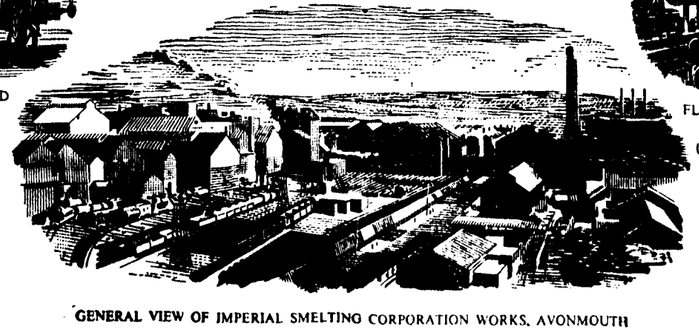
99·99 + % ZINC PRODUCTION
AVONMOUTH (Fractionating Column)

SULPHURIC ACID
PRODUCTION,
SWANSEA



FLUORINE PRODUCTION
AVONMOUTH
(Anhydrous Hydrofluoric Acid)

IMPERIAL SMELTING CORPORATION LTD.
37 DOVER STREET, LONDON, W.1
(U.K. Member of The Consolidated Zinc Corporation Ltd.)



GENERAL VIEW OF IMPERIAL SMELTING CORPORATION WORKS, AVONMOUTH

Mexicans for the Farms

Under the threat that Mexico would withdraw all its contract workers from the farms in the south and southwest, where they do much of the hardest work, Congress has now passed a Bill authorising the Department of Labour to recruit farm workers south of the border and providing government guarantees of the wages they are to receive. Under previous agreements, farmers themselves did the recruiting, and not infrequently failed to live up to their bargains. The chief obstacle was not any opposition to the Bill—farmers themselves were critical of the old system—but a conviction on the part of some that it should include severe penalties against farmers who employ, and thus encourage, the flood of illegal migrants, who last year numbered nearly a million. These unlucky creatures, known as "wet-backs" because many of them enter by swimming or wading across the Rio Grande, are glad to accept wages and conditions far below American standards; they thus deprive others of jobs, and are all too frequently a danger to the health of the community. The number of contract workers imported since the war has been only about 75,000 a year. However, with a deadline to meet and the representatives of the farm states in control, the Senate abandoned the Douglas amendment which would have provided jail sentences and fines for offending farmers.

Both of the great labour organisations have asked Mr Truman to veto the Bill on the grounds that it would open the door to a large supply of cheap labour and would injure American workers. The Bill, which puts the Department of Labour into the recruiting business until the end of next year, would lessen some of the exploitation of Mexican workers, but it would only slow up the "wet-back" invasion in so far as it increased the number of legal entrants. More direct methods are being employed by the US Employment Service in the west; it is now threatening, under the terms of the agreement with Mexico, to remove all contract labour from the big farms which employ legal side by side with illegal entrants. In the past this part of the agreement has never been enforced, and the practice of using both contract and "wet-back" labour has been widespread. It is not, strangely enough, a prosecutable offence to harbour an illegal immigrant, though hundreds of thousands were deported last year, some even by air, at the taxpayer's expense. Mr Celler, chairman of the House Judiciary Committee, hopes, by holding an investigation of the "wet-backs," to amend the immigration laws to make it a crime to harbour or give employment to an illegal immigrant.

* * *

Small Business Asks for More

No member of Congress would ever willingly let a small business man with a vote starve into bankruptcy; it therefore seems almost certain that, whatever shape the Defence Production Act finally takes, it will establish a Small Defence Plants Corporation, designed to ensure that as many small business men as possible are invited to dine off defence contracts, and that the rest get enough of the left-overs to keep them alive. At present the distribution of these contracts seems to be much the same as in the last war, when nearly 70 per cent of them were put on the plates of the hundred largest corporations.

There are about 4,000,000 business enterprises in the country and about 90 per cent of them are classified as small, under the official definition which puts any firm with less than 500 employees in that category. Some of these small businesses are, of course, quite big enough to forage for themselves and many of the others are retail and service establishments that make little or no contribution to the country's industrial strength. But if full-scale war breaks out, every bit of manufacturing capacity will be needed; for this reason, and because competition needs encouragement, it can be argued that efforts to save the life of even the smallest company are justified.

One cause of complaint has been that tax concessions, to facilitate industrial expansion for defence, have so far been granted almost exclusively to big firms, a development which, it is alleged, will increase their domination over the national economy. Another is that the growing practice of negotiating defence contracts instead of advertising for bids means that the small firm often gets left out. But the immediate hunger of most small business men arises from lack of metals, such as aluminium and cobalt; prohibitions on their use for certain articles fall especially hard on little firms which may be equipped to make only the forbidden products. The proposed corporation, like its predecessor in the last war, would be expected to ensure that small business men get their fair share of such materials, and of loans for converting to defence production. More important, it would help them to bid for defence contracts and would guarantee their reliability and efficiency to the procurement agencies, who prefer to give contracts to the big firms that they know and trust.

The mobilisation authorities contend that the new corporation is unnecessary and that the small business man is already receiving special consideration. Aluminium cutbacks have been eased in his favour, his interests are the particular concern of a representative in each regional contract office, the pooling and sub-contracting arrangements of the last war are being revived, and the percentage of defence orders going to small firms, which admittedly declined during the first six months of the present rearmament programme, has been rising steadily this year. To this Congressmen reply that the letter of aid for small business men may be there, but the spirit is lacking.

* *

Shorter Notes

Mr Francis P. Matthews, Secretary of the Navy, has been chosen by President Truman to be Ambassador to Ireland. Although he has been offered other diplomatic posts in the past, this is said to be the only one which has ever appealed to him. Mr Matthews has long desired this post, but it is known he left the Navy Department with regret. He is of Irish descent and a prominent layman of the Roman Catholic church, but his main claim to fame is that he is a Democrat from the Republican State of Nebraska.

*

The Charter of the Organisation of American States, which established the first regional grouping within the United Nations at Bogota in 1948, has at last been ratified by the United States. The reason for the three years' delay has been that the United States wished to take a back seat and give other countries a chance to ratify first, as twelve of them have done. Under the charter the organisation was permitted to start work without waiting for ratification.

*

Americans are being forced to realise that the prospect of a truce in Korea will not mean a let-up in the defence effort by the fact that the numbers of young men called up each month under the selective service system are once more rising. And voluntary enlistments which are due to expire during the year have been extended for a further year; however, men whose enlistments were extended by a similar order last year, after the Korean outbreak, will now be allowed to return to civilian life.

*

Housewives are being urged by the laundry trade to dispense with their linen cupboards and to hire their sheets and towels instead. It is cheaper to hire linen than to have it washed although whether the laundries can really make a profit on this basis has yet to be seen. So far the project has been quite a success and the companies are gaining hundreds of new customers each month, but there are still many housewives who are prejudiced against using other people's dirty linen, even though it has been properly washed.

THE WORLD OVERSEAS

The Socialist International

(By a Correspondent Recently in Frankfurt)

IN recent years commentators have so often buried Socialism as a world force that they must find the recent rebirth of the Socialist International slightly improper. The myth that in 1945 Europe was a social democratic continent midway between capitalist America and Communist Russia is mainly responsible for the later legend of a steady decline in Socialist strength. In fact almost one out of every three Europeans regularly votes Socialist—more than ever before. The only serious decline came in France and Italy between 1945 and 1948, and even these parties have rallied in the last few years.

Outside America Socialism is the only serious rival to Communism for the allegiance of the working-class. Recent elections show that progressive Catholicism cannot survive for long outside the main body of the socialist movement. Moreover the very word Socialism has unchallenged prestige as a symbol of utopia. Quite apart from the genuine parties of democratic Socialism, Perón and Vargas in Latin America, Nehru and Thakin Nu in Asia, Herriot and Remer in Western Europe, Nkrumah in West Africa and Communists everywhere, stake some claim to its emotive power.

Socialists have always prided themselves that theirs is an international movement. Now that a Socialist International is once more formally in being, will this vague internationalism be translated into a common programme of action? It is futile to expect anything remotely comparable with the Cominform. Socialist parties are neither spiritually nor politically totalitarian. Few of their members put politics first among their interests, and their policies must be determined by the national climate of opinion in which they work. Previous Socialist Internationals have all collapsed under the first serious strain, leaving chagrin and disillusion as their only legacy.

Indeed, these considerations made the British and Scandinavian Socialist parties most reluctant to recreate the International after the Second World War. In 1945 the Socialist parties were seriously divided on almost every important question of domestic or foreign policy. Apart from the East European Socialists, who were compelled to collaborate with Communists under Russian control, there were powerful sections of the French and Italian parties which made the shibboleth of working-class unity an excuse for continual surrender to Communist initiative at home and abroad. Thus, though most of the continental parties were eager to create an International with mandatory authority over its members, their British and Scandinavian colleagues, now in power at home, shied away from even the moral obligation to submit their policies to collective review.

Nevertheless, the British Labour party recognised its responsibility as the most powerful member of the Socialist community, and on its initiative the parties began a series of informal consultations on almost all problems of common interest. These consultations held largely under the auspices of the so-called "Comisco" (the Committee of the International Socialist Conference), have brought a steady *rapprochement* in attitudes to the developing world situation. By the beginning of 1951 the British Labour party felt sufficiently confident in this broad unity of purpose and in its colleagues' contentment with a purely consultative organisation to propose that the existing machinery be dignified with the name of "The Socialist International."

The Frankfurt Conference revealed how far this unity of purpose has been developed. The Declaration of Aims and Tasks, noted in *The Economist* of last week, was accepted unanimously, though it jettisons nearly all the ideological lumber among which the continental parties still live and move, and which even the Labour party keeps stored away in the attic of its Constitution. In presenting Socialism as the highest form of democracy it rejects completely the Communist claim to any share in the Socialist tradition. The resolution on "Socialist world action in the struggle for peace" commits all parties to support rearmament for collective defence against Communist aggression.

All this is a striking tribute to the value of international consultation in helping Socialist parties to adjust themselves to a new situation: in Europe, at least, the Socialists at last present a common front to the major problems of the modern world. This is a good augury for the new International. But the same Conference showed that it will face its greatest test outside Europe. The Japanese delegation, present for the first time at such a gathering, was clearly unhappy in voting for the Declaration of Aims and Tasks. It abstained on the resolution about world affairs since it favours unarmed neutrality for Japan. The Indian observer, Dr Lohia, expressed similar doubts on both issues. There is a danger that the Asian parties will form an opposition inside the new International.

What kind of Socialism for Asia?

Yet it is Asia, and later Africa, which will offer the International its greatest opportunities. All the developing nationalist movements have settled on Socialism as the slogan for their domestic policy, though they are divided between European and Soviet claims to represent true Socialism. In the existing social democracies of Britain and Scandinavia they see more to admire than to imitate. In many cases, the techniques of Russian and even more, Chinese, Communism, seem more appropriate to under-developed areas than Western methods which demand a high level of civic responsibility and administrative efficiency.

There is a danger that if the European parties overstress their new-found pragmatism the Asian parties will turn to more exciting prophets. On the other hand the prestige of an international organisation is always greatest among its weakest members. The British Labour party lends all the splendour of an imperial tradition to its fraternal parties in the East. If the new International takes a really vigorous initiative in the next few years in Asia it may make a great impact on world politics. But it cannot do so without a greater sacrifice of time and money than its members will spare at present.

It is also important that the Socialist International should work at least in harmony with the International Confederation of Free Trade Unions. The latter has already been active in Africa and Asia, where trade unions often form the best basis for any political organisation. There is little in the Socialist Declaration which need offend the American unionists who play a leading role in the Confederation, but the Confederation's determination to keep the unions out of politics may prevent it from accepting the Socialists' offer of co-operation.

The Ukrainians in Trouble

IT is curious that *Pravda* should have chosen the very time when a "Decade of Ukrainian Art and Literature" was being held in Moscow—usually a friendly affair—to launch an attack on the "nationalistic deviations" in Ukrainian art. At first, it is true, the blows were weak: the writer and chairman of the Ukrainian Parliament, A. Kornieytchuk and his wife—the former Polish writer and politician, Wanda Wasilewska—were reprimanded for failing to portray the Polish nobility and all that it stood for in their libretto on Chmielnicki, a seventeenth century Ukrainian hero. Soon, however, the blows fell thick and fast. Ukrainian painters were accused of ignoring in their canvases the subject of Soviet friendship, while even the choirs were blamed for not including Russian and, say, Georgian songs in their repertoire. Now, in the strongest assault so far made, the Ukrainian party leadership itself has been attacked for lack of vigilance. All this, apparently, because there has been published a Russian translation of a poem "Do love the Ukraine," which was actually written seven years ago by the Ukrainian poet, V. Sosyura.

The heart of the matter, however, lies elsewhere. The poem in question is nationalistic; or, as *Pravda* put it, any Ukrainian nationalist, even on the other side of the fence, would entirely agree with its sentiments. The Soviet leaders are now gathering the harvest from the seeds of nationalism they themselves sowed during or immediately after the war. The rulers in the Kremlin shouted "Long Live Russia" and apparently expected that a cry of "Long Live the Soviet Union" would come ringing back from the other republics. Now, when a cry of "Long Live Armenia" (or Ukraine) comes back they seem genuinely astonished and indignant. Until quite recently the worst sin Soviet writers and artists could commit was cosmopolitanism, since it smacked of connection with and "subservience" to the west. Now that it has been realised that nationalism in its regional form may be a strong disruptive force it, too, is put forward as a major heresy.

Rebuke to the Party

The Ukrainian episode is not unique; it has been preceded by other anti-nationalist attacks. Thus, the Azerbaijani intelligentsia was recently accused of nationalist deviations because of its cult of Shamyl, a local hero in the time of the Crimean War, who not long ago was considered as such in Russia, but now is referred to as an agent of British imperialism. Armenian writers have been accused of taking refuge in and idealising the past, while the Estonians, incorporated not so long ago, have been censured for whitewashing their twentieth-century bourgeois statesmen.

Where the Ukrainian affair differs from precedent is in its scope. In other cases the matter was patched up on the spot through the local party channels. This time the party itself is accused of harbouring the nationalist intelligentsia. The unsigned article in *Pravda* was probably prepared by the Central Committee of the All-Soviet Party, and it was republished the day after in the *Literaturnaya Gazeta*. In the same article the literary monthly *Zviezda* was also strongly criticised for recently publishing the Russian translation of the poem already mentioned. This recalls Zhdanov's attack in 1946 on modernism and cosmopolitanism in Soviet art, for then, too, *Zviezda* was among the first censured.

That the main weight of the offensive was directed at the Ukraine is not surprising, for the latter has always been considered as the main centre of nationalism and resistance to Moscow's decrees. It was there that resistance in the villages against collectivisation was strongest in 1932-33. There, too, the central authorities had most difficulty in re-establishing order after the end of the war. It is rumoured that the additional drive for collectivisation now being carried out in the Soviet Union meets the strongest opposition in the Ukraine; and some observers would attribute to peasant discontent the non-fulfilment by the Ukraine of its planned production figures for certain agricultural products such as eggs, milk, vegetable fats and cotton.

The central government will certainly do everything in its power to prevent discontented peasants from finding allies in a discontented nationalist intelligentsia; and since the party itself has been attacked, the possibility of a purge among the higher officials of the Ukrainian party is not to be excluded. Yet, whatever happens, the Ukrainian and other Soviet writers and artists have been warned to steer between the Scylla of cosmopolitanism and the Charybdis of nationalism.

Birth Control for India

[FROM OUR CORRESPONDENT IN INDIA]

AT the end of last week Mr Nehru, the Prime Minister of India, said that he favoured birth control. "From being the fad of some individuals in India," he is reported as stating, "this has become one of the important issues before the country. It seems clear that the state must encourage family planning." This was not the first time that Mr Nehru had alluded to the subject in public; in April, for instance, he announced that the government was studying methods of curbing the rapid growth of India's population which has risen by 42 million in the last ten years. But he had not before spoken out so strongly and so publicly. And, while the threat of severe famine in Bihar has undoubtedly brought the problem into the forefront of people's minds, the Prime Minister deserves the highest praise for giving such a clear-cut lead.

The lack of outcry at Mr Nehru's statement is significant of the whole change which, in the last few years, has come over the attitude of educated Indians to their country's population problem. Before the war they talked of the country's unlimited resources or, like Mr Nehru himself once, questioned the census figures. Now they realise that in the race between production and babies, it is vital that production which has lagged so far behind should catch up, if their fellow countrymen are to achieve a tolerable level of well-being. In some ways, India is fortunate. The annual rate of increase, 1.3 per cent, is not impossibly large; indeed it is less than that of, say, Germany in the 1890's, and the birth rate has probably dropped by 5 or 6 per 1,000 in the last decade until it may now well be below 30. Moreover, there is in the Hindu religion no such absolute bar to contraception as in many Christian creeds.

There are nevertheless many factors, spiritual and material, which stand in the way of the spread of birth control. Muslims object to it because they have learnt from the Koran that the more Muslims there are, the better, and Hindus because they require a son to perform their rites after their death. Although adoption is usual when there are no male heirs, in a country where infantile mortality is so high a reserve or two is, naturally, felt to be advisable. There is, moreover, the influence of Mahatma Gandhi and his preference for *brahmacharya* (abstinence) over contraception. Mr Nehru, on the other hand, modern in this as in so many other ways, has no such views; he recently said that he would like to see a branch of the Family Planning Association (FPA) in every town and village.

Contraceptive work has indeed begun, although on a very small scale. In 1947, the Family Planning Association, which is affiliated to the All India Women's Conference, opened two free planning clinics in Bombay city; these have been followed by five others and altogether 3,000 women have attended them so far. Work has now begun also in Hyderabad, Poona and Madras. There is clearly still a very long way to go, but an important step forward was recently taken

with the appointment of Lady Rama Rau, the wife of the Governor of the Reserve Bank and the President and creator of the FPA, as representative of her association on the Health Panel of the Planning Commission.

Spreading birth control among the ignorant and the superstitious poor is an ungrateful task. Yet if India is to wait for the example of the urban middle class to permeate the village, it may take a long time. Inevitably, however, it is the townswoman with whom the campaign must begin. She is better informed, easier to reach, less shy, less terrorised by her mother-in-law, less susceptible to the slur of apparent sterility than her sister in the countryside. Besides, children are a far greater nuisance in a town. And going to a clinic is less conspicuous; neither neighbours nor husband need know about it. So far the FPA has concentrated its propaganda on medical students, nurses and doctors, and in certain industrial areas. A favourite method is the instructional film, including the American film "Studies in Human Fertility." The main handicap of the association is the shortage and expense of appliances; so far they have not had much more than one $50,000 consignment from the Watumull Foundation, but even so the duty to be paid practically drained their funds.

For family planning to be effective—and family planning is perhaps India's number one long term priority—it is not enough to rely on the goodwill of a handful of selfless volunteers. The government will have to play its part, not only in the towns but primarily in the countryside. All midwives will need to be trained and equipped in contraception, and schools used as a propaganda medium. Just to show a film or two is mere optimism; if the effort is to be serious, every government servant down to the postman and the private in the army will have to be instructed. Only thus can the village be reached, and the thousand ramifications of the joint family system ensure the effective spreading of the information once it has been made available.

France in Search of a Government

[FROM OUR PARIS CORRESPONDENT]

THE six main groups in the French National Assembly (or five if the Communists be excluded) are now busy about the task of investing a prime minister. It seems likely that President Auriol's first choice will fall on M. Petsche, an Independent; and it is clear that the ability of M. Petsche —and of most other potential prime ministers—to win sufficient votes (314) to be elected, depends on the support of the Socialists who have already made known the price of their participation. Any government in which they take part must undertake, first, to improve immediately the purchasing power of the workers by means of a sliding scale of wages and tax reforms which redistribute the national income; secondly, it must keep its hands off the social security system and the nationalised industries; and thirdly, it must maintain intact the system of lay state schools. The first two items are contentious enough; the third antagonises all other groups except the Radicals and the Communists, and perpetuates the disastrous cross-current that prevents the formation of a genuine French Left. For, through it, the MRP, the only other *parti social* (excluding the UDSR fragment of the Radicals), remains inevitably at loggerheads with the Socialists, to the lasting pleasure of the economic conservatives and, of course, of the Communists.

The solution of the schools question is indeed part of the essential minimum national programme which, as the Gaullists point out, should be above party. In the past legislature a Catholic demand for assistance to their schools was voted down. The MRP now asks that the schools question should again be put to open vote, with the Socialists agreeing, as the MRP previously did, that the matter is "non-governmental." This time, with 120 Gaullists in the House, victory for the Catholics would be certain. It is too simple to represent the schools issue as purely doctrinal, for it contains a real cleavage of practical interest. The anti-clericals know that subsidies to Catholic schools will be the thin end of a wedge that can be driven into the heart of their party-system. The Socialists, for instance, whose popular support south of the Loire is much more from school-teachers than from the workers, would ultimately lose part of their following. The Catholics, on the other hand, fear that if the present economic misery of teachers in the free schools is allowed to persist, they will eventually find difficulty in recruiting priests.

The Gaullists have made the schools question the subject of their first parliamentary draft bill. It lays down that families should be given education-vouchers (*allocation-éducation*) with which they could educate their children as they wished. Family educational committees should then be given official status to supervise the system; on these committees would sit representatives of the family-associations, of the Ministry of Education, of the free schools and of youth organisations. The MRP has proposed that the State should guarantee the gap between the pay received by Catholic teachers from Catholic sources and the state minimum wage for the school-teachers of the various grades. In face of the very conservative character of the new Assembly—it contains more Right deputies than any other since the "sky blue chamber" of 1919—it is possible that the Socialists and MRP will decide that the quarrel is not worth the candle.

Plight of Catholic Teachers

Apart, moreover, from the question of principle involved, the Catholic teachers who before the war could be supported by the contributions of a wealthy provincial bourgeoisie, are in themselves a fairly large depressed economic class, in fact the worst-paid of the liberal professions. Now the state schools are jammed full and the free schools act as teachers continue more strongly than ever. In some places the state schools are jammed full and the free schools act as *de facto* auxiliaries to them: in others, where doctrine decides, the visitor sees a large empty state school while the free school is crammed to overflowing. This state of affairs is typical of what French democracy is almost powerless to alter.

Granted even a solution of the schools question and therewith the solidarity of the non-Communist Left who will be included in the governmental coalition, everything depends upon whether the hundred Independents will opt for General de Gaulle (thereby making an opposition bloc with an absolute majority) or for the centre parties. At the time of writing it appears that de Gaulle is again in the wilderness, for the Independents like neither his high-sounding programme of constitutional reform (presidential republic, etc.) which remains at the head of the RPF's programme, nor the *association-capital-travail* with its profit-sharing features. The RPF therefore risks being left split into its two aspects; a left-centre, rather demagogic republicanism in the towns (where those who despair of "justice" have voted for "order"), and a Catholicism of the Right in the country. The Catholicism of the Left belongs definitely to the MRP, whose ranks have been swollen by the increasing number of new poor who before the war would have been economic conservatives.

As already noted, a sincere social and economic policy is found only among Socialists, MRP, UDSR, and a good number of Gaullists. Were it not for the religious red herring of the schools question the Radicals would be shown up as the economic conservatives that they are. If "Presidential Gaullism" has conclusively mis-fired (and it very much looks like it), the Gaullists may decide to strengthen and penetrate the centre group. But here again there are complications. For the totally impossible feature of centre policy is the Socialist defence to the last ditch of the nationalised industries and the financially ludicrous social security system. But the main critics of these are people like M. Paul Reynaud, who are backwoodsmen when it comes to social policy; and so it goes on round the mulberry bush.

Perhaps the one thing that would really change the political climate would be a practical tax-reform. The Socialists are proposing a super-tax on high incomes, a differential tax on companies' profits according to the modernisation undertaken in the industry, and an increase in the production tax to make up the budget deficit. In October, when the 1951 deficit becomes evident, and at the end of the year, when France has to project the financing of its ten further divisions, taxation will be a fiercely burning issue. At the moment the politicians are faced with the dilemma of whether to tackle financial issues honestly in advance and in so doing risk the collapse of the coalition almost as soon as it is formed; or whether to shelve the whole business until after the holidays when the parties "condemned to live together" will have already agreed on some points of policy.

German Shipbuilding Unshackled

[FROM A CORRESPONDENT]

THE Allied decision to lift all but a few restrictions on German shipbuilding was received with enthusiasm in German shipping circles, in spite of the difficulties attending the rebuilding of a German mercantile fleet.

From a prewar total of 4.2 million gross registered tons the German merchant navy at the end of 1950 had shrunk to 255 ships (including vessels under 500 grt) of just over 500,000 total gross tonnage. With the ceiling of 1,500 grt and 12 knots imposed by the Potsdam agreement, shipowners were forced, in the postwar years, to concentrate on coastal ships. Even when the Washington and Petersberg agreements of 1949 increased permitted tonnage to 7,200 grt the unaltered speed restrictions still made it uneconomic to build overseas liners. Tramp ships and small liners for European trade continued, therefore, to be built, although a few big shipping companies boldly contracted for a few liners for service between Hamburg and North, Central and South America.

Expansion now depends on the capacity of the shipyards and available supplies of materials and capital resources. The present capacity of the German yards is roughly 400,000 grt, i.e. 50 per cent of its prewar capacity. Any extension of that capacity still remains subject to the permission of the Military Security Board.

After all restrictions on shipbuilding for foreign accounts were lifted in September, 1950, important orders were placed, in particular, by Norway, Sweden, Denmark and Holland. These orders were welcomed, but great care was taken not to prejudice German orders, which were known to be imminent in view of the expected lifting of all restrictions. An agreement was accordingly made with German shipowners—the best clients of the yards in normal times—whereby enough slips were reserved for them. Presently the yards were buzzing with activity and output rose from 17,200 gross tons in 1949 to 140,000 gross tons in 1950, for both German and foreign accounts. For 1951 one can reckon with an output of 320,000 gross tons, which will be chiefly for German account. Shipbuilders expect to be able to satisfy both home and foreign orders in the future.

The recent worsening of the situation in the raw material and supplying industries has caused delivery dates to be somewhat postponed. The Federal adviser on raw materials, Dr Friedrich, has, however, recently announced that shipbuilding would be accorded high priority in the allocation of raw materials, and an agreement has been reached between rolling mills and shipbuilders, guaranteeing a steady supply of plates. With capital from the ECA as well as German sources, work has begun on a three-metre plate mill at Hoerde, which will replace the dismantled five-metre armour-plate mill. The most modern of its kind in the world, this plant will produce 18,000 tons a month, and will be in operation in about 18 months.

The most important question is: where will the vast capital required to finance the new shipbuilding programmes be found? To provide an incentive the Federal Government has exempted from tax all non-interest-bearing loans to shipbuilding. This has attracted a limited amount of capital, but only in smaller companies. The big liner companies have hardly benefited at all. This is only too natural since other more profitable investments can easily be found. Moreover the cost of a big liner ranges from DM8-10 million and lenders prepared to grant non-interest-bearing loans to that amount are hard to find.

The second gesture made by the Federal Government to stimulate shipbuilding has been the earmarking in the 1950 budget of DM100 million for loans for shipbuilding. Everyone is eligible who lost a ship after August, 1939, and who, after November, 1949, either contracted with a German yard for a ship to replace it, or acquired a merchant ship abroad. The loan covers up to 40 per cent of building or refitting costs and is only granted if adequate proof is given that further funds are available. Extremely favourable conditions of repayment are attached, making allowances for any losses suffered in the previous year. The immediate result of this decision was that several old companies which had suffered war losses were quickly bought up by new enterprises desirous of qualifying for the loans. But these government loans could only finance a very modest programme, especially as the restrictions were still in force; a so-called "*Anschluss*" programme had to be set afoot later to supplement foreign orders, so as to use the full capacity of the yards and avoid any interruption of production. The pre-financing of both programmes was guaranteed by the *Laender* banks which showed great understanding of the situation.

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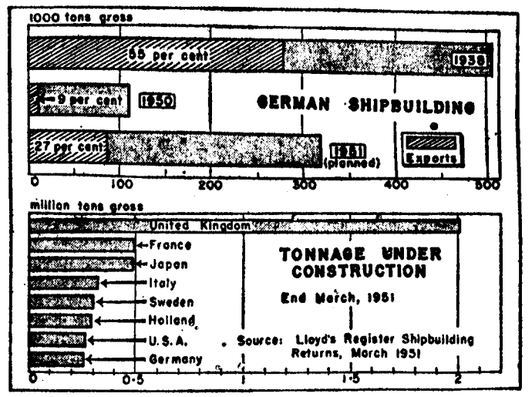
On April 7th the Federal Minister of Finance, Dr Schaeffer, on a visit to Bremen, revealed that he had earmarked another DM100 million in the 1951 budget for shipbuilding loans. As the *Anschluss* programme has already absorbed more than half that amount, a little less than DM50 million is now left for the new programme. But meanwhile the situation has changed radically: the abolition of all speed restrictions now makes it profitable to build fast and efficient ships able to compete everywhere, and particularly in the North Atlantic, with ships of other flags. This means that the remaining 60 per cent of the cost will be easier to find. Moreover, the north German *Laender* which are directly interested in the shipping industry, are now trying to advance considerable sums to shipowners.



The plans so far known of big liner companies like Hapag and Lloyd show that they contemplate the building of an efficient liner fleet totalling about 200,000 grt of cargo vessels. These will have passenger accommodation, and will range from 8,000 to 10,000 grt with a speed of 16 knots. There can be no question yet of passenger ships, and very few tankers have been ordered, since a modern tanker, to be competitive, needs at least 15,000 tons and a speed of 18 knots which are beyond present possibilities. It can safely be forecast that the shipping industry will be content with no less than the complete removal of the last restrictions on shipbuilding and will, in the coming months, press for freedom to increase yard capacity by modernising some of the yards and rebuilding others that were dismantled. The question of dry dock capacity—which in Hamburg sank from 268,000 tons in 1939 to 57,000 tons in 1951—is also bound to be raised. Considered as an extension of yard capacity it still remains under Allied control. Yet the Germans claim that it is essential, not only for German but also for international shipping, that it should be freed from restrictions as soon as possible in order to avoid unnecessary delay in ship repairs.

Finland After the Elections

[FROM A CORRESPONDENT RECENTLY IN FINLAND]

THOUGH the results of the Finnish elections have been described by Moscow as "deeply satisfying," the Finnish Communists do not altogether conceal their disappointment. They had made a really big effort to recapture the position they had held immediately after the war, when they were equal in strength to the Social Democrats and Agrarians. As the total poll fell to 73 per cent from nearly 80 per cent in 1948, and as every other party was weakened through abstentions, a slight increase in votes enabled the Communists to capture five more seats. They and their allies joined in the People's Democratic League, will have 43 out of the 200 seats in Parliament. The Social Democrats retained a comfortable lead, however, with 480,000 votes and 53 seats (54 in 1948). The real losers were the Agrarians, whose representation dropped from 56 to 51 seats. The Conservatives also lost five seats, but all of them were snapped up by the new People's Party, a curious mixture of Liberals, Young Conservatives, and former totalitarians now converted to democracy. The gain of five seats has, of course, added weight to the Communist demand for a share in the Government, from which they have been excluded since the summer of 1948, but so far it has been ignored. In any case the present Government will stay in office until September, and if meanwhile the two Government parties, the Social Democrats and the Agrarians, are able to agree on a joint economic policy, there would be no reason for changing the coalition.

But it is far from certain that the Government parties will succeed in this task. They represent largely opposing economic interests—working-class consumers versus agricultural producers—and their rivalry during the last fifteen months has been one of the main causes of the inflation that today besets Finland in a form even more pernicious than in the immediate postwar period. Paradoxically, the Finnish economy is at present basically sounder than at any time since the beginning of the war. During the first half of this year the index of industrial production rose by ten points to 166, compared with 100 in 1938; exports exceeded imports, and though import prices increased by 12 per cent, unprecedented western demands for timber, pulp, and paper pushed export prices up by as much as 49 per cent. Reparations to the Soviet Union have also ceased to be a burden, and only 8 per cent remain to be paid.

Bids for Workers' Votes

The benefits which should have accrued to the Finnish people from their productive effort and the exceptionally favourable terms of trade have been dissipated by the reckless struggle for power between the three big parties. Inflation in Finland is political in origin. The Agrarian Government has found it necessary to reward its supporters by raising the price of farm produce, while the Social Democrats and the Communists have been outbidding each other in their efforts to buy working-class votes with wage increases. Since the beginning of last year industrial wages have in fact gone up by 55 per cent, and have soared well above prices. An economic "truce" concluded by producers and workers last spring, which freezes both prices and wages until the end of September, has granted the Government a breathing space in which to prepare a long-term stabilisation programme. Meanwhile, however, last year's wage increases as well as the higher prices of imported raw materials are only now making themselves felt in production costs, and industrialists are only waiting for the end of the truce to put their prices up.

Even Social Democratic economists admit that prices should be allowed to catch up with wages to correct the present unbalance, before further automatic wage increases, occurring with every rise in the cost of living index, can make any sense. Before the election, trade union leaders would not hear of such things, but they may be in a more constructive mood now, and, as one leading Finnish politician has put it, at least the psychological conditions for co-operation have been created. In any case, the Social Democrats have made it quite clear that they will in no circumstances join a government with the Communists, even if the present coalition breaks up; and though the Agrarian leaders are not equally firm, an exclusive alliance of farmers and Communists has little chance of survival.

Whatever the composition of the Government, however, the fact remains that the Communists, who in the trade union elections of last April received nearly 90,000 votes out of 200,000, will be able to menace any programme of economic stabilisation by direct action in the industrial field. There is a genuine revolutionary tradition among Finland's working class, and the fact that the Soviet Government has not tried to subjugate Finland by force makes it difficult to convince a radically-minded worker that every additional vote for the Communists may weaken his country's independence.

A New Class on the Cotton Farms

[FROM A CORRESPONDENT LATELY IN THE SUDAN]

THE Sudan is enjoying the most prosperous year of its existence. This is, in the main, due to an abundant cotton crop, but grain and gum arabic are also so plentiful that the Sudan railways have not been able to move the harvests quickly enough. The total weight of all cotton picked to the end of June was 1,995,887 kantars out of a total estimated yield of just over 2,000,000 kantars for the crop year 1950-51. The corresponding figure for 1949-50 was 1,341,955 kantars. While such a yield means a healthy budgetary position for the Government, it also gives rise to some social problems that suggest future difficulties. These arise particularly in the vast area of the Gezira Cotton Board's estates south of Khartoum, where a new class of relatively rich tenant farmers is being created, without any certainty that adequate provision can be made to bolster its new living standards against bad years.

The Gezira Cotton Board farms slightly more than 1,000,000 acres of land irrigated from the Sennar Dam. The current harvest is the first since it was nationalised last year. The profits are divided between the tenants and the Government, each getting 40 per cent; the remaining 20 per cent goes to the Board itself for operating costs and reserves.

The 1950 cotton crop gave a profit of £5,527,000 to the Syndicate. (The tenants had an equal sum divided among them and the Board's share was £2,763,000). The first year of nationalisation is, thanks to the prevailing price of cotton, expected to yield the Government about twice as much as the Syndicate received last year.

There are 25,787 tenancies, each consisting of 40 acres, and each plot gave its tenant about £250 profit last year, in addition to the five acres of *dura* and the five acres of ground nuts or *lubia* (a local bean crop) which can be grown on the ground resting from cotton. From the current harvest, each tenancy should get about £400 from cotton alone—considerable wealth for a simple community. It is hoped that many of the tenants, who remember the black years in the early 'thirties when large numbers of tenants deserted their holdings, will deposit some of this wealth in the banks or even under their earthen floors; but as a large part of the money must find its way into the markets, prices are likely to rise steeply, in spite of everything the Government can do. This may disturb the wage agreements which have been, and are still being, laboriously worked out in the country.

New Social Class

In poverty, these peasants were rooted in the soil and suffering of their environment and history. In prosperity, they now emerge as a new class created by a profit-making social experiment. Their emergence can be remarked in villages where a new brick wall has gone up garishly among the brown clay houses, in the additional gold bracelets on their wives' wrists and their reluctance to send their womenfolk, as formerly, into the fields to pick cotton. A scheme which, particularly since nationalisation, has the stamp of a socialist experiment, is creating another class. If, however, the Gezira plan lies slightly to the right of socialisation, its Board being independent of the Government, the tenants are

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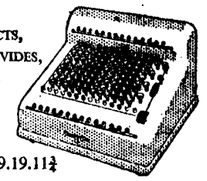

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subject to a discipline which is nearer to the spirit of collectivisation than the freedom of their village life suggests. They plant ten acres of cotton, five of *dura* and five of ground nuts or beans, leaving twenty acres fallow, but the how, when and where of planting is rigidly laid down for them by the Board's inspectors.

The important fact is that the discipline of their agriculture contrasts with their freedom in other respects. Perhaps the Russians would say they are becoming kulaks. They like money and they like to employ others to work for them, and, as they see how profitable their land can be, they have an increasing attachment to it. It is noticeable this season, for example, that the tenants' families have gone back into the fields themselves because they could not hire enough labour.

It is clear that the emergence of this social pattern in the Gezira is fraught with some dangers. There is the possibility of a cotton slump coming so late that the tenants and their families have become too accustomed to their higher standards of life. The Cotton Board has a tenants' reserve of £900,000 which can rise to £3,000,000, but it is already doubtful whether the full reserve could cushion these people against a slump. There is also the problem of sons who would like to be tenants like their fathers, although as yet there is not enough water to irrigate more land. Finally, there is the problem of machinery. The Board knows that, with the exception of cotton-picking, it can do everything which is done by hand in the Gezira fields by machinery, but that the efficient use of machinery needs a greater area of operation than the 40-acre plot. It can be used with diminished efficiency on the plots, so that the social pattern of the Gezira is preserved; but, were it so used, the inefficiency would hardly be proof against the demands of a bad season which required economy of operation. If, on the other hand, machinery were put to work on larger, economic areas, the *raison d'etre* of the tenant would cease to exist. His attachment to his particular piece of land would be lost, the village unit largely destroyed and, for better or for worse, he would find himself a worker on a collectivised farm stretching over 1,000,000 acres.

Vietminh Looks Ahead

WHILE France, with American assistance, is trying to build up non-Communist governments in Indo-China, which it is hoped will ultimately become strong enough to stand on their own feet, there are as yet no signs of an end to the war carried on by the Vietminh "resistance" against the French and the Vietnamese supporters of Bao Dai. The struggle has recently, however, assumed a new aspect. The victories won by General de Lattre de Tassigny have dashed Vietminh hopes of an early successful outcome to the war; heavy losses were incurred in determined attempts to capture Hanoi and the failure of the effort certainly had a depressing effect on morale. Economic production in the Vietminh-controlled areas also suffered from the mobilisation of large numbers of peasants. As the war had already lasted so long and had imposed such a severe strain on the masses of the people, the Vietminh would probably have begun to go to pieces if it had been nothing but an ordinary nationalist movement. That nothing of the kind has so far happened may have been due in part to the general distrust of French promises and to the loyalty which Ho Chi-minh inspires as an uncompromising and incorruptible national leader. But it has been due even more to the strong organisation and discipline of the Vietnamese Communists, to the fanatical fighting spirit with which their cadres are imbued, and to their ideological outlook which makes their local struggle only a sector of a world conflict far transcending it in importance.

The measures taken to counteract the weakening of the Vietminh after its recent reverses have comprised, first, a sharp differentiation of the Communist party proper, known as the Lao Dong, from the broader Vietminh Front in which it was formerly merged; and secondly, a revision of the political line so as to lay greater stress on the long-term and international aspects of the war in Vietnam. It is admitted that the war has become "more difficult," but it is claimed that the French power is only a part of the "imperialist" camp which is gradually collapsing under the pressure of the "world peace movement"; thus ultimate victory is guaranteed for the Vietminh by its international alliances, provided it preserves its organisation intact and keeps up the fight against the French.

This propaganda of the certainty of ultimate victory explains actions which may seem quite fantastic if their aim is not properly understood. Thus, with active military operations going on in various parts of Vietnam, and among a peasant population with only the vaguest notions of anything outside their own villages, the Vietminh has been organising the collection of signatures in support of the World Peace Council and the appeal for a Five-Power Peace Pact, and its radio proudly announces the numbers of signatures alleged to have been obtained. This is one of the means by which it is intended to make the Vietnamese man in the street (or more often, in the rice field) feel that the Vietminh is solidly united with a world power of boundless strength arrayed against France and America. Similarly the greatest publicity is given to exchanges of greetings between the Vietnam and Korean Peace Committees, to messages to the Chinese Communist party on the occasion of its 30th anniversary celebration, and to the dispatch of a delegation of the Vietnam Youth Federation to the World Youth Festival in Berlin. The Youth Federation, according to the Vietminh radio, has everywhere been holding meetings and study groups to explain to the people the importance of the World Peace Council and its work. It is against such a background that the Vietnamese are being exhorted to stand firm against "the American imperialists and their accomplices."

> The Vietnam revolution which the people support will certainly be victorious. . . . The policy of the puppets and the traitors [Bao Dai and his followers] remains fixed on the plane of mercantilism. What precisely do they want to sell? Simply the bodies of their compatriots to those international traffickers in human flesh, the Americans.

Support for the French

The Communist effort to internationalise the Vietnamese nationalist cause has, however, a counterpart on the other side, for the French have been getting some co-operation from both Vietnam Chinese and Siam on an anti-Communist basis. The Chinese community in Indo-China has been torn by dissensions between the local Communists and Kuomintang organisations, which survive here as elsewhere in South-east Asia; and as France has not recognised the Chinese People's Republic, the French and Bao Dai authorities are able to get substantial co-operation from anti-Communist Chinese. In Bangkok the unsuccessful rising against the government of Marshal Pibul Songgram, in which Communist influence was a factor, has apparently stiffened the Siamese official attitude towards the Vietminh as a carrier of Communism, and the Vietminh delegation has been expelled from Siam.

There is no reason to expect any cessation of pressure on the Indo-China sector of the Asian Communist frontier, whether there is any Chinese armed intervention or not. In the near future the position can only be held by keeping a French army in the field, and hopes of getting it back to Europe are slight indeed, unless it is intended to abandon Indo-China, with all the inevitable consequences to Siam and Malaya as well. In the long run there is no reason why viable non-Communist regimes should not be built up in Vietnam (and in Cambodia and Laos); the first condition, however, is that the Vietminh propaganda of inevitable victory should be deflated, and this depends as much on events elsewhere in the Far East, and in the world at large, as on what happens in Indo-China itself.

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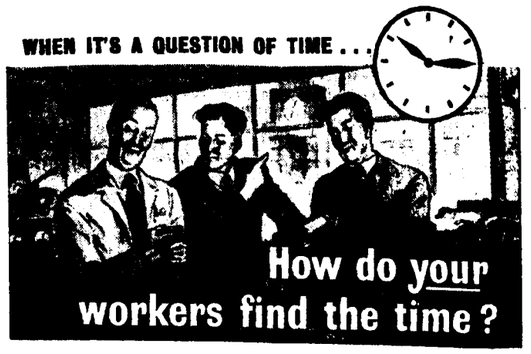

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THE BUSINESS WORLD

Transport and Costs

THE four hundred and forty-six pages of facts and figures in the British Transport Commission's report for 1950 provide a heavy meal, even for expert appetites. The broad story they have to tell had already been made fairly clear in the cases that the Commission had put before the Transport Tribunal for higher charges. Total net revenue rose from £31.3 million to £40 million, but after providing for interest and other charges there remained a deficit for the year of £14.1 million. In purely financial terms, this was a marked improvement on the deficit of £20.8 million in 1949; but by the end of 1950 the Commission had run up a total deficiency of £39.6 million on revenue account, and by the end of the current year there may be another £14 million or so to add to it. The prospect that the Commission may be "in the red" to the tune of £50 million or more by the end of this year is a sufficient illustration of the Commission's financial predicament.

The report reveals that the Commission is in a mood to fight back, to launch some serious criticisms of the various restrictions, statutory and otherwise, that have prevented it from achieving more than a precarious balance at best between its ever-rising costs and its relatively inflexible charges:—

> The Commission's transport system is practically alone among the industrial and commercial organisations of this country in that it has little latitude for increasing its own charges. . . . Any organisation working under these limitations is bound, in times of rising prices or falling traffics, to be chronically in deficit.

The truth of this assertion can hardly be denied, at least in the quite exceptional conditions of the last year or two. The Commission was nearly in balance at the end of last year, thanks to the 16⅔ per cent increase in freight charges that became effective in the middle of May. But the application for that increase had been put to the Minister of Transport on November 9, 1949, and it is reckoned that the delay involved a loss of £11 million of railway and dock revenues. Admittedly, the same emergency procedure was greatly speeded up—without the benefit of public hearings—in order to secure the 10 per cent increase in freight charges last April, following the earlier increase in railway wages. But there has been no change in passenger fares, which are the subject of a charges scheme that is at present before the Transport Tribunal and will not be argued, it seems, before the autumn. As for the charges scheme for rail freight rates that the Commission intends to submit to the Transport Tribunal by August 6th—the present limit of time—it is scarcely conceivable that it could take effect until the beginning of 1953, for it will involve radical changes in classification of goods and in the basis of charging by distance that will affect every trading interest throughout the country. The Commission knows well enough what is in store for it:—

> During 1950, the Commission have been faced with lawsuits, appeals to Consultative Committees, a constant propaganda through various organisations, and a great deal of correspondence, when even quite small changes have been proposed.

The two pending schemes will entail far bigger battles. There will be objections on the score that road haulage rates are not covered in detail—the latest report makes it quite clear that this will be so, though this fact seems difficult to square with Section 76 of the Transport Act. And a careful reading between the lines of the report suggests that the need for a general reserve (presumably to be built up after the present revenue deficiency has been made good) will be an important element in the application for new freight charges. It has yet to be seen whether the public will allow the nationalised industries to build up general reserves. And it is not proper for the Commission to apply for higher charges to meet higher costs unless it can show quite convincingly that its internal efficiency is already at the maximum.

On finance, the Commission makes four demands. It requires adequate financial and physical resources to re-equip and remodel the transport system; it complains of serious arrears of investment and of the fact that it is getting less than a fair share of investment resources compared with other industries that are treated with greater favour; it is patching rather than replacing its assets. It has borrowing powers of £200 million in reserve and although its net current assets fell by £45 million last year, they still amount to £155 million. A more generous share of the nation's investment resources is obviously needed to prevent the transport system from

BRITISH TRANSPORT COMMISSION RESULTS
(£ Million)

	Gross Receipts		Working Expenses		Net Receipts	
	1949	1950	1949	1950	1949	1950
CARRYING ACTIVITIES						
Railways:—						
Passenger & freight	325·5	340·1	312·8	313·7	12·7	26·3
Collection&delivery	8·6	9·6	12·3	12·3	*Dr* 3·7	*Dr* 2·8
Road haulage	37·7	62·5	36·3	63·6	1·4	*Dr* 1·1
Road passenger	35·8	38·7	31·6	35·3	4·3	3·4
London Transport:—						
Road	42·2	41·3	39·3	40·2	2·9	1·1
Rail	14·8	15·0	14·0	14·4	0·8	0·6
Marine	11·1	11·4	8·0	8·6	3·1	2·9
Canals	0·7	0·7	0·8	0·8	*Dr* 0·1	*Dr* 0·1
Totals	**476·6**	**519·2**	**455·2**	**488·9**	**21·4**	**30·3**
Docks, hotels, advertising, other income, rents and interest					9·9	9·7
Total net revenue					31·3	40·0
Central administration					0·9	1·2
Interest on transport stock, etc.					43·9	45·0
Freight rebates funds					3·8	3·7
Deficit					**Dr 17·3**	**Dr 9·8**
Capital redemption provision					2·6	2·6
Initial expenses and special items					0·9	1·6
Total deficit for year					**Dr 20·8**	**Dr 14·1**

degenerating still further, though such investment could hardly produce a spectacular and immediate benefit.

The second condition is a greater willingness to accept changes "whether in conditions of work or in types of service or in proposals to integrate the Commission's services"; both workers and transport users are exhorted to mend their frustrating and costly opposition. Thirdly, the Commission asks for

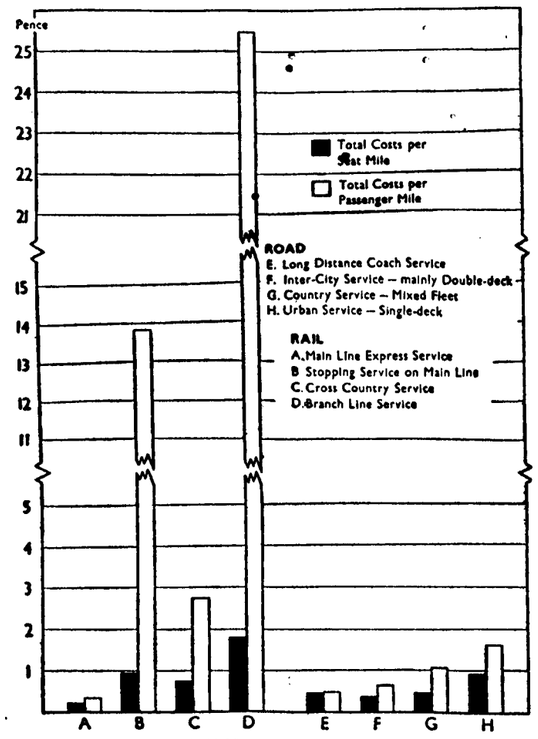
> a scheme of public control over the general levels of fares and charges which is both speedy and flexible in operation.

This is a proposition that needs to be studied with great care. It is possible to sympathise with the Commission's complaint that it cannot forever fight a losing battle between rising costs and laggard charges; but it is another matter to deny the value of the Transport Tribunal as the one more or less effective arbiter of public accountability to which any of the nationalised industries has to submit. It is not the fault of the Tribunal—any more than it is the fault of the Commission—that the persistent fall in the value of money makes its procedures so financially embarrassing for the Commission. These are matters that vitally affect the public, and if speed and flexibility were to mean merely that the Commission could quickly obtain all that it asked for without any attempt at public justification, the results would be deplorable. It is here that the Commission seems most convinced of the rightness of its case, and least concerned to concede the principle of safeguards for the public interest.

The fourth argument is also contentious. Transport charges must be recast to recognise the fact that "over a wide field the Commission's services are not a monopoly" and to admit a greater place for competitive principles in fixing charges. This case is at least good to the extent that rates should take greater account of the costs of different types of service and of competition from other forms of transport. Whether the Commission is so little a monopolist as it seems to think is open to argument; but in some important traffics it is undoubtedly a monopolist. Does the new principle mean, for example, that mineral freight, which is cheap to work, should be charged less by reference to cost and more by reference to the fact that only the railways can carry it? It is also unsatisfactory to find that integration between rail and road freight—which can become effective only when the same principles have been applied to road haulage—will still be deferred until after the rail freight charges scheme has been introduced. Integration of public transport remains, it seems, as much a will o' the wisp as ever.

Since the Commission has chosen to put its case for greater freedom to control its revenues and its capital investment with such particular force, it will not resent a number of countercharges on matters of great public importance that find scarcely any mention in its report.

SAMPLE ROAD AND RAIL PASSENGER COSTS



Is it possible, in the first place, that the Commission should have no views at all about the way it is organised and its relations with its Executives? This journal was severely criticised for daring to suggest ten months ago that all was not well with the internal efficiency and organisation of public transport. Since last autumn there have been certain changes in men, but no visible

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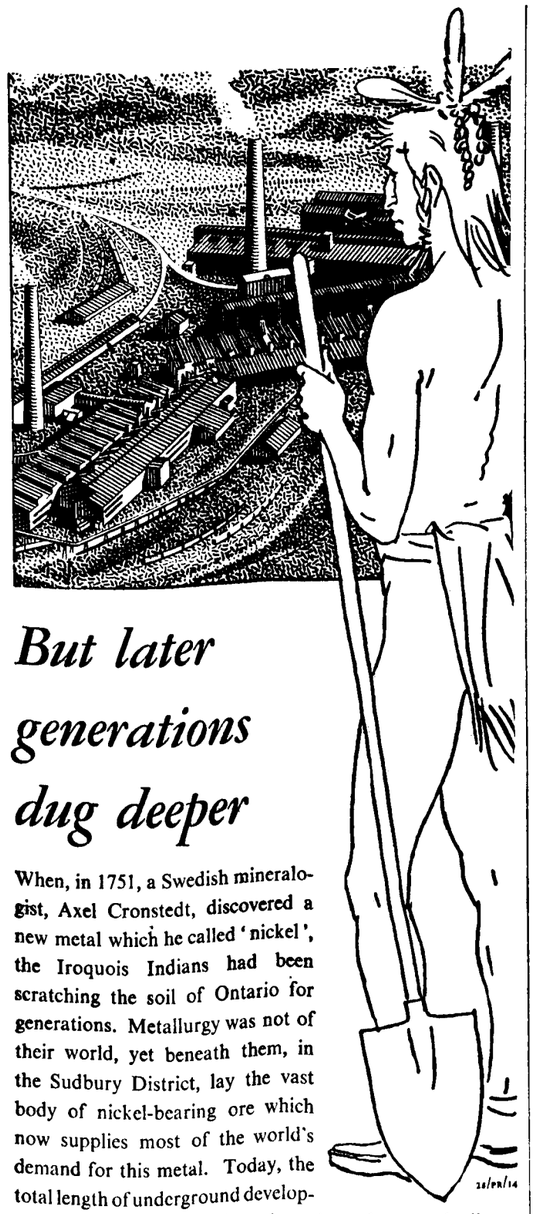

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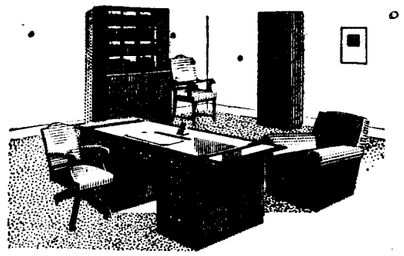

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improvement in methods. The Railway Executive, which runs three-quarters of the Commission's business, did not enhance its credit either in the way it handled the wage claims earlier this year or in its sudden discovery a few weeks ago that it could not run the summer passenger services that it had promised. The public fears that this debacle is an advance taste of disruption that may be in store next autumn and winter. It has suddenly discovered, in a time of full employment and inflation, when the flow of traffic is abnormal in character and direction, when rearmament adds a further load, when the competing attractions of other jobs are encouraging labour not to join and to transfer from the railway service, that the old fact of too much transport has given place to the new fear of too little transport.

The present mood seems to be that the passenger services are "expendable" in the event of difficulty. It is doubtful whether the panic of a few weeks ago about the summer services was justified; certainly the railways lost much goodwill by it. Already warnings have been given about the difficulties of the coming winter. Are these reckoned to be a spur to the operating divisions to do their best to maintain the winter services? Or is there some other factor behind them? The application for increased fares that is now before the Transport Tribunal will hardly stimulate traffic; the Commission promises to "bear in mind the importance of the lowest practicable level of normal fares" and to reduce fares in carefully selected cases to encourage profitable traffic. A diagram of road and rail passenger costs, based on a sample investigation, suggests that no tolerable increase in fares could make stopping services on main lines and the branch line services as a whole pay their way. The Commission's view is bluntly stated:—

> If the public cannot afford to pay for services of a given quantity and quality at the appropriate level of cost, then the quantity or quality of service offered must be decreased, and the budget must be balanced with higher fares at a slightly lower level of activity.

For certain types of service this may be true; many branch line services are both costly and inconvenient. But it suggests an unwelcome and restrictionist attitude that cannot be allowed to pass unquestioned. If total costs per seat mile and per passenger mile are only a fraction of a penny for the main line express services, why can nothing be done to reduce the costs on other rail services? Their costs will not be improved by driving passengers away; indeed the chart makes it quite plain that improved loading is the only hope for the stopping and cross-country services. To argue that the specialised track, the big power unit, the economy of the long train, and the capacity of the large terminal and marshalling yard justifies a greater degree of specialisation on fast long-distance traffic is perfectly good theory. But what hope is there of slimming the railway system to this scale of operating efficiency? The case for discrimination of charge according to quality of service deserves more consideration than the report suggests.

It is thus an interested, as well as an interesting, case that the Commission has to state—a case in which defects of organisation and policy are tactfully veiled. The Commission seems convinced of the essential rightness of most of the things it is doing, and deplores the wrongness of many of the attitudes of Government, workers and transport users towards its efforts to improve the nation's transport service. Its complaints about charges would be more acceptable if the public were convinced that rising costs were the only factor responsible for the deficit. And its rather remote theoretical approach to some of the crucial problems of railway operations would be more welcome but for the painful fact that the railways are not working well.

Dearer Commercial Credit

THE process of levering up the charges made to commercial borrowers was extended to a further segment of the financial structure at the beginning of this week, following an announcement of an immediate increase in the rates charged by the discount houses and clearing banks for the discount (or re-discount) of bills of exchange—including both bank bills and trade bills. Observers in the City have rightly linked this move with the news, a fortnight earlier, that the clearing banks were embarking upon a roughly simultaneous (though not otherwise specifically concerted) policy of raising their interest charges to borrowers on loans and overdrafts. Rather unexpectedly, City opinion has not, however, jumped to the further conclusion that this quickly following rise in commercial bill rates should be regarded as a sign that the trend towards dearer money will rapidly become still more general, even though some secondary repercussions are bound to develop. That, at least, is the impression conveyed by this week's quite unforeseen strong recovery in the prices of short Government bonds, for these would be vulnerable to any widespread fears of possible disturbance of the basic structure of money market rates—and still more so, of course, to any expectations of change in the long-stabilised Bank rate. On this occasion, the public has achieved a better perspective than usual, or than was to be expected.

For all that, it needs to be emphasised that this further advance in rates, like its predecessor, derives not from any conviction that dearer money may be of itself a necessary and effective means of restraining inflation—or, still less, from any deliberate effort by the monetary authorities to impose it—but solely from the desire of the ultimate lenders to buttress their revenues against the pressure of rising costs. Obviously, these increases in rates, though perhaps not overtly approved by the monetary authorities, have not been forced through in the face of official disapproval; but the authorities, in thus standing aside and allowing the commercial banking system to decide for itself the terms on which it will lend to commercial borrowers, are not really making any new departure in policy. They are merely recognising, in a further sphere, the wisdom of the principle they have followed more or less carefully ever since the collapse of Daltonian monetary objectives—the principle of allowing "natural" forces to decide the level of rates.

Although this principle was applied first in the gilt-

edged market, where it impinged very directly upon the cost of medium and long term borrowings by the Government itself, there is no sign that the authorities are any more disposed to see it extended to the market for their own short term borrowings than they have been at any time in the post-Daltonian phase. Naturally, the clearing banks would be still better pleased with an increase in the return to them from their lendings to the Government on floating debt (provided that this did not compel them to pay more to their depositors) than with the increase they hope to secure from their commercial financing ; but all recent evidence tends to prove that these rates on floating debt will not be raised (not, at least, perceptibly) unless and until the authorities are converted to the view that dearer money in principle, and this kind of dearer money in particular, is a necessary adjunct to their basic economic policy. The case for using this auxiliary weapon of disinflation was recently reasoned at length in these columns ; but there is no reason to suppose that the official mind is noticeably inclining in that direction—yet. Nor does it seem probable that the commercial banks will plead for action on these lines, even if they felt (which they surely ought not to feel) that their own revenue needs would weigh at all heavily with the authorities. Any general increase in the basic structure of money market rates could scarcely leave the banks' deposit allowances immune, and might even revive demands for a resumption of interest payments on current account balances—a change that would certainly not suit the banks' book.

*

Given, therefore, the stabilised structure of floating debt rates, the adjustment of other rates diminishes one set of anomalies merely at the expense of creating or widening other sets. It had been known for some time that the discount houses hoped for a further opportunity to edge up their discount rates for commercial bills; but, in the event, the rate offensive of the clearing banks on a wider front provided both the initiative and the opportunity, with the result that the increase announced last week was much larger than the market could possibly have imposed solely on its own account. In the early postwar phase, the rate at which the discount houses stood ready to lend to commercial borrowers who offered first-class bank acceptances (of three months currency) was less than one thirty-second of 1 per cent above the rate the market earned on British Government Treasury Bills ; its commercial rate was 17/32 per cent per annum, admittedly a quite inadequate return. Over a period of several years, this rate had been laboriously levered up, in several steps, by 5/32 per cent, to 11/16 per cent. Now, at one swoop, it has been increased by twice that amount—by 5/16 per cent, to the round figure of 1 per cent.

These rates are equally applied by the clearing banks to their own direct discount of bills, but the proportion of commercial bills thus secured is not very large ; the greater part of their bills are obtained by re-purchase from the discount market after part of their life has expired. Until then, the bills are carried by the market on call money borrowed from (mainly) the clearing banks on the security of the bills. The rate at which the banks purchase bills from the market was formerly 5/8 per cent ; it will now be 7/8 per cent. Correspondingly, the rate at which the clearing banks lend to the market on the security of bills (Treasury as well as bank) was formerly 1/2 per cent ; for bank bills it will now be 3/4 per cent, with the rate for Treasury bills unchanged at 1/2 per cent. In other words, four-fifths of the additional gross sum that the discount house receives from the commercial seller of the bills (i.e., the commercial borrower) will be passed on to the clearing banks, if those banks continue not only to buy the shorter bills from the market but also to finance them during the early part of their life.

There is, in fact, some possibility that the clearing banks will tend to lose business in both these directions, and especially in the latter ; and to that extent their effort to improve every apparently expandable source of revenue will be frustrated. Many non-clearing banks (and especially the overseas banks operating in London) habitually lend to the discount market on the important short-bond side of its business at rates below those

MONEY AND BILL RATES, 1945-51.

Date of Change*	Oct., 1945 %	Jan., 1948 %	April, 1949 %	Aug., 1949 %	Mar., 1951 %	July, 1951 %
Discount Rates :						
Bank Bills :—						
3 months.....	½	½	½	½	...	1
4 months.....	½	½	½	½	...	1⅛
6 months.....	½–⅝	⅝†	⅝	⅝	...	1⅛
Trade Bills Fine—						
3 months.....	1–1½	...	...	1½–1⅝	1½–2	1⅝–2⅛
4 months.....	1½–1¾	...	...	1½–2	1⅝–2⅛	2–2⅛
6 months.....	1¾–2⅛	...	...	1⅝–2⅛	2–3	2⅛–3⅛
Clearing Bks.' Buying Rate from market	½	...	½	½	...	½
Treasury Bills—	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
End-month av. allotment rate..	10 1.60	9 11.56	10 5.44	10 5.33	10 2.98	10 3.19‡
Money Rates :						
Clearing Bks.' Call Money—						
Against Treas. Bills	½	...	...	...	...	½
Against Coml. Bills	½	...	...	...	...	⅝
Against Bonds	½	...	...	...	...	½

* Except at earliest and latest dates, rates are stated only when changed
† Rate for six months' bills raised to ⅝% in October, 1948.
‡ July 6th.

charged by the clearing banks—mainly at 5/8 per cent, compared with the clearing banks' rate of 3/4 per cent. Now, many of them that are sellers of bills from overseas will prefer to finance these bills themselves rather than sell them at 1 per cent, when the proceeds have to be employed at only 5/8-3/4 per cent ; alternatively, they may deem first-class bills a better security than bonds for loans at 5/8 per cent, thereby offering the discount market a cheaper means of financing its commercial bill portfolios than is now available at the clearing banks. These banks may find that, especially in the matter of their money rate, they have been a shade too greedy.

But, even if the volume of their business in commercial bills (both by loan and purchase) is not thus scaled down, the potential addition to bank revenues from this substantial rise in rates is not large. If the total volume of commercial paper that commands prime rates is put at £200-£250 million, and if it were all to be in three months' bills, the potential additional yield in a full year would be about £625,000-£780,000, of which roughly four-fifths would accrue to the banks and one-fifth to the discount market. In practice, the clearing banks are unlikely to do as well as this, while the market may do better, though not correspondingly so.

In any case, although the discount market gets only a moderate proportion of the increased gross return, the change is of much greater importance for it than for the banks. If it succeeds in maintaining the volume of its commercial bill business, the net return from it would, at a rough estimate, be improved by some 60 per cent—and, if it succeeds in securing any appreciable proportion of bill finance at the 5/8 per cent rate that would undercut the clearing banks, the proportionate gain would be larger still. Even so, the amounts involved are not large. Although the financing of a first-class commercial bill has lately been four times as profitable as that of a Treasury bill, and will now be at least six times (ignoring any reserve that might be deemed necessary for risk on the former), the volume of Treasury bills passing through the market is roughly eight times the volume of fine commercial paper, despite the latter's recent substantial expansion. On the best reckoning, therefore, the market's revenue from commercial bills is still likely to fall short of that from Treasury bills. And although revenue from bill business as a whole is now undoubtedly covering the market's administrative costs (whereas, until a few years ago, this business had been consistently showing a gross loss), the important source of the market's profits is still its business in short bonds. The investment implications of these rate changes, for those interested in bank or discount shares, are not, therefore, of any great moment.

Meanwhile, this further stiffening of bill rates—the extent of which suggests that a further move is improbable unless and until the basic structure shifts—will prevent the rise in loan and overdraft charges now in progress from widening still further the spread between the costs of financing by these two, to some extent competing, methods. For a time, indeed, the spread will probably be somewhat narrowed, and this may help to reinforce recent efforts by the banking system to ensure that so-called "finance" business (which has strongly invaded the discount market in recent years) proceeds by bank advances, while bill credit is more closely confined to genuine self-liquidating finance. At all events, the rise in bill rates will prevent borrowers from using the bill market merely as a possible means of escape from increased charges for overdrafts. But if, in such ways as these, the new adjustments of rates for commercial credit tend to reduce some anomalies, and also to narrow the disparity between these rates and the yields on long-term Government securities, they widen very markedly the margin between the cost of short-term credit to the Government and to the private borrower. The prime commercial bill rate is now virtually twice the rate for Treasury bills—whereas in former times, thanks to the insistence of Continental banks upon "two-name" paper (leading them to refuse the "one-name" bills of the British Government), bank bills regularly commanded a premium over Treasury bills. That, perhaps, was irrational ; but the new pattern is surely even more so.

Business Notes

Gas in the Market

The debut this week of a bulky issue of Gas stock—the Gas Council's first approach to the public for cash—has not provided the occasion for any such light-heartedness among the assembled company as greeted the appearance of compensation stock when the Gas industry was nationalised just over two years ago. The new debutante wore a rather weary air, and was not attired with any particular distinction ; while the sponsors, having apparently watched threatening skies for some time, were evidently anxious to get their protégé through her ordeal before a brief spell of thin sunshine petered out. In other words, the timing of this issue does not suggest that the authorities have any high hopes about the weather that lies ahead. They have seized the first opportunity since hopes of an outbreak of peace lifted gilt-edged prices above their worst levels. In the third week of June prices were standing well below their 1949 lows, with 2½ per cent Consols at 64¼ and yielding over 3⅞ per cent ; by the end of last week a fairly sharp and general recovery had lifted the price of this stock to 65⅞, in a narrow market.

Such was the setting for last Monday's announcement of the new issue—£75 million of British Gas 3½ per cent stock, 1969-71, guaranteed by the Government and offered at 98. At the new level, this was reasonably in line with the market, for the yield of £3 12s. 10d. per cent to the final date was a penny or twopence more than that then obtainable from the 3 per cent Electricity and Transport stocks dated 1968-73. Sixty per cent of the money has to be put up before the end of this month (with no further call until end-October), evidently because £48.6 million is to be used to repay temporary borrowings ; the balance is required for new capital outlays and for working capital. The lists opened and closed on Thursday, but it seems evident that the stock has not aroused any substantial interest among the institutions ; the "departments" have obviously had to do a big job—as they doubtless reckoned to do. The market has apparently assumed that the subsequent marketing process will be carried through with the restraint that has been noticeable in similar operations in the past year or so. At all events, after faltering on the first rumours of the issue, prices have been well maintained, Consols gaining a further ⅛ to 66—at which they yield £3 15s. 10d. per cent flat, or 2s. less than three weeks ago. Over this same period, the final redemption yield on the 1968-73 Electricity stock has dropped by 1s. 8d., to £3 12s. 9d. There is no real confidence, however, that the resistance point that has lately developed in the market's slide will be firmly sustained. The institutions have lately shown some revival of interest, but it has not been large.

* * *

Allocating Scarce Materials

The International Materials Conference in Washington is showing results after its three months of deliberations. An emergency allocation of newsprint amounting to 12,550 tons was recently announced ; 3,000 tons went to France and the remainder was shared between India, Pakistan, the Philippines, Malaya, Greece, and Jugoslavia. Last week-end allocations of tungsten and molybdenum were announced for the third quarter of this year. Some 2,800 tons of tungsten was available for distribution ; of this, 1,253 tons has been allocated to the United States, 695 tons to Britain, 290 tons to Germany, 280 tons to France, 210 tons to Sweden and the remainder divided between Canada, Jugoslavia, Australia, and Spain. Most of the 4,400 tons of molybdenum allocated has gone to the United States (3,420 tons) ; Britain is to get 515 tons, France 195 tons, Germany 125 tons and Sweden 100 tons. A reserve of 45 tons is to be held to meet requirements of other countries not yet notified to the Conference.

The two other committees dealing with non-ferrous metals expect to recommend allocations for the fourth quarter of

1950. The allocation for sulphur recommended for the third quarter of this year is 1,400,000 tons; a total of 286,400 tons has been fixed as the export quota, of which the United States will supply 250,000 tons, Norway 18,700 tons and Italy 17,700 tons. Britain's allocation for the quarter is 106,300 tons, of which 105,000 tons will be imported; the balance is to be made up from home production and from a reduction in stocks. Britain is thus getting more than in either of the first two quarters, so that the fear of an immediate sulphur shortage would seem to be allayed. No allocation is expected for cotton, as the United States has already released 2,500,000 bales of cotton and 100,000 bales of cotton linters on the assumption that its new crop will total 16 million bales.

All these arrangements are to some extent makeshift. They are by no means a detailed marketing scheme but depend for their success on the good will of the participating countries in honouring their export and import quotas and in keeping within their total allocation. Such a procedure is expedient at this stage. It should ensure that the immediate shortage is surmounted without the almost interminable negotiations that would be necessary to introduce a more rigid or permanent scheme. But the worries of the IMC are only just beginning. Maximum and minimum prices have been suggested for a number of key materials. Producers are willing to accept these only if the minimum price is guaranteed for a period as long as two or three years, which implies more permanent arrangements than IMC has yet envisaged. Producers are also asking for guarantees that they will be able to buy the manufactured goods that they want at reasonable prices. These problems will occupy much time and argument. It is as well that the commodity committees have restricted themselves in the first instance to the narrower task of apportioning in a practical way such supplies of scarce materials as are available.

* * *

Six Months' Steel

Too many special circumstances have affected steel output in each year since the war for any "normal" seasonal pattern of output to be drawn from the production figures. The weekly average of 313,600 tons of crude steel produced during the first six months of this year, which represents an annual rate of 16,306,000 tons, does not imply that such a total will be produced during the whole year; but no satisfactory correcting factor can be applied to derive from this a clear forecast of 1951 output. Summer holidays fall mainly in the third quarter of the year, though even this factor varies quite considerably in its incidence: upon last year's pattern of output, the production so far would suggest a final total some 300,000 tons lower than last year, or just under 16 million tons. But there is hope in the industry that raw material difficulties may affect output in the second half of the year rather less than they did in the first; and the British Iron and Steel Federation remains confident that its estimate of 16 million tons will be reached.

Success in doing this depends to a large extent upon the industry's drive to recover home scrap, from which the early results were encouraging. The Minister of Supply has passed to the nationalised Iron and Steel Corporation the recent recommendation by the Select Committee on Estimates that a rise in scrap prices would be necessary to bring in the final reserves of capital scrap, though in doing so he neatly prejudged the issue by adding that he was not in favour of a rise in price. This week an expert panel on scrap supplies of the Economic Commission for Europe has again urged countries to adopt "price policies that would encourage maximum collection." Any change in the price of scrap, however, is at present perhaps less urgent than changes in the prices of steel products: most grades of British steel are by far the cheapest in the northern hemisphere and are uneconomically low in price—conceivably by more than £3 a ton. The Minister has not lacked constant reminders of this fact from the private and nationalised central organisations of the industry: and his delay in reaching a decision can only suggest that he prefers to control supplies by hastily improvised priority systems. It is not the first time since the war that physical control of steel supplies has been in operation while prices have been kept artificially low, thus increasing the very demand that makes the control necessary. Complaints have already been heard this week from the cycle industry that one of its largest factories may have to be closed for a week this month unless steel supplies are increased: negotiations between the firm and the Ministry of Supply may give an interesting demonstration of the way in which the need for "Preferential Treatment" priority in civil orders is to be interpreted.

* * *

Commodities Still Falling

Few outstanding movements have occurred in commodities during the past week. Most of the commodities, including cocoa, jute, flax, tin, wolfram, shellac and tallow, that were affected by the decline which set in on June 25th have fallen further. There has been a slight recovery in rubber, sugar has remained firm, and lard has risen again. Maize has also made a further advance to 178 cents per bushel, but the market is almost nominal with very little business. Cotton has fallen slightly in New York on the estimate of the cotton acreage planted; this is officially put at 29½ million acres, the largest since the war. The sharp fall in flax during the last three weeks is not primarily attributable to peace talks in Korea. Purchases of flax were so heavy at the end of 1950, and in the first part of this year, that spinners' stocks are as large as they can finance. Moreover,

COMMODITY PRICES

	1950	1951					
				June		July	
	June	Feb	Mar	20	27	4	11
Wheat (cents per bushel)	216⅜	243⅛	245⅛	236⅛	234½	233½	237½
Maize (cents per bushel)	148	178⅛	177½	166½	166½	169⅛	178
Sugar, Cuban (cents per lb.)	4·30	5·25	5·5	8·05	7·10	7·0	7·0
Cocoa Gold Coast (s per 50 kilos)	257½	307	315½	299	280½	256	239½
Coffee, Santos (cents per lb.)	52·5	56·25	56·25	54·875	55·75	54·75	54·75
Jute (£ per ton)	120	165	193	220	219a	208	206
Flax, Courtral (£ per ton)	335	493	505	498	492	489	489
Tin, London spot (£ per ton)	601½	1,422½	1,255	965	950	905	881½
Wolfram (s. per unit)	126·9	670	550	575	580	542½	535
Antimony 99% (£ per ton)	160	360	360	390	390	390	390
Castor oil (£ per ton)	120	280	300	330	330	330	330
Tung oil (£ per ton)	218	295	295	300	300	310	310
Shellac (£ per ton)	237½	398½	365½	367½	355	348½	345
Rubber, spot (d. per lb.)	24	72	62⅝	47⅛	45½	44	44⅛
Tallow (cents per lb.)	4½	18½	14½	13	11⅛	10⅛	9½

(a) Price at June 24th.

big crops are expected in Holland, France and Belgium, where high prices have encouraged a substantial increase in the flax acreage. The truce talks have ensured that buyers of flax will stay out of the market until they calculate that the bottom has been reached.

The fall in jute has been less pronounced than in the previous week; the large Indian and Pakistan crops are late, but supplies later in the year should be good and the price remains basically weak. Sisal has also fallen slightly for the first time since the beginning of June. Tin fell £26 per ton during the week to £879, and is thus still some way above the sterling equivalent (£848) of the price set for American purchases by the Reconstruction Finance Corporation. Wolfram has fallen to £535, and some market judges expect it to fall further.

* * *

The Last Bale

The wool sales that opened in London this week are a memorable occasion, for the last bales of the stock of

10¼ million bales of wool accumulated during the war have been offered by the Joint Organisation. In May, 1945, when the United Kingdom—Dominion Wool Disposals, Ltd., was formed to undertake the task of liquidating this large stock, together with current clips, in an orderly fashion, the operation was expected to take thirteen years. The task has been accomplished in six years, and at no time during this period could it be claimed that wool prices were depressed. On the contrary, prices have risen almost continuously since the first auctions were held in September, 1946; the only major break occurred at the end of last March.

The successful disposal of this wartime stock has been attributable to what seemed to be an almost insatiable demand for wool textiles. But the system of reserve prices protected woolgrowers against the possible depressing effects that the marketing of such a large stock might have had, and it also encouraged them to expand their output. For the five years, 1946-1950, world wool consumption has averaged 2,465 million lb (clean) a year and during this period the annual clip has increased from 2,101 million lb (clean) to 2,270 million lb. This year, world consumption has shown signs of falling and is now around 2,375 million lb; but this is still larger than the annual clip, and the level of stocks throughout the world is low. On April 1st wool stocks in the United States totalled only 175 million lb—say 3½ months' supply—compared with 198 million lb twelve months earlier. British stocks are no larger.

Prices this week in London were a little firmer. They averaged about 20 per cent lower than at the last London sales held in May, but they were fully at par with the slightly higher prices that ruled in the Australian market at the end of last week. No major recovery, however, is likely until American buyers reappear on a large scale, and that is not expected until towards the end of this year. One possible effect of the recent fall in wool is that Australian woolgrowers may become more sympathetic to the new Commonwealth marketing scheme that is to succeed the Joint Organisation. A referendum is to be held early next month, and the Australian Government has announced that it will abide by the woolgrowers' decision. New Zealand sheep farmers who would prefer to rely on the normal mechanism of the market have been given no choice.

* * *

Persia's Sterling

Since the outbreak of the Anglo-Iranian dispute little mention has been made of the sterling held in London on Persian account. There are several possible reasons why the British authorities have not announced any official embargo on this sterling, despite the unilateral expropriation of the Anglo-Iranian Oil Company's property in Persia. The first of these is the British desire not to push the Persian authorities to more extreme measures than they have already taken; the second is the fact that an unofficial and undeclared blocking of these balances may already have taken place; and the third is the belief that there is not enough in these accounts to make such a step worthwhile. After the devaluation of sterling it was announced in Parliament that about £10 million had been paid to Persia under the revaluation guarantee on its sterling balance. This suggests that Persia must have held approximately £25 million in its sterling account at the time of devaluation and that the revaluation payment raised the balance some £35 million. A press message from Teheran this week reported that about £16 million remains in Persia's sterling balance and that the Persian authorities are taking steps to withdraw this sum.

Even without an official embargo, the proposed act of withdrawal may present some difficulty. Persian sterling has always been in a somewhat special category. The very substantial sums that were accumulated on Persian account dur-

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Spotlight on Australia

In the business world today attention has been focussed on the remarkable industrial development in Australia. The Union Bank of Australia has therefore published two Booklets: "*Industrial Australia*" containing authoritative information on industrial resources, markets, labour and finance, "*Company Formation in Australia*" providing a general guide to Company Law with notes on current taxation and the establishment of a business in the Commonwealth. Anyone contemplating business in Australia, will find in these Booklets the preliminary information they require. Copies of these Booklets will be sent on request.

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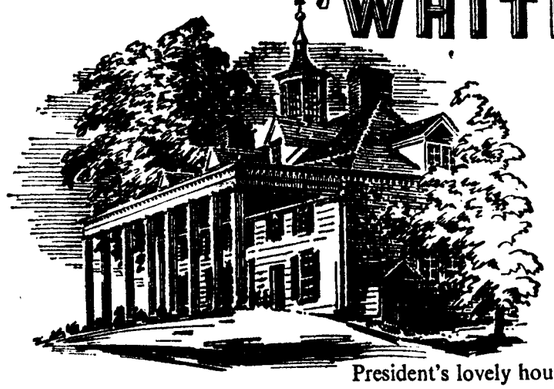

The year was 1793. George Washington's estate manager wrote post haste from Mount Vernon, the President's lovely house in Virginia. "*Indeed,*" said he, "*there is a Great deal of painting wanting. The pillars of the Piazza are very naked . . . if Your Excellency Chuses to have them done there is no danger of sending too much White Lead.*" Four days later came Washington's reply: "*I will, by the first Vessel to Alexandria, send oil and paint agreeably to your memorandum . . . I will have both sides and ends painted and sanded, as well as the Pillers.*"

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ing the war—largely as the by-product of payments for oil and of Allied expenditure on the construction of road and rail transport routes to Russia—were protected by a generous gold guarantee. In 1947 this specific gold guarantee seems to have been replaced by the looser revaluation guarantee that was successfully invoked in 1949—and by the promise of conditional convertibility into hard currencies. The exact terms of these provisions have never been published; they are contained in a "Memorandum of Understanding" exchanged between the two central banks. It is understood, however, that this agreement, which was last renewed in 1950 and falls due for further renewal next November, gives Persia permission to convert sterling into hard currencies to pay for goods that are "not obtainable on competitive terms from the soft currency area." The interpretation of any such a loose agreement would give plenty of scope for differences of view. This elasticity may be put to its test if the Persian authorities are now requesting, as the messages from Teheran suggest that they are, the immediate withdrawal of their sterling balance for what are obviously not commercial operations.

* * *

More Women at Work

The employment figures at the end of May reveal that the total working population increased by 20,000 women. The total number in civilian employment increased by 46,000, of which rather more than half seems to have come from a further reduction in the already low numbers of unemployed. The unemployment total of 191,000 in the middle of June was about 25,000 lower than in May, resulting in the phenomenally low rate of unemployment of 0.9 per cent, compared with 1.4 per cent in June, 1950.

The most significant changes in civilian employment during May, apart from large seasonal increases in agriculture and in catering, were declines of 5,000 in the metals, engineering and vehicles group of industries and of 700 on colliery books. This shows that the increase in total numbers employed is not necessarily going to the right jobs to meet the increasing needs of rearmament. Much switching from one industry to another is still likely to be necessary. But the return of women to work—in which the pressure of rising prices may have played some part—should be of valuable assistance.

COMPARISON OF MANPOWER FIGURES IN GREAT BRITAIN
('000)

	End December 1949	End December 1950	End May 1951	Change December 1950 to May 1951	Govt.† Forecast End 1951
Total working population	23,000	23,225	23,287	+ 62	23,350
Men	15,825	15,921	15,937	+ 16	...
Women	7,175	7,304	7,350	+ 46	...
H.M. Forces	725	752	822	+ 70	850
Civilian employment	21,904	22,145	22,256	+ 111	22,200
Registered unemployed	360	328	191*	− 137	300

* At June 18, 1951. † Economic Survey, 1951. *Source:* Ministry of Labour.

The table shows the changes in manpower since the end of 1950. The fall in the unemployed figures has been at a much higher rate than during 1950 and has gone faster than was forecast in the Economic Survey. Unemployment fell by 32,000 during 1950, but in the first five months of this year there has been a fall of no less than 137,000. Some 35,000 women have entered employment during 1951, the May entry being particularly good. There is still a useful reserve of women that might be recruited, though their number must be falling fairly fast. The total number of women at work exceeds the figure for 1943; but the change in the compilation of the figures in 1948 prevents a precise comparison.

Policy for Fuel

Nationalisation, which largely freed the main fuel and power industries from the discipline of the market, both in the sale of their products and the raising of their capital, inevitably placed upon the Ministry a responsibility for co-ordinating their development. This job of super-planning is one from which any practically-minded person might flinch, and in times of abundant fuel the wisest practice might well coincide with the easiest—doing nothing, and allowing the industries to "compete" with each other. Even in theory, this competition is complicated by the duties laid upon these industries' governing boards to care for their consumers as well as their own economic interests. In practice, it is complicated by the fact that two of the three are secondary fuel industries processing the increasingly scarce product of the other.

The composition of Mr Noel-Baker's committee, whose terms of reference would appear to be wide enough to comprehend even the vast complexity of fuel technology, utilisation, and economics, has not yet been announced. It is to be hoped that it will be drawn from independent persons of scientific, engineering, and economic training, and not from the nationalised industries, though it might recruit for special investigations panels of experts from within them. The most likely result from any panel set up on a "representative" basis would be a failure to agree; the second most likely result, and possibly more dangerous, would be an agreed report or set of formulas in which the three monopolists concerned would agree upon their spheres of interest.

The writ, as described to the miners' union and in Parliament, is vague. What questions would the committee need to answer? A first task might be a collation and reassessment of the huge weight of experimental and operational evidence that has been produced upon the various types of fuel comparisons involved; this data is of varying value and in some cases contradictory. The main assignment, obviously, would be the assessment of primary fuel reserves, of new potential sources of energy, and of resources for processing them into secondary fuels; a study of future demands; and as clearly as possible, estimates of real costs, thermal efficiency, and the time within which resources or processing capacity might become available. The task is enormous, and the answers are unlikely to be clear cut. But there are certain immediate problems upon which the committee might be able to deliver interim reports in time to influence short-term policy, and their re-assessment of data might well reveal questions upon which specific research by existing organisations might fairly rapidly provide definitive answers. The work might be lengthy, and expensive, if it is to provide fruitful results. But some such "operational research" may well be necessary to narrow the uncertainties of future investment in the production of different fuels.

* * *

Freight Rates Decline

A noticeably easier trend in freight rates has set in, except for a few sections of the tramp market. Sugar and sulphur charterers, for example, appear to have covered their more urgent needs and the latter have secured vessels recently at rates reduced by some 17s. 6d. per ton. Chartering for old crop wheat from the St. Lawrence appears to have subsided, and such vessels as are still being fixed are accepting lower rates. In eastern waters tonnage is easier, and declines of as much as 40s. per ton have occurred for shipments of North China cereals and Indian coal. Even for iron ore, which has been a strong section of the market for some time, freights have declined noticeably from the peak in the North and West African trades. In the Baltic timber trades, however, now at the height of the season, rates remain as firm as ever. This resumption of usual seasonal movement indicates that the worst effects of the winter

panic are diminishing; and it is probable that a cessation of hostilities in Korea would release a further batch of tonnage for general trading. In anticipation of this, shipowners are tending to show more interest in offering their vessels on time charter, while charterers feel that they are now in a better bargaining position. Both parties, however, must take into account the possibility that the departments may once again be caught out of position in the shipping market. An interesting sidelight on the difficulties of Government departments in "working the market" is thrown by the recent incursion of Mr Richard Stokes into the shipping business. When in Washington, at a time when there was a scarcity of tonnage for iron ore imports, he arranged for several cargoes to be lifted from North Africa by American Government vessels, at rates (payable in dollars) rather below current levels, but excluding costs of loading and discharge. By the time these cargoes start moving, it seems likely that spot tonnage will be available, in sterling, at much lower rates.

Meanwhile the chartering of tramp tonnage by the liner companies continues, although at slightly reduced rates. There are considerable arrears of cargo for eastern and southern destinations, and shippers by liner should not expect too early a reduction of the special surcharges introduced to cover the extra costs of chartering additional tonnage. The Australian conference has now spread this surcharge over cargo shipped by all vessels. Whereas a 40 per cent. surcharge was imposed on cargo shipped by extra vessels, this has been altered to a surcharge of 15 per cent on cargo shipped by any vessel. In addition there is a 10 per cent surcharge to compensate for the hold-up of ships in Australian ports.

* * *

Defeat on Plasterboard

It appears likely, from Mr Ede's guarded reply in the Commons this week that after annulling, in accordance with the decision of the House, the three price control orders recently imposed upon certain products of the British Plaster Board Group, the Government will probably bring in three similar orders and use its slender majority to secure their acceptance. If only for political reasons—to reverse an unexpected and galling defeat—this was perhaps to be expected: it is still reprehensible.

Mr Brown's lengthy and ingenious defence of his action in controlling by statutory order the prices of plaster, plasterboard and gypsum made by this one firm, and not those of its competitors, failed to convince the House. He argued that the actual price set was fair, and that the computation of allowances for replacement of assets upon the basis of historical costs placed the British Plaster Board group in no worse position than many other firms throughout industry. It is upon these financial details that the Palmer Committee on price control, to which the case was referred by the Minister, may in the meantime have offered some advice.

Upon the question of controlling the price of one producer at a lower level than those allowed to its competitors, Mr Brown claimed that he was attempting not to give the more efficient manufacturer a windfall profit by taking care of the less efficient (adducing in his support views expressed by this journal in an entirely different connection). Such a purpose, upon his own argument, might more logically be achieved by setting a fair price for efficient production and letting such producers as could not meet it go to the wall. This Mr Brown felt "ought not to happen by my action," though he agreed that it might happen in a free market. There may be other cases in which output has to be encouraged by the payment of different prices to bring in new producers: but these orders, discriminating against a named firm, go beyond the procedure hitherto adopted. The British Plaster Board group, the Minister said, produced 75 per cent of the industry's output of plasterboard, and therefore achieved economies of size. It has "its source of materials under its own control," while a smaller competitor had to buy materials from a more expensive source—a commercial advantage he appeared to think somehow unfair. His decision that "I ought to have a differential (price) and make sure they both stayed in business," appears to be based upon a dislike of bigness in business. This is, of course, well outside his sphere and entirely outside the purpose of price control.

* * *

Diesels from Rolls-Royce

Lord Hives, chairman of Rolls-Royce Limited, has recently given more details of the company's newly-established Oil Engine Division, to which he referred a fortnight ago in his statement with the company's accounts. This is the first venture of the company into diesel production, and it is hoped to develop a range of "rationalised" diesel engines complementary to the "rationalised" petrol engines that are now in production. By keeping the same bore and stroke throughout, and varying only the number of cylinders, it has been possible to build petrol engines covering a wide power range using common components. The engines themselves have not been in production long enough for the full influence of this development on engineering practice to be assessed, but the War Office, which has specified these standard engines for a range of military vehicles, has given figures showing that the volume of spares needed has already been reduced by 75 per cent. The extension of this principle to diesel design should have the same results over the wide field where diesel engines are used as prime movers.

A new factory has been built at Derby to house the new division. The first engine to go into production there is the 180 horse-power six-cylinder diesel that powers Vickers Armstrong's heavy tractor. A number of "pre-production" models of this tractor are now undergoing site trials, one in Tripoli working in temperatures exceeding 115 deg. F. First commercial deliveries are expected to start in the spring and production will be built up to a rate of 500 tractors a year. The normal working conditions of this tractor, believed to be the largest in the world, have presented Rolls engineers with a number of new problems; its engine will need to be serviced by much less skilled mechanics than usually maintain the company's products. If, in its design, they have been able to make successful allowance for this rough handling, then the tractor will become a direct competitor of the American makes that up till now have been supreme in the field of heavy tractor production.

* * *

Recovery in Rayon

Rayon output figures for May, published last week, bear witness to the remarkable performance of the industry in a period of raw material shortages. Total output was 32.2 million lb., about three per cent higher than in April and two per cent higher than in May, 1950. Though output in the first quarter of the year was some ten per cent lower than in the last quarter of 1950, it has since recovered considerably; at present it is running rather higher than in the first half of last year, though a little below the higher level of production in the second half. This has been achieved in the face of a 20 per cent cut in supplies of sulphuric acid and carbon bisulphide derived from American sulphur, and shortages of woodpulp and cotton linters.

Assiduity in searching out supplies of sulphuric acid from sources outside America, and drawings upon stocks of raw materials, appear to have enabled the rayon producers to limit the effects of these shortages upon output. The statistics published make no distinction between viscose and acetate yarns, and it is therefore impossible to judge whether the second, which requires less sulphur derivatives in its manufacture, represents a larger proportion of output today than before the shortage. Output of continuous filament

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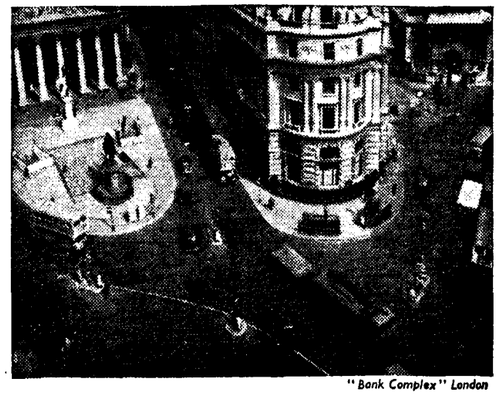

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yarn has been maintained at a steadier level than that of staple fibre, of which deliveries have been supplemented by drawings upon stocks held by producers and spinners. Deliveries of both have suffered even less than has production; in the first quarter total deliveries of yarn and staple

PRODUCTION OF RAYON, 1950-51
(including other synthetic fibres)

Million lb. Per Month	Continuous Filament Yarn Single	Staple Fibre	Total
1950 :—			
1st quarter	16·1	14·1	30·2
2nd "	15·8	14·8	30·6
3rd "	16·2	14·0	30·2
4th "	17·8	15·0	32·8
1951 :—			
1st quarter	17·3	12·4	29·7
January	18·5	13·4	31·9
February	16·3	12·2	28·5
March	17·0	11·7	28·7
April	17·6	13·8	31·4
May	18·4	13·8	32·2

fibre were only 4½ per cent below those in the last quarter of 1950. It has to be borne in mind, however, that capacity for the production of rayon staple had been increasing rapidly up to the end of 1950, and spinners were hoping for a substantial further increase during this year.

The first of the sulphuric acid plants being converted to pyrites-roasting should be in production very shortly, and may further assist the industry to withstand the continued restriction upon American sulphur supplies. It is impossible to find anyone in the industry who is eager to forecast the course of production for the remainder of the year, but there is a feeling that the worst effects of the raw material shortages have now been experienced and that apart from August, when production naturally drops, it might be maintained at something approaching the present rate for the next few months.

* * *

Is Sugar Vulnerable?

The 1950-51 world sugar crop was the largest ever harvested. Yet from January until the Korean truce offer towards the end of June, the price had risen fairly steadily. It has since fallen from 8.05 cents per lb. to 7.00, still about 60 per cent above the price just over a year ago, before the Korean war started. These comparisons suggest that sugar might be vulnerable to the influence of peace moves. The rise in recent months has reflected the fact that even bumper supplies were insufficient to meet normal requirements plus governmental and private purchases for stock in Europe and in the United States. Switzerland in particular has during the past year laid in large stocks of sugar, while in the United States some hundreds of thousand tons are held in domestic larders. Moreover, the increase in production has come largely from the European beet crop, particularly in Germany, France and Poland, the effect of which on the world market is largely limited and indirect. Recent high prices have been caused by a real inadequacy of supplies, which was particularly felt as the season advanced; and although hoarding may not continue if international relations improve, it is unlikely that existing stocks will be unloaded on to the market at all substantially in the near future. In addition, the early estimates of the 1951-52 beet crops envisage a smaller output than last season.

Yet the possibility, remote though it seems at present, of adequate supplies and a sharp fall in sugar prices would certainly revive the arguments for an International Sugar Agreement. Cuba, the major world producer, is now less eager for an international agreement than it was late last year; the impetus comes from the Commonwealth producers. By bilateral agreements with the United States, Canada, and with this country (the last is not yet signed), Cuba has secured an outlet for a larger part of its sugar than it expected last year. On the other hand, both Australia and the West Indies are concerned lest in future years the Cuban agreements with Britain and Canada should make it difficult for the Commonwealth producers to market that part of their output that is not covered by the Commonwealth Agreement. Britain is willing to accept the compromise that the agreement with Cuba, which is for 500,000 tons a year, should last for only three years to 1953, when the new Commonwealth agreement comes into force; other guarantees have been given about taking up surplus supplies. The Canadian agreement is for the same period. But this does not satisfy Commonwealth producers, who are apprehensive about the possibility of a world surplus of sugar, given good crops in the next few years and a lasting relief from international tension. Until the recent fall in sugar prices Commonwealth producers were critical of the price of £32 17s. 6d. a ton, which the agreement lays down for this year. This is the familiar dilemma of all such agreements—to get the highest price and an assured market at the same time.

* * *

Unilever and Distribution Costs

The pastime of blaming the "middleman" for the high cost of living always comes into fashion at times of world price inflation; the fact that the consumer price of mass-produced goods often contains 30 per cent distribution costs and less than 15 per cent factory-processing costs is a useful tag for any platform-speaker's notebook. It is therefore particularly welcome that Sir Geoffrey Heyworth should have devoted his address at Unilever's annual general meeting to outlining his views on what should—and what should not—be done to improve efficiency in distribution. Sir Geoffrey revealed that the distribution cost of Unilever's leading brand of margarine in the main European markets currently averages 23.7 per cent of its consumer price (exclusive of purchase tax); the corresponding average for Unilever's hard soap is 30.7 per cent, for its soap powder 36.9 per cent, for its toilet soaps 47.3 per cent and for toothpaste no less than 62.7 per cent. "Distribution costs," in this sense, includes advertising, selling and transportation costs, as well as wholesalers' and retailers' margins. Advertising alone accounts for 3.2 per cent of the United Kingdom consumer price of Sunlight soap and 6.2 per cent of that of Persil; for new products, of course, advertising expenditure is much higher. Unilever's expenditure on advertising seems to be smaller in Continental than in British markets, but advertising expenditure in America requires a greater share of the proceeds of the product—averaging 12.6 per cent for soap powder. Sir Geoffrey believes, however, that it is partly because greater advertising in America speeds up the rate of stock turnover that retailers there can profitably operate on only a 10.2 per cent margin. On this soap powder, in addition, advertising expenditures "sustain the necessary demand to bring about savings in production costs."

The wide spread of distributive margins on Unilever's various products is a measure of differences in distribution services rendered, in transport costs and in the rates of turnover achieved. Sir Geoffrey had no doubt that "it would be simple to increase efficiency in distribution by reducing the number of selling points so that each point reached a technical optimum of turnover, confining their range of action to the immediate neighbourhood around them, allowing only a limited number of standardised products, replacing the element of selling to the retailer by allocation and abandoning advertising. But this "icy ideal" (which is not so very unlike what was achieved during the war) would abolish freedom of choice, put the housewife at the mercy of her allotted supplier, and stifle technical progress as it stifled competition. Sir Geoffrey recommended, therefore, that Government policy should be limited to ensuring freedom of competition and to increasing efficiency by educative processes and the compilation of more statistics (in which it should be helped by the co-operative effort of retailers). In addition, manufacturers should undertake more market research and consumers should be more alert in exercising their freedom of choice. This liberal policy of competition and publicity was qualified only by a cautious advocacy of the preservation of the right of individual resale price maintenance. In Unilever's trading operations round the world, Sir Geoffrey said, "we have found it necessary to provide that conditions for the sale of our products ensure the active co-operation of as wide a variety of distributors as is necessary adequately to serve the needs of the public. . . . Resale price maintenance is one of the methods we have found effective under certain conditions."

Small Savings Progress

The national savings movement was able to announce last week-end that sales of the new 3 per cent Savings Certificates, which were introduced at the beginning of February, have now topped the £100 million mark. It had also, however, to announce that the net excess of withdrawals over receipts on all national savings media in the preceding week had amounted to £5,914,000—the highest weekly deficit since Christmas. Since the beginning of the financial year the movement's excess of repayments over receipts (excluding accrued interest) has amounted to £27,700,000, or only £1,800,000 less than in the corresponding thirteen weeks of last year. This deficit has been run up despite the fact that sales of the new savings certificates have amounted to £54,700,000 in the thirteen weeks compared with sales of £22,600,000 of the old certificates in the corresponding weeks of 1950; moreover, sales of the new defence bonds have amounted to £12,400,000 in the thirteen weeks, compared with sales of less than £4,600,000 of the old bonds in this period last year.

The best measure of the fall in personal savings since the budget can perhaps be found in the fact that withdrawals from past savings (including interest paid out) totalled £276 million in the first quarter of the financial year—or £50 million more than in the first quarter of 1950-51. This has no doubt been one of the factors that has confounded the estimates in the Economic Survey by hoisting personal consumption to a level 5 per cent above its average in the early months of 1950. Had it not been for the timely rise in interest rates last February, the national savings movement would now almost certainly have been showing a very large rate of weekly deficit; even as it is, the funds that have been attracted to purchases of the new certificates and defence bonds may have been largely drawn from other savings media.

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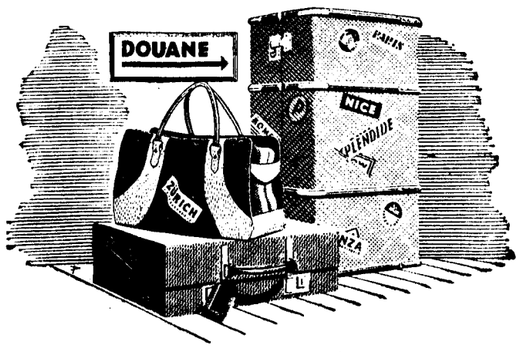

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Company Notes

British Associated Picture.—The closing of the Welwyn studios and the concentration of film production at Elstree helped to reduce ABP's production deficit in the latest financial year and contributed "to a considerable extent" to the improvement in group trading profits from £2,205,624 to £2,594,275. The exhibition of films, however, is the mainstay of the group's activities, and makes by far the biggest contribution to earnings. The rise in gross box-office receipts from £18,722,253 to £18,901,114 in a period when cinema attendances continued to decline reflects a half-year's benefit from the increase in cinema seat prices sanctioned by the Treasury under the Eady plan last September. The exhibitors' biggest headache is the entertainments duty, and in the latest year ABP paid in duty £7,009,305, against £6,891,835, from box-office receipts, representing 37.1 per cent. of gross takings. It was this factor, as much as the fear of rising costs and the need to strengthen liquid resources, which influenced the directors in their decision merely to maintain the ordinary dividend at 20 per cent.

	Years to Mar 31 1950	1951
Consolidated Earnings :—	£	£
Trading profit	2,205,624	2,504,275
Total Income	2,210,419	2,507,863
Depreciation	427,803	436,113
Taxation	1,028,035	1,217,464
Group earnings for ordinary stock	*349,564*	*461,053*
Ordinary dividends	220,000	213,750
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	24,519	26,409
Added to general reserve and carry forward	98,045	720,893
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	15,155,484	18,657,080
Net current assets	*Dr 100,762*	123,560
Film productions, rights, etc.	618,570	450,599
Cash	462,391	680,862
Reserves	4,671,909	5,326,754
Ordinary capital	2,000,000	2,000,000

5s ordinary stock at 12s. 6d. yields £8 per cent.

Perhaps the most satisfactory aspect of the year's results is the substantial improvement in the group's liquid position. Current assets now exceed current liabilities by £123,560, against a deficiency of £100,762 in the previous year, and "secured indebtedness" has been reduced by £1,045,851 to £3,720,864. In the current year rising costs with the almost certain prospect of a bigger wage-bill will, it is hoped, be offset by the new entertainments duty arrangements made with the Treasury.

★

British Plaster Board.—Rising costs and inadequate paper supplies "coupled with the failure to secure Ministry agreement to adequate selling prices" in the second half of the financial year more than wiped out additional profits earned by British Plaster Board in the earlier months, and finally resulted in an actual fall in trading profits from £1,517,961 to £1,439,522. Faced with this situation, the company did not feel justified in voluntarily agreeing to the request of the Ministry of Works to sell plaster board at prices below those set for its competitors and to reduce its profit margins on building plaster; the company, therefore, withdrew from voluntary agreements covering plaster and plaster board, but not that covering gypsum rock. The Ministry then announced three statutory orders imposing maximum selling prices for gypsum, plaster and plaster board produced by the British Plaster Board group. The Ministry's action was discussed in *The Economist* on May 26th and June 2nd; the Government's defeat on July 5th, when these orders were put to the vote, and the decision to re-introduce orders similar in principle, are discussed on an earlier page.

In negotiations with the company, the Ministry was prepared to make allowance for the replacement of plant and machinery built since the war at postwar values, but not for plant erected before the war. The company seems to have adopted a more consistent approach to present day financial realities than the Ministry in deciding to revalue its assets in the current year. As a first step, £75,000 has been appropriated to a central obsolescence and replacement reserve.

	Years to March 31, 1950	1951
Consolidated earnings :—	£	£
Trading profit	1,517,961	1,439,522
Trading income	1,577,379	1,447,460
Depreciation	285,593	297,649
Taxation	673,607	692,298
Group earnings for ordinary stock	*429,928*	*295,079*
Ordinary dividends	265,918	259,271
Ordinary dividends (per cent)	16½	16½
Retained by subsidiaries	8,023	—
Added to general reserves and carry forward	192,043	13,863
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	2,171,493	2,078,396
Net current assets	2,228,281	2,541,818
Stocks	635,663	764,356
Cash	461,420	387,477
Reserves	1,197,529	1,416,695
Ordinary capital	2,900,925	2,900,925

5s. ordinary stock at 15s.xd. yields £5 11s. per cent.

In view of the decline in profits the maintenance of the ordinary dividend at 16½ per cent. was the most that shareholders could expect. Turnover increased substantially during the financial year but there is ample surplus capacity to cope with further demand.

★

W. and T. Avery.—An expansion both in production and orders is reflected in the rise in group trading profits from £1,641,982 to £1,852,283, and stockholders have received their due share in this advance with the raising of the ordinary dividend from 20 to 25 per cent on the old capital before it was increased last month by the hundred per cent. free issue. The directors have taken much of the pleasure out of this operation by issuing a warning that rising costs and expanding business demand more resources, so that equity holders should not anticipate for the current year an increase in the total cash amount distributed.

Some measure of the heavy charge that replacement involves is to be found in the allocation of £72,125 in the two latest financial years to a fixed assets replacement reserve and of £119,775, against £113,325, to a stock reserve. This last appropriation goes more than halfway to match the increase in the book value of stocks from £2,745,066 to £2,940,755. Orders at the present are such as to ensure full production, but the chairman's report does not minimise the difficulties that rearmament is likely to involve in supplies of labour and materials and in the switching of production.

	Years to March 31, 1950	1951
Consolidated earnings :—	£	£
Trading profit	1,641,983	1,852,283
Total income	1,707,815	2,021,535
Depreciation	223,090	234,342
Taxation	801,991	950,824
Group earnings, for ordinary stock	*425,376*	*465,142*
Ordinary dividends	93,960	113,179
Ordinary dividends (per cent)	20	25
Added to group general reserves and carry forward	379,179	505 262
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	1,423,504	1,529,795
Net current assets	*3,820,962*	*4,414,509*
Stocks	2,745,066	2,940,755
Cash	577,092	823,131
Reserves	3,268,141	3,961,032
Ordinary capital	854,178	854,178

£1 ordinary stock at 78s. 9d. xd. yields £3 14s. per cent. allowing for one share bonus.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 4, 1951	Price, July 11, 1951	Net Yield, July 11, 1951 (n)	Gross Yield, July 11, 1951
War Bonds 2½% Mar. 1, 1951-53	101⅛	101⅛	£ s. d. ... 0 6 8	£ s. d. 0 13 3 1 15 5
War Bonds 2½% Mar. 1, 1952-54	101⅛	101⅛	... 0 13 1	0 9 4 1 19 11
Exchequer Stk. 2½% Feb. 15, 1955	101⅛	101⅛	0 16 9	1 17 4
War Bonds 2½% Aug. 15, 1954-56	102½	101⅜ *	0 12 9	1 15 6
Funding 2½% June 15, 1952-57	101⅛	101⅛	6 17 11 ...	2 1 0 1 5 4
Nat. Defence 3% July 15, 1954-58	101⅜	102⅛ *	5 3 9 0 16 8 1 4 11	2 10 1 2 4 8 2 15 0
War Loan 3% Oct. 15, 1955-59	102⅜	102⅜	0 19 10 1 8 3	2 9 7 2 14 4
Savings Bonds 3% Aug. 15, 1955-65	98½	97*	2 6* 1 16 1	3 14 6 3 4 10
Funding 2½% April 15, 1956-61	98⅛	97	2 0 11 1 13 8	3 6 8 2 18 6
Funding 3% April 15, 1959-69	93⅝	93⅛	2 10 5 2 0 5	4 1 1 3 10 8
Funding 3% Aug. 1, 1966-68	93⅜	93⅜ *	2 1 0 2 0 0	3 10 6 3 9 5
Funding 4% May 1, 1960-90	103½	103⅛	1 15 8 2 0 0	3 13 10 3 17 9
Savings Bonds 3% Sept. 1, 1960-70	93⅝	93⅛	2 9 0 2 0 6	4 0 2 3 11 1
Savings Bonds 2½% May 1, 1964-67	90½	90⅛	2 3 8 2 0 8	3 9 4 3 6 3
Victory Bonds 4% 1920-76	104½	105	1 15 2	3 13 4
Savings Bonds 3% Aug. 15, 1965-75	91⅛	89⅜ *	2 8 2	3 18 2
Consols 4% (after Feb. 1, 1957)	97⅛ *	97⅜ *	2 2 0 2 2 10	3 12 3 4 1 6
Conversion 3½% (after Apr. 1, 1961)	89⅝	89⅝	2 1 4	3 19 2
Treasury Stk. 2½% (after Apr. 1, 1975)	65⅛	66⅛	2 0 1	3 16 9
Treasury Stk. 3% (after Apr. 5, 1966)	77⅛	77⅛	2 0 8	3 17 10
Treasury Stk. 3½% June 15, 1977-80	94⅜	95	2 1 11	3 18 5
Redemp. Stk. 3% Oct. 1986-96	84½	84⅜	2 1 6 2 4 6	3 16 0 3 16 11
War Loan 3½% (after Dec. 1, 1952)	87⅞	87⅛	2 2 5 2 2 0	3 14 11 4 0 2
Consols 2½%	66	66	1 19 9	3 15 10
Brit. Elect. 3% Gtd. April 1, 1968-73	91⅛	91⅜	2 4 8 2 3 0	3 15 6 3 12 9
Brit. Elect. 3% Gtd. Mar. 15, 1974-77	90⅜	90½	2 3 0 2 1 11	3 14 1 3 12 11
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	95⅜	96	2 1 1 2 0 9	3 15 7 3 15 3
Brit. Tpt. 3% Gtd. July 1, 1978-88	84⅛	84⅛	2 7 5 2 4 1	3 19 5 3 16 0
Brit. Tpt. 3% Gtd. April 1, 1968-73	91⅛	91⅜	2 4 8 2 2 0	3 15 6 3 12 9
Brit. Gas Gtd. 3% May 1, 1990-95	83⅛	83⅛	2 4 3 2 3 5	3 16 9 3 15 10
Brit. Iron & Steel 3½% Feb. 15, 1979-81	95⅛	94⅛ *	2 1 9 2 1 6	3 15 11 3 15 9

(e) To earliest date. (f) Flat yield. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 6 months. * Ex dividend.

Last Two Dividends		Ordinary Stocks	Price, July 4, 1951	Price, July 11, 1951	Yield, July 11, 1951
(a)	(b) (c)				£ s. d.
%	%				
20	a 40 b	Anglo-Am. 10/-	7⅜	7⅜	3 15 7
5	a 25 b	Anglo-Iran £1	5¼*	5¼	5 14 3
5	a 15 b	Assoc. Elec. £1	93/9	93/9	4 5 4
22½	c 27½ c	Assoc. P. Cem. £1	106/3	106/3	5 3 6
40	c 35 c	Austin 5/-	35/3	34/9	5 0 9
120	b 15 a	Bass £1	149.4¼	150/7½	6 7 0
40	a 40 c	Boots 5/-	57/-	55/6	3 3 1
10	a 6 a	Br. Celanese 10/-	36/3	37/6	2 13 4
8	a 12 b	Br. Oxygen £1	99/-	99/-	4 0 10
5	a 7½ b	Coats £1	63/1½	62/6	4 0 0
5	a 6½ b	Courtaulds £1	49/9	52/6	4 5 9
15	a 17½ a	Distillers 4/-	23/9	24/-	3 6 8
10	c 12½ c	Dunlop £1	66/6	67/-	5 4 6
17½	c 17½ c	Ford £1	58/9	58/1½	4 5 6
11	a 21 b	Gen. Elect. £1	92/6	92/6	3 15 8
15	a 17½ b	Gimbels £1	146/3	152/-	4 4 3
3	a 9 b	Guinness £1	53¼*	53⅛	5 4 11
13½	a 18½ b	Hawker Sid. £1	38 7½*	38/11*	4 10 4
7½	b 5 a	Imp. Chem. £1	53/1½	53/1½	4 10 4
10	c 13½ c	Imp. Tobacco £1	100/-	100/-	6 8 0
15	a 15 c	Lancs. Cotton £1	53 1½*	51/3*	4 17 7
15	a 60 b	Lever £1	52/6	54/4½	4 19 4
15	a 8 b	Lon. Brick £1	58/9	58/9	5 2 2
5	a 8 b	Marks & Sp. A 5/-	98/9	99/6	5 15 5
17½	b 7½ a	P. & O. Def. £1	63/-	63/6	5 0 9
15	a 17½ b	P. Johnson 10/-	41/6	41/-	6 1 0
12½	b 12½ a	"Shell" Stk. £1	95/-	96/10½	4 18 5
3½	a 15½ b	Tube Invst. £1	6⅝	6⅝	3 14 6
8	a 15 c	U. & Newall £1	99 4½	100/-	4 0 0
17½	c 50 c	Union Castle £1	38/6	37/6	5 8 8
2½	a 10 b	U. Sua Betong £1	59/4½	59/4½	16 16 10
27½	b 15 a	Vickers £1	51/-	51/6	4 17 0
		Woolworth 5/-	47/9	48/-	4 8 0

* Ex dividend. (a) Yield basis 10%.

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 7, 1951, total ordinary revenue was £59,083,000, against ordinary expenditure of £53,054,000 and issues to sinking funds £898,000. Thus, including sinking fund allocations of £3,508,000 the surplus accrued since April 1, 1951, is £18,960,000 compared with a surplus of £46,053,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to July 8, 1950	April 1, 1951 to July 7, 1951	8 days ended July 8, 1950	Week ended July 7, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624000	200,945	227,183	15,923	12,720
Sur-tax	128,000	24,600	24,700	1,500	1,000
Estate, etc., Duties	160,000	54,050	57,200	3,450	5,300
Stamps	55,000	13,515	17,600	1,300	1,500
Profits Tax	312,650	49,370	65,600	4,950	11,600
E.P.T.		3,700	...	...	...
Other Inland Rev.	500	50	55	...	...
Special Contributn.	1,500	1,670	990	100	70
Total Inland Rev.	2302400	347,900	393,328	27,273	32,190
Customs	930,500	234,498	264,536	19,065	22,242
Excise	720,500	173,100	184,800	4,900	781
Total Customs and Excise	1651000	407,596	449,336	23,965	23,024
Motor Duties	62,000	5,994	7,095	760	681
Surplus War Stores	20,000	10,446	8,795	34	3
Surpl's from Tradg.	50,000	25,974	25,000	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	2,450	2,700	...	...
Sundry Loans	27,000	1,432	2,833	43	234
Miscell. Receipts	105,000	19,593	16,035	556	2,951
Total Ord. Rev.	4236400	821,385	905,122	52,631	59,083
SELF-BALANCING					
Post Office	179,431	42,700	46,400	2,400	2,200
Income Tax on E.P.T. Refunds	4,900	2,771	1,376	113	101
Total	4420731	866,856	952,898	55,144	61,384

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to July 8, 1950	April 1, 1951 to July 7, 1951	8 Days ended July 8, 1950	Week ended July 8, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	112,157	117,028	5,418	4,327
Payments to N. Ireland	38,000	9,464	9,644	1,281	1,281
Other Cons. Funds	11,000	3,356	3,467	2,377	2,346
Total	584,000	124,977	130,139	9,076	7,954
Supply Services	3612921	647,208	752,515	37,900	45,100
Total Ord. Expd.	4196921	772,185	882,654	46,976	53,054
Sinking Funds	...	3,148	3,508	624	898
Total (excl. Self-Bal. Expd.)	4196921	775,333	886,162	47,600	53,952
SELF-BALANCING					
Post Office	179,431	42,700	46,400	2,400	2,200
Income Tax on E.P.T. Refunds	4,900	2,771	1,376	113	101
Total	4381252	820,804	933,938	50,113	56,253

After decreasing Exchequer balances by £770,308 to £3,292,374, the other operations for the week increased the National Debt by £12,897,742 to £26,312 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	9
Tithe Act, 1936, s. 26	270
	279

NET ISSUES (£ thousand)	
Interest outside Funds and Debt Charge	4,755
Post Office and Telegraph (Money) Act, 1950	750
E.P.T. Refunds	124
Export Guarantees Act, 1949, s. 3(2)	515
Housing (Scotland) Act, 1950, s. 90(2)	650
Local Authorities Loans Act, 1945, s. 3(2)	4,560
New Towns Act, 1946, s. 12(3)	523
Cotton (Centralised Equipment) Act, 1947, s. 21(1)	5,600
Overseas Resources Dev. Act, 1948, s. 17(1) — Colonial Development	750
Misc. Financial Provisions Act, 1946, s. 2(1) — War Damage Board of Trade	1,000
Finance Acts, 1946 and 1947	311
	19,078

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	22,911	2½% Def. Bonds	520
Nat. Savings Certs.	200	3% Term. Annuities	1,410
3% Def. Bonds	295	Other Debt :—	
Tax Reserve Certs.	2,831	Internal	679
		Ways & Means Advances	10,730
	26,237		13,339

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Mean. Advances: Public Depts.	Ways & Mean. Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
July 8	3120·0	2034·9	387·4	...	375·0	5917·3
1951						
April 7	3190·0	1774·8	432·8	...	338·5	5736·1
„ 14	3200·0	1749·3	436·5	...	363·5	5749·3
„ 21	3220·0	1779·5	450·5	...	344·0	5794·0
„ 28	3230·0	1789·8	434·3	...	319·5	5773·7
May 5	3220·0	2040·3	439·0	...	319·5	6018·8
„ 12	3230·0	2015·2	448·6	...	319·5	6013·3
„ 19	3230·0	2035·1	448·4	...	319·5	6021·0
„ 26	3230·0	2043·5	434·8	...	319·5	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
„ 9	3220·0	2114·4	370·4	...	320·0	6024·8
„ 16	3220·0	2090·9	385·4	...	345·0	6041·2
„ 23	3230·0	2108·7	384·5	2·3	345·0	6060·5
„ 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3210·0	2165·1	342·8	...	344·5	6062·4

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
July 7	240·0	306·4	240·0	10 3·19	72
1951					
April 6	240·0	320·3	240·0	10 3·13	67
„ 13	250·0	361·2	250·0	10 2·87	59
„ 20	240·0	364·5	240·0	10 2·60	64
„ 27	230·0	359·0	230·0	10 2·44	48
May 4	240·0	364·8	240·0	10 4·52	15
„ 11	250·0	350·3	250·0	10 2·79	60
„ 18	260·0	350·9	260·0	10 2·80	63
„ 25	250·0	336·6	250·0	10 2·98	65
June 1	250·0	349·5	250·0	10 2·78	60
„ 8	260·0	355·2	260·0	10 2·80	62
„ 15	250·0	344·0	250·0	10 2·88	62
„ 22	250·0	344·0	250·0	10 2·81	62
„ 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70

On July 6th applications for 91 day bills to be paid from July 9 to July 14, 1951, were accepted dated Monday to Saturday as to about 70 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for July 13th. For the week ending July 14th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 13 Weeks ended July 1, 1950	Totals 13 Weeks ended June 30, 1951	Week ended June 30, 1951
Savings Certificates :—			
Receipts	22,550	54,700	3,500
Repayments	33,400	39,400	3,300
Net Savings	*Dr 10,850*	15,300	200
Defence Bonds :—			
Receipts	4,575	12,389	835
Repayments	14,263	12,440	640
Net Savings	*Dr 9,688*	*Dr 51*	195
P.O. and Trustee Savings Banks :—			
Receipts	161,541	171,625	11,499
Repayments	170,477	214,567	17,808
Net Savings	*Dr 8,936*	*Dr 42,942*	*Dr 6,309*
Total Net Savings	*Dr 29,474*	*Dr 27,693*	*Dr 5,914*
Interest on certificates repaid	7,175	9,532	809
Interest accrued	31,135	31,500	2,447
Change in total invested	— *5,514*	— *5,725*	— *4,276*

BANK OF ENGLAND RETURNS

JULY 11, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1365,494,293	Other Govt. Securities	1384,798,533
In Bankg. Department	34,862,530	Other Secs.	673,766
		Coin (other than gold)	3,512,601
		Aut. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	351,197,853
Rest	3,629,778	Other Secs. :—	33,115,337
Public Deps. :—	20,047,910	*Discounts and Advances*	*9,560,845*
*Public Accts.**	*19,368,005*	*Securities*	*25,534,492*
H.M. Treas. Special Acct.	*679,905*		
Other Deps. :—	381,551,444		
Bankers	*291,997,605*	Notes	34,862,530
Other Accts.	*89,553,839*	Coin	606,412
	419,782,132		419,782,132

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

COMPARATIVE ANALYSIS

(£ million)

	1950 July 12	1951 June 27	1951 July 4	1951 July 11
Issue Dept. :—				
Notes in circulation	1308·4	1349·3	1358·4	1365·5
Notes in banking department	41·9	51·1	41·9	34·9
Government debt and securities*	1349·3	1395·8	1395·8	1395·8
Other securities	0·7	0·7	0·7	0·7
Gold and Coin	0·4	3·9	3·9	3·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	18·6	20·4	15·9	19·4
Treasury Special Account	228·7	4·4	9·7	0·7
Bankers	282·9	290·1	300·4	292·0
Others	96·2	86·6	88·0	89·6
Total	626·5	401·5	414·0	401·7
Securities :—				
Government	553·4	326·4	349·5	351·2
Discounts, etc.	18·2	7·9	17·5	9·6
Other	24·5	33·6	22·5	23·5
Total	596·1	367·9	389·5	384·3
Banking dept. res.	48·5	51·8	42·6	35·5
	%	%	%	%
"Proportion"	7·7	12·8	10·2	8·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,350 to £1,400 million on January 10, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 5	78·5	90·16	193 7	112 5
„ 6	78·5	90·16	195 4	113 2
„ 7	Markets Closed		196 2	113 11
„ 9	78·5	90·16	195 8	112 11
„ 10	78·5	90·16	196 10	113 6
„ 11	78·5	90·16	197 9	113 14

COMPANY MEETINGS

LEVER BROTHERS & UNILEVER LIMITED

FREEDOM OF CHOICE NECESSARY FOR CONSUMER

THE HOUSEWIFE AND RATIONALISATION

IMPORTANCE OF ADVERTISING

SIR GEOFFREY HEYWORTH ON THE PROBLEMS OF DISTRIBUTION

The annual general meeting of the members of Lever Brothers & Unilever Limited was held on July 12th at the Hall of the Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2. Sir Geoffrey Heyworth presided. Addressing the meeting the chairman said:—

My Lords, Ladies and Gentlemen, last year I discussed productivity, a subject important to ourselves and also of public interest because of its effect on national economic problems and on the standard of living. In doing so I was dealing with factors that determine the cost of output of a factory.

DISTRIBUTION

This year I shall discuss distribution, referring particularly to the operations needed to get consumer goods from the producer into the hands of the ultimate users. The costs of these operations are often of even greater consequence to the consumer than the production costs in the factory. The consumer price of some mass-produced articles contains for example 30 per cent. distribution costs as against 10-15 per cent. cost of processing in the factory. It is, therefore, worth while having a closer look at the costs of distribution, especially at a time when housewives everywhere are complaining of the high cost of living. The subject is also important for us producers, as the sum of production and distribution costs determines the price of our products and thus affects the quantities which the public are willing to buy. It is mainly from the view point of the producer of consumer goods that I shall discuss some problems of distribution.

First, I shall try to clear away a few popular misconceptions about distribution, and then consider what can be done to improve efficiency in this field.

COSTS OF PRODUCTION

The idea is fairly widespread that costs of distribution are of an entirely different character from costs of production; that they are less justifiable than the latter and that they are probably too high.

Those who assume that costs of distribution are essentially different from costs of production seem to overlook that there are many operations which producers and distributors have in common. Both have to pay for transport—either of raw materials or of finished products. Both have to cover the costs of keeping and handling stocks, both have to pay for their sites and buildings, and for the cost of heating and lighting. Distribution is therefore only a further phase in the general flow of goods from the original sources to the consumer.

Nor are the costs of distribution always separate and distinct from the costs of production. The line of division between them is often blurred and neither can be considered in isolation. It may for instance be that by incurring heavier distribution costs (in such forms as advertising or frequent deliveries) reductions are effected in the costs of production. Or, on the other hand, there may be economies in distribution which can be attained only by increasing the costs of production. Packaging is a case in point. What matters most is the total of the two costs, not their relative proportions. And, always, of course, the success attained in meeting the consumer's real wishes.

The idea that costs of distribution are less justifiable than costs of production is an odd one. The consumer tends to accept costs within the factory—for materials, plant, wages and management—as right, or at any rate as inevitable, while looking upon the costs of distribution, including shop operations and particularly those of the wholesaler, the bogey "middleman," with suspicion. They even seem to be ethically less worthy. Though why the retailer, the wholesaler, the salesman, or shop assistant should be less deserving of a fair reward than the manufacturer, the farmer and the factory or farm-worker, it is difficult to see. But somehow the one reward is emotionally classified as that of a producer—and therefore legitimate—whereas the other reward is thought of as that of a parasite.

DISTRIBUTORS SERVICES TO CONSUMER

This attitude ignores the real value of the services which distributors render to the consumer. They move the goods from the point of production to a place as close as possible to the consumer, they offer them for sale at hours and in a condition convenient to the consumer, they keep sufficient stocks to offer the consumer a choice between various brands and qualities, and in many cases give expert advice on the use of the product. The housewife would be badly off if the alleged parasites were done away with and the impossible task fell on her of collecting her household requirements personally from factories and farms all over the country.

COSTS OF DISTRIBUTION

If, then, the real function of distributors is acknowledged, what truth is there in the popular belief that the costs of distribution are too high? In a way, it is strange that this assumption is so much more general than that the costs of production are too high. Prima facie there is little reason why there should be less waste in the world's millions of factories and workshops—than in the channels of distribution.

Probably the consumer's readiness to suspect inefficiency in distribution, and to pass over the possibility of inefficiency in production merely reflects the fact that the distribution process is partly within the purview of the public whilst production is usually remote.

FUNCTION OF "MIDDLEMEN"

Another explanation is the existence of "middlemen" in distribution, whose function is not readily apparent. In the field of consumer goods these middlemen are mostly wholesalers. They have a real function in that they collect the goods from various producers and keep them in stock for the retailers to draw on in quantities and assortments and at times which are convenient to them.

Now the wholesaler can survive only if the services he renders are worth the margin he charges. Should he try to overcharge the retailer or the producer, then he will find himself by-passed by one or other of them or replaced by a competitor. Therefore, where he exists it is more likely that he reduces the costs of distribution than that he inflates them.

If the scale of prices fixed by producers, wholesalers and retailers results in the consumer being overcharged for a particular class of articles, that situation, which in our trade is most unlikely to arise, would certainly be short-lived because of competition from the co-operative store, the multiple shop, or other traders to whom manufacturing facilities are available.

EXPLANATION OF HIGH MARGINS

What then is the explanation of the high margins which sometimes lie between the amounts which the producer receives and which the consumer pays?

One answer is that there is no obvious reason why the costs of producing an article should always be higher than the costs of distributing it. In most countries it costs less to catch a fish or to grow a lettuce than to carry it hundreds of miles, pass it on to the right retailer and have it available for the consumer, fresh, nearby and at the right time of the day. And all the time the cost of distribution must cover losses from deterioration or even unsalability.

There is, therefore, no reason to assume that the difference between the amount paid by the consumer and that received by the producer should never exceed a certain percentage. A difference of as much as 100 or 200 per cent. may be quite justified. It all depends on the relative costs of the services rendered by the producer and the distributor to the consumer. This relationship differs widely for various articles.

EFFECT OF RATE OF TURNOVER

Another factor which accounts for difference in "spread" between the production cost and the consumer price of various articles is the rate of turnover at the point of sale. A margin of 34 per cent. on a drug of which one package is sold gives the same gross return as a margin of 17 per cent. on a grocery item of the same price of which two packages are sold in the same time. That is why certain articles have retail "mark-ups" as high as 30 or 40 per cent., whilst others leave a sufficient return at 15 or 20 per cent.

VARIATION IN SELLING METHODS

But even within the range of one article or one group of articles it is not possible to find a standard rate which could be regarded as the right reward for the services of the distributors. That is because there is variation in the quality and the costs of the services they render. The product may be sold in a shop, a market stall, a barrow, or from door to door. If it is a shop, this may be located at a busy town centre or in a residential area. A shop may take orders by telephone or by post, as well as from personal shoppers. Goods may be sold on credit, or only for cash; there may be deliveries at the house or cash and carry only. Shops may be simple affairs as in most villages in temperate climates or provide comfortable shopping places and frost-proof storage of goods in countries with severe winters. They may have a large staff to advise and serve customers or they may make extensive use of self-service and labour-saving equipment

A similar variety exists in the operations of wholesalers and manufacturers, and is reflected in their costs. Some wholesalers have to supply shops many miles apart and poorly served by roads, whereas others have many customers close together in large cities. Some stock and distribute a wide range of articles, others specialise. Some will deal only in unbroken cases but others, for instance in the drug trade, will deliver one-twelfth of a dozen—and may provide a delivery service every day.

The manufacturer also uses various methods in making his contribution to distribution. He may sell direct to the retailer, or through wholesalers, or use both methods. His advertising costs vary, depending on many considerations, for example the price and the frequency of purchase of his product. Services to the trade such as assistance in keeping their stocks at an appropriate level and flowing smoothly, which includes such things as frequent deliveries and helping the retailer to make displays, cost more than simply handing the goods over to a wholesaler.

STANDARD MARGIN IMPOSSIBLE

With all this variety required to meet different conditions for different products, how can there be any one standard margin for distribution? The answer is that there can be no such thing, because there is no hard and fast criterion.

As producers of daily necessities in many parts of the world we have had this lesson brought home to us by our own experience. Whilst we have details about our various products from quite a number of countries, we have found that there are so many factors, working in such different and often contrary ways, that it is necessary to know beforehand far more than the figures themselves will ever tell before it is safe to start making any comparisons. The distribution cost of our leading brand of margarine in our main markets in Western Europe, for example, currently averages 23.7 per cent. of its consumer price, excluding purchase tax. This includes our advertising, selling and transportation, and the wholesaler's and retailer's margins. In soaps the distribution averages, obtained from countries within the same area, work out to 30.7 per cent. on hard soap, 36.9 per cent. on soap powder and 47.3 per cent. on toilet soaps, a considerable variation. The kind of circumstances affecting such figures are illustrated by a still more extreme case, that of toothpaste, which, as everyone will appreciate, is mostly sold by chemists who have to provide elaborate services, and also has a slower rate of turnover. The cost of distribution of toothpaste in our average calculation is 62.7 per cent. of its consumer price, excluding purchase tax.

POSSIBLE ECONOMIES

The impossibility of finding or setting up any standard rates for distribution costs, either in total or by classes of trade, does not mean, however, that there is no scope for improvement in this field. Just as we believe that costs of production can be reduced, so, too, we are confident that we can find economies in distribution through the reduction of waste.

In the field of distribution as contrasted with production, the charge is that there is waste in the whole system rather than in the individual establishment. Critics point to the existence of too many shops with too low an average turnover, to competing deliveries of goods in the same streets by a number of suppliers, to the high cost of advertising, etc.

FREEDOM OF CHOICE OR RIGID PLANNING

What, then, can be done to stimulate the drive for efficiency in this much disputed field? From the outset we should realise that in answering that question we are faced with one of the fundamental problems of society; freedom of choice for the consumer or rigid planning by producers or governments. Under the latter it would be simple to increase efficiency in distribution by reducing the number of selling points so that each point reaches a technical optimum of turnover, confining their range of action to the immediate neighbourhood around them, allowing only a limited number of standardised products, replacing the element of selling to the retailer by allocation and abandoning advertising.

RATIONALISATION

These conditions can be brought about by force and legislation as they have been realised to a large extent behind the Iron Curtain. Few people in our western world would like to go quite so far, but some advocates of rationalisation tend to seek a solution somewhere in that direction. Town planners sometimes suggest that one grocer's shop for every "X" houses, and one fishmonger for "Y" families would be ideal. People with mathematical minds are apt to insist on reduction by legislation of the number of shops in accordance with the number of families to be served, or on zoning of deliveries by bakers, milkmen, and greengrocers, to reduce the amount of labour involved.

There is great attraction in some of these ideas. They would undoubtedly help to reduce the costs of distribution, at least from a short-term point of view. But during the war and the postwar period we had a serious warning of the dangers hidden in all this for the consumer. The restrictions from which we all suffered brought about conditions which were not unlike the rationaliser's idea of efficiency. Products were standardised and varieties were limited, deliveries were greatly reduced or abandoned, consumers often had to choose a retailer merely because of his proximity, the scarcity of labour reduced service to a minimum, advertising was greatly reduced and selling to the retailer often took the form of allocation.

The result was that nobody liked it. The retailer complained about the wholesaler, the wholesaler about the manufacturer, and the housewife was convinced that she was the one who mattered least of all. She felt herself at the mercy of her suppliers and had to accept whatever favours they were willing to bestow upon her.

This situation is not necessarily confined to wartime and the period of postwar scarcities. The danger of it is inherent in all proposals which seek to enforce efficiency in distribution by radical elimination of alternatives. They introduce an element of rigidity in distribution and make the trade—both producer and distributor—insensitive to the consumer's needs. The consumer has either to take great trouble in finding the remaining alternatives or to become disinterested and resigned.

FREEDOM OF CHOICE ESSENTIAL

When discussing efficiency in distribution we should, in my opinion, start from the recognition that freedom of choice for the consumer is essential. The housewife, for example, should have a reasonable variety of products and brands to choose from so as to follow her personal taste. She should have freedom to drop one brand of a product if it no longer satisfies her, and pick another—or for that matter, to drop one shopkeeper in favour of another if the latter suits her better. To be able to choose, she must have at her command the whole variety of suppliers whom I have mentioned, from the barrow boy to the luxury-shop so as to choose the one who suits her purse and her requirements.

If there is waste in this system, and there is bound to be some waste as compared with the icy ideal of the rationalisers, it is the price we pay for one of the elementary freedoms of mankind, not perhaps so fundamental as freedom of thought and freedom of speech, but very important for the day to day satisfaction of those who run our households and whose task is already heavy enough as it is. The rationalisers are mostly men.

PRICE OF TECHNICAL PROGRESS

It is also the price we pay for technical progress. Freedom of choice keeps not only the trade but also the producers on their toes. They have to compete for the acceptance of their products by the consumer and this is a most forceful stimulus for technical improvements. We know this from our own experience. The quality of our products is often changed after we—or our competitors—have discovered a means to give more satisfaction, or we develop entirely new products, sometimes competing with our existing lines.

ROLE OF ADVERTISING

It is in this light that we should see the role of advertising. The rationaliser sees waste in advertising and we do not deny that it can and does exist, but we have to look upon it in relation to the whole process of production and consumption. Advertising makes mass production and the benefits that flow from it possible. Let us look at some examples from our own products:—

Advertising is currently at the rate of 3.2 per cent. of the consumer price of Sunlight soap in the U.K., and 1.6 per cent. in Holland. It is 1.2 per cent. of the consumer price of Blue Band margarine in Holland. Soap powders are somewhat more heavily advertised—the figures being 6.2 per cent. for Persil in the U.K., 5.6 per cent. in France.

These advertising expenditures sustain the necessary demand to bring about savings in production costs which, although they cannot be exactly calculated, are probably greater in amount.

ADVERTISING AND STOCK TURNOVER

But there is another advantage. Advertising also reduces the costs of retailing by speeding up stock turnover. This is demonstrated in the United States, where advertising is much more developed than in Europe and requires a greater share of the proceeds of the product. Our current expenditure on advertising in the U.S.A. for soap powder is at the rate of 12.6 per cent. of the consumer price. But the retailer operates profitably with an average margin of 10.2 per cent., which is lower than in Western Europe, so that the sum of the two in the U.S.A. is in line with the countries of Western Europe.

ADVERTISING AND COST OF NEW PRODUCTS

For new products the costs of advertising are often much higher. Then they are part of the initial costs of a new venture, comparable to costs of research and development. There may be waste in this sort of advertising, as there is undoubtedly waste in research. The number of lines which laboratory workers have pursued and then dropped because they proved to be blind alleys is quite considerable. But nobody thinks of abolishing research for that reason, nor would it be wise to abolish introductory advertising. Every once in a while industry makes a discovery and produces something which will satisfy the demand of customers better than the existing products or which fills a gap in the pattern of production.

Advertising is the way of making this known to consumers, getting them to try it out and making sure that the new product gets a proper chance.

Both freedom of choice and the technical progress it stimulates should be considered vital when discussing distribution. Every attempt at streamlining which threatens these essential values is suspect and likely to do the consumer more harm than good. We see the positive expression of this thought in the Anti-Trust Laws of the U.S., the Monopolies Commission in the U.K., and the legislation against restrictive practices in other countries such as Holland and West Germany.

All this is not to say that nothing should be done about efficiency in distribution. There may be a task for governments, for retailers and wholesalers themselves, for us industrial producers of consumer goods, and, last but not least, for the consumer. I shall deal with these possibilities consecutively.

TASKS FOR GOVERNMENTS

The governments, in my opinion, have a negative and a positive task. The former follows mainly from what I have said about the elementary rights of the consumer. Wherever there is a restrictive arrangement, a closed ring or a monopoly, which prevents the consumer from exercising her rights or new traders and producers from entering the field, there is an indication of danger. It is not always realised that the same danger exists when rationing schemes are maintained too long or introduced too early. Rationing often means hardening of trade relations. Quotas based on past performance, by eliminating competition, dull the incentive to give good service. This generally ends in placing the consumer at the mercy of her suppliers, who in turn are dependent on decisions which have little to do with their efficiency.

RE-SALE PRICE MAINTENANCE

At this juncture it is perhaps pertinent to say something about the announced intention of the British Government to bring in legislation regarding Re-sale Price Maintenance. It would take more time than I have at my disposal adequately to discuss this subject. In any event our own practical experience is limited to certain well-defined classes of consumer goods. A full investigation into this subject so far as the United Kingdom is concerned was made by the Lloyd Jacob Committee, whose report was published in 1949. It arrived at two main conclusions:

(*a*) Collective price maintenance is undesirable and should therefore be prohibited.

(*b*) Individual price maintenance by a particular producer is acceptable and should therefore be allowed.

The Government, however, proposes to make all forms of Re-sale Price Maintenance illegal.

In our own trading operations round the world we have found it necessary at all times to provide that conditions for the sale of our products ensure the active co-operation of as wide a variety of distributors as is necessary adequately to serve the needs of the public for which our products are designed. To achieve this requires constant study, and various methods are used according to the circumstances that exist in different places and at different times.

Re-sale price maintenance is one of the methods we have found effective under certain conditions. We have used it to bring about a uniform price for a given brand; and, in different circumstances, to fix for a given brand differential prices graded according to degree and quality of service rendered.

In both cases we make our arrangements directly with our own distributors and not collectively with other manufacturers.

We have found that such arrangements can bring about as low a re-sale price as the average re-sale price that results from complete freedom and at the same time ensure sales in a greater number of retail outlets. Indeed, only when price maintenance is so arranged to take account of the interests of the consumer as well as of the distributor are the arrangements likely to enjoy any permanence.

If the arrangements provide an excessive margin for the distributor, not only are sales restricted to the disadvantage of the manufacturer and consumer, but the policing of price maintenance by an individual manufacturer becomes impossible.

We believe, then, that the right of an individual producer to make arrangements for re-sale price maintenance should be preserved.

I repeat that these observations on re-sale price maintenance are the results of experience in our own field of household consumer goods and are not necessarily applicable to other types of goods.

RAISING STANDARDS OF FUTURE SHOPOWNERS

The positive task which I see for Governments is to stimulate the creation of opportunities for those entering the wholesale or retail trade to have a good level of education, and a fair knowledge of accounting and general trading conditions. I am impressed by the work which the Dutch Government have done in this direction. The use of a licensing system, as applied in Holland to raise the standards of future shopowners, may be an effective means to this end, although I am sure that it will not suit every nation. But there is danger if this licensing system is used to protect the vested interests of the trade by keeping newcomers out, or to satisfy the rationaliser's desire for an orderly framework, at the expense of the consumer. In Holland, so far, this danger has been avoided.

It is, of course, true that in distribution as in production we can reduce cost by increasing turnover per unit. This is what those who would like to reduce the number of retailers have in mind. We should, however, realise that increase in turnover in industry and all the advantages of large-scale production have not been brought about by legislation or restriction, but by letting the most efficient prove their ability—to the consumer, not to a board or a committee.

COLLECTION AND PUBLICATION OF STATISTICS

A second task for Government is the collection and publication of statistics—of which the Census of Distribution at present being taken in the United Kingdom is one example. Its nearest parallel in Holland is the Census of Industry and Trade. The U.S., Canada, Australia, Italy and the Irish Republic have published similar material. We have found that where such background material has been provided, studies of our own particular problems are more effective, and that where such statistics are available at regular intervals so as to enable changes in pattern to show themselves, they have a still higher value. We think for a country to publish such statistics at intervals of five years is a practical objective. The fact that the U.S. have published such statistics for a longer period than any other country probably explains at least in part their lead in the quantity and quality of more detailed and practical studies.

MAIN CONTRIBUTION FROM THE TRADE

The main contribution to efficiency must, of course, come from the trade itself. For instance, it seems to me that there is room for efficiency studies in retail and wholesale businesses as there is in manufacturing. Distributors, too, have problems of layout and equipment, of material handling, and storage. Besides these, retailing has its special aspects of display of merchandise and—if the business has some size—of the flow of customers through the establishment. Taking orders, making deliveries and keeping up-to-date accounts are also activities which may benefit from new approaches. In big enterprises, department stores, co-operative stores and multiple organisations the employment of the necessary specialists presents no greater difficulty than in manufacturing concerns, and in fact there has been a growing recognition of the necessity for studies of this kind—particularly in the U.S. It may well be possible for independent retailers grouping together, or through their local or national associations, to benefit from similar studies.

The point that is emphasised in all the published studies of efficiency in retail trading is the importance of speed of stock turnover and this factor is one that the manufacturer has most in mind in discussions with distributors as to what represents a suitable margin on his particular type of product. It is difficult for the independent retailer to know what rate of stock turnover is achievable for the different classes of goods that he sells, and so know where to set about eliminating waste. If by co-operative effort figures for recognisable classes of retailers for differing types of goods that they sell could be made available, it would undoubtedly be helpful, and I should like to suggest that groups of retailers collaborate in experiments for this purpose.

TRAINING OF PERSONNEL

Another instance of what the trade can do is the positive training of personnel in the art and science of shopkeeping. This has been the practice of large operators for many years. That the expense is justified by its effectiveness is borne out by a steady expansion in the number and scope of these training schools. In a number of countries facilities are available to the public at large for the training of men and women for retailing either in technical colleges or under arrangements made by associations or institutes of retailers. If the large operator finds vocational training of value it should be equally helpful to the independent family unit.

MANUFACTURER'S CONTRIBUTION TO EFFICIENCY

The manufacturer, too, has a contribution to make to the efficiency of distribution. As I have already said his interest cannot stop at the production stage. It is the price that the consumer has to pay that influences the volume of his production. Just as it is in his interest to find better ways of organising his manufacturing process, so is he concerned with finding better ways of getting his product from the factory into final use. He has therefore to be continually examining the various channels of distribution that are open to him, and must be ready to make changes in established practices. It may be desirable for him to bring more of the selling of his goods under his own control, but almost equally frequently we find that the changes may be in the opposite direction. It was the experience of ourselves and many others that when direct selling was introduced the process was often carried to an uneconomic degree and a subsequent modification making it attractive for the wholesaler to cover the more scattered of the retail outlets proved to be more efficient. The manufacturer therefore has a continuing interest in alternative facilities of distribution being available as a check against the cost of his existing system. This is also in the interests of the public.

The manufacturer also is vitally concerned in reducing to the minimum losses consequent on the falling off in consumer demand for his products, so that he may apply corrective measures quickly. A falling off in demand not only affects the manufacturer himself, but brings losses through the building up of excessive stocks throughout the distributive channel—both losses have to be paid for. Sales statistics are not always a sufficiently sensitive barometer. They only register the producer's sales to the trade and not the movement out of the shop to the consumer, and naturally they show nothing about the sales of competing products. We and other manufacturers have found it desirable to pay for continuous independent investigation of the movement of our products out of the shops and in relation to those of our competitors. We believe that these expenditures are more than justified by the saving of time in diagnosis of the cause of any drop in sales. The cause may be a defect in the quality of the product or the price of the product relative to its competition; change in the channels of distribution; or indeed ineffectiveness of advertising. But whatever it may be, unless it is quickly corrected it will involve waste and must therefore be tackled.

PERIODIC SURVEYS OF SUITABILITY OF PRODUCTS

The manufacturer can also make a contribution to the reduction of waste in distribution by periodic surveys of the suitability of his products by direct approach to the consumer. In particular these techniques have great value when new products involving large expenditure for plant and introductory advertising are being developed.

Last year we spent in different countries over £650,000 on market research. We believe that as techniques improve increasing expenditures of this nature will benefit both industry and the community.

Finally, there is the part that the consumer has to play in the fight against waste in distribution. It is on her alertness in exercising freedom of choice that the whole system depends.

As she plays her part, so will the producer be stimulated to find better types of product and the distributor to provide the kinds of service that are really appropriate to her needs. Waste in distribution can only be minimised if producer, distributor and consumer each maintain the flexibility that makes progress possible. The key is freedom of choice.

The Chairman concluded by moving the adoption of the report and accounts. Sir Herbert Davis, C.B.E., vice-chairman, seconded the motion, and it was carried unanimously.

The proposed dividends of 13½ per cent. on the ordinary stock, and 6 per cent. on the deferred stock payable on July 24, 1951 were approved. The retiring directors were re-appointed, the remuneration of the auditors Messrs Cooper Brothers & Company and Messrs Price Waterhouse & Company, who had been re-appointed under the provisions of the Companies Act, 1948, was fixed, and a special resolution was passed to amend the Articles of Association in regard to the amount which the company may borrow without the sanction of a general meeting.

At a separate general meeting of the ordinary stockholders, held at the conclusion of the annual general meeting, a resolution sanctioning a modification of the terms of the Equalisation Agreement between Lever Brothers and Unilever N.V. and the company was submitted.

A poll was taken, and the chairman announced that the result of the voting would be published in the press on Saturday, July 14th.

LEVER BROTHERS & UNILEVER N.V.

The annual general meeting of the members of Lever Brothers & Unilever N.V. was held on July 12th, at Museumpark, Rotterdam. Mr P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Lever Brothers and Unilever Limited, reported above.

The report and accounts for the year 1950 were adopted. The proposed dividend of 12 per cent. (being the equivalent of the dividend for the same year to be paid by Lever Brothers & Unilever Limited to its ordinary stockholders, calculated in accordance with the provisions of the Equalisation Agreement and converted at a rate of exchange of Fl.10.64 to the £ sterling) was approved, the retiring directors were reappointed, and the auditors, Messrs Price Waterhouse and Company and Messrs Cooper Brothers and Company, were re-appointed.

The proposal to modify the terms of the Equalisation Agreement between the company and Lever Brothers and Unilever Limited, was approved by the general meeting and by a subsequent separate general meeting of the ordinary shareholders.

PAYMENT OF INTERIM ORDINARY DIVIDEND

At the annual general meetings of both companies the chairmen announced that the boards of the two companies are considering the resumption, providing circumstances allow, of their prewar practice of paying interim ordinary dividends.

HUDSON'S BAY COMPANY

TWENTY YEARS' PROGRESS

The two hundred and eighty-second annual general court of the Hudson's Bay Company was held on July 6th in London, Sir Patrick Ashley Cooper, the governor, presiding.

The following is an extract from his circulated statement:

It is now 20 years since the reorganisation of the London board took place. The change in fortunes of your company during those years is shown by the following figures. In spite of having to bear a heavy burden of taxation amounting to £10 million we have distributed £3,000,000 (gross) in dividends from trading profits, £1,250,000 from land sales and have ploughed back into trading operations in fixed and current assets £8,500,000. Part of the improvement shown in the balance sheet represents undistributed surpluses of the land department. Our capital, reserves and provision for depreciation and replacement amount to approximately £20 million, but even this figure takes no account of the value of our fur trade posts in remote areas, the value of the residue of the land department, or the great value attaching to your company's name.

The retail stores are the most important operation of your company, and we are happy to report a new sales record. The wholesale department has gradually emerged as one of the largest and most successful wholesale organisations in Canada. Last year this department again broke its own record.

The fur trade department is the one most closely associated in the public mind with the Hudson's Bay Company. In 1931 this department was losing a great deal of money. Today there is a steady and profitable turnover on merchandise each year.

The report was adopted.

THE BRITISH SHAREHOLDERS TRUST LIMITED

HIGHER GROSS REVENUE

MR B. H. BINDER'S SPEECH

The twenty-ninth annual general meeting of The British Shareholders Trust Limited was held on July 11th in London.

Mr B. H. Binder, F.C.A. (the chairman), in the course of his speech, said:

Our gross profit for the year amounted to £88,812, compared with £79,705 last year, and after deduction of all expenses, including taxation (which is £4,762 higher than last year), the net profit is £34,372, namely, £4,000 more than for the year to March 31, 1950.

The directors propose that a final dividend of 4½ per cent., together with a bonus of 2½ per cent., both less income tax, should be paid on the ordinary share capital, making, with the interim dividend of 3 per cent., a total distribution for the year of 10 per cent.

Our subsidiary, the Record Electrical Company Limited, is expanding steadily and continues to make good progress. It has a satisfactory order book and, provided difficulties over raw materials do not arise there is every reason to believe that its business and earnings will continue to develop.

The valuation of our investments at the end of the financial year showed a satisfactory appreciation. The problem of the policy to be pursued with regard to the company's investments is one of growing complexity. A situation has now been reached where a limited number of high-grade equities are showing a lower yield than some undated British Government securities. Fear of serious inflation, coupled with the reduction in the volume of securities available for investment, brought about by the nationalisation of various industries, are no doubt important factors which have given rise to this state of affairs. Considering the tension which exists in international relations, it is surprising that the market is so firm, but it may be that investors have suffered so many shocks without any apparent harm, that they have become inured to the trials and troubles of world affairs.

INEQUITABLE TAXATION

The stepping up of taxation on distributed profits and its application to profits paid to preference shareholders creates a charge on the ordinary shareholders and on the company itself which is inequitable. It increases the prior charge of the preference dividend by 50 per cent., less income tax, so that a 5 per cent. preference dividend, when paid, costs the company about 6¼ per cent. In some instances this means that a regular reasonable dividend on ordinary shares has to be reduced. Even where the margin of profit enables the ordinary dividend to be maintained there is a substantial reduction in the balance of profits which it is desirable to retain in the business to augment the capital required to finance the carrying of normal stocks and the replacement of capital assets at the prevailing heavily increased prices. This may partly explain the increase in "advances from bankers" disclosed in the recently published banks' statistics.

In present world conditions I fear that we cannot for the next two or three years look for any material reduction in our heavy load of taxation whoever may be in charge of the destinies of the nation. In fact, it would appear that we can only expect further additions to our taxation if our necessary defence programme is not met by a continued general increase in production, and that only when we can achieve "Peace through Strength" can we hope to experience some alleviation of our burden of taxation.

The report and accounts were adopted.

THE BURMAH OIL COMPANY, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

CONDITIONS IN THE VARIOUS OPERATING FIELDS

SIR KENNETH B. HARPER'S REVIEW

The forty-ninth annual general meeting of the members of The Burmah Oil Company, Limited, was held on Friday, July 6, 1951, in the Merchants' Hall, 30, George Square, Glasgow.

Sir Kenneth B. Harper, chairman and managing director, presided.

The following statement by the chairman was circulated with the directors' report and accounts:

The consolidated profit and loss account discloses a group trading profit for 1950 of £6,837,831 being £1,220,552 higher than that of last year. A number of factors have contributed to this satisfactory result. There was in 1950 some improvement in the general level of petroleum product values over that of the previous twelve months and trade continued to expand in India, Pakistan and Burma. Again, whilst our subsidiaries have maintained their exploration activities during the past year, expenditure in 1950 was below that of 1949 when heavy outlays were incurred on equipment required in connection with these operations.

PROFIT AND DIVIDENDS

To the figure of trading profit of £6,837,831 is added an income from interest and dividends amounting this year to £2,943,989, which, with £1,003 from transfer fees, brings total income from all sources to £9,782,823 from which falls to be deducted directors' emoluments and auditors' fees £36,401, depreciation £855,616 and taxation £5,999,348 leaving £2,891,458. After adding £547,851 brought forward the amount finally available for disposal is £3,439,309. Out of this sum the board has allocated £1,203,332 to general reserve and, if their recommendation of a final dividend of 12½ per cent. and a cash bonus of 6 per cent. is approved, nett Preference and Ordinary dividends and bonus will absorb £1,688,036, leaving £547,941 to be carried forward. While this increased distribution is more than amply covered by earnings, stockholders will notice that it is given in the form not of dividend but of cash bonus, in accordance with prewar practice. It carries no implication that it will be repeated in future years.

I think you will find that the balance sheets of both the company and the group with the accompanying notes set out clearly the financial position, but I would like to add a few general comments.

ADJUSTMENT OF RESERVES

The arrangements between our Burma operating subsidiaries and our friends The Indo-Burma Petroleum Company, Limited, and The British Burmah Petroleum Company, Limited for joint operation of developing, producing and refining crude oil in Burma, with consequent financial adjustment between the parties arising therefrom, enable us this year to delete the now rather unrealistic balance sheet headings of "assets in Burma at date of denial" and "rehabilitation suspense account." Under these arrangements our Burma operating subsidiaries' share of what it has been possible to salvage out of the former, together with the final cost of assets represented by the latter, have been transferred to "concessions, oil wells, buildings, etc." The consequent write-off of the book values of the final assessment of losses in Burma amounted to £1,460,262 and this, as you will observe from the relative note attached to the accounts, has been met out of general reserve. This compares with a book value of £3,400,000, which you will remember was set aside as a provision against this write-off out of available reserves in 1941 but returned to general reserve in 1948. The effect on our general reserve balance, after adding the board's allocation of £1,203,332 out of this year's profits and transferring £256,930 from the parent company's fire and marine insurance reserve now no longer required (because the assets affected are now all held by the operating subsidiaries), is to leave it at £12,850,000, unchanged from last year. In all the circumstances I think you will agree this can be considered satisfactory.

This year, in addition to the reserves which have been built up out of the group's operations, we have a new item under capital reserve arising from the sum received by your company out of the *ex gratia* grant to British interests in Burma by His Majesty's Government to which I referred last year. This amount has meantime been invested in government securities, which you will observe are now held wholly by the parent company, and accounts mainly for the increase this year in the group's holding now standing at £14,532,239. During the year government securities previously held by a subsidiary were transferred to the parent company; this is reflected in the decrease in the parent company's investments in subsidiary companies.

Final adjusting settlement of the back service liability in respect of the staff pension fund was made during the year and the balance of "provisions including contingencies" under current liabilities is correspondingly lower than a year ago.

Under current assets the cost of financing the group's inventories of stores and materials and products, and also debtors, continues to rise under the influence of higher costs and prices.

TRADING

Our trading is conducted partly through the organisations of our own subsidiary companies in Burma, Assam and part of East Pakistan and partly on consignment to Burmah-Shell in the remainder of India and Pakistan. About 28 per cent. of our supplies for sale in 1950 came from our indigenous production, the balance being imported.

In Burma there was some widening of the areas brought under the control of the government but conditions generally continued to be disturbed and trade consequently limited. By means of inland water transport convoys under armed escort we were able to supply Northern Burma with the products of a refinery unit at the oilfields, while Rangoon and markets approachable from there were supplied with imported oil. By the end of the year about one-third of Burma's requirements, in the areas to which we could penetrate, were supplied with indigenous products. We hope to increase this percentage as security and economic conditions permit.

In India rationing was lifted over most of the country during the year and sales showed a marked improvement over 1949. The shortage of transport continued to be a restricting factor.

In Pakistan there would have been a larger increase of trade than in fact there was if there had been access for trading between India and Pakistan. The economic source of supply for more than half East Pakistan is Calcutta, but supplies for the whole of East Pakistan had to come from Chittagong involving in certain cases transport for some 300 miles to markets less than 100 miles from Calcutta. In addition to the waste of freight, this imposed a burden on Chittagong for which our facilities were not designed. Again, the economic route for the Assam Oil Company's products (Assam being a Province of India) is through Pakistan into India by the old railway, but they have had to travel by a new rail link built to avoid Pakistan, a fine bit of engineering but a longer journey by several days. It is to be hoped that these wasteful and expensive procedures will not be imposed upon trading much longer.

INVESTMENTS

Income from our investments quoted on Stock Exchanges contributed just under 25 per cent. of the total gross profit of the group. Apart from our holdings in government stock, our major investment is in Anglo-Iranian ordinary stock and Shell ordinary stock. While it would be improper for me to anticipate in any way the statement which the Anglo-Iranian's chairman will no doubt be making to his stockholders on the present and future situation in Iran, these developments are of direct and particular interest to The Burmah Oil Company stockholders for historic as well as financial reasons. It was The Burmah Oil Company which in 1905 formed the Concessions Syndicate Limited to carry on exploration on the late Mr W. K. D'Arcy's Persian concession when Mr D'Arcy, after four years of work, felt unable to continue, and it was this syndicate which struck oil at Masjid-i-Suleiman on May 26, 1908. In the following year the Anglo-Persian Oil Company, Limited was floated with an initial capital of £1,000,000 in ordinary shares and £1,000,000 in 6 per cent. participating preference shares. The Burmah Oil Company took up 95 per cent. of the ordinary shares and guaranteed the preference dividend for five years. The company also acquired, and in due course made over to the Anglo-Persian Oil Company, Mr D'Arcy's interest in Mesopotamia, out of which arose the important share which the Anglo-Iranian Oil Company now has in the oil development of Iraq.

BURMA

I have referred to the effect on our trading of the disturbed conditions in Burma. Compared with the state of the country in 1949, last year saw a marked improvement in internal communications and in the country's finances. By the end of the year nearly every main town was in government hands, the Irrawaddy was open to river traffic, the railways were partially operating and some road transport was possible, if hazardous.

For your subsidiary operating companies the year 1950 was marked by the necessity for carrying out reductions in their labour forces. In my statement last year I informed you that the questions of the employer's right to discharge surplus employees and the terms governing such discharges had been referred to the Court of Industrial Arbitration in Burma. The resulting award not only forbade us to discharge our surplus employees at Syriam but prescribed a task for the refineries company to carry out while continuing to employ them. On appeal, however, the Supreme Court pronounced that the Industrial Court "have no authority to direct alteration of the ordinary course of the petitioner's business or to decide in what manner they should carry on their business."

The oil companies were then free to discharge surplus labour, though on onerous terms, and the discharges were completed during October. I must add that it was through no fault of ours that these reductions had become necessary; we would much rather they had not. They were due solely to the impossibility of fully restoring our operations in the state of lawlessness prevailing in the country.

While these court cases were proceeding we felt unable to respond to the Burmese Government's inquiries as to our plans for future operations in Burma, but as soon as the cases were disposed of we informed the Government that it was our intention to expand our oilfields and refinery operations as and when internal security conditions permitted. In the state of security existing now and in sight, repair of the main pipeline can still not be contemplated and there is accordingly still no case for completing the rebuilding of Syriam refinery. In order, therefore, to supply petroleum products, in the first place to Upper Burma markets, and in the process to obtain a return on the capital already invested, refining on a small scale is being carried on at the oilfields and it is our intention to develop it up to its maximum economical capacity in the prevailing conditions.

On being informed of this programme the Burmese Prime Minister expressed the desire for a joint venture between the Government and the oil companies in place of the scheme which fell through two years ago owing to the Government's inability to finance their share. Responding to this request, we put before the Government the outline of a scheme for participation by them in a local company. The Government have informed us of their desire and decision to participate, provided they can borrow the money to finance their share. There the matter stands at the moment.

In the meantime it is a matter for satisfaction that the somewhat strained relations which inevitably existed through most of last year have ended and that all our exchanges with the Burma Government are on a basis of friendliness and, I believe, trust on both sides.

INDIA

The crude oil production and refining operations of Assam Oil Company, Limited, continued at the rate at which they have been stabilised for some years past.

In August the Digboi field was shaken by a serious earthquake which had its centre about 100 miles to the north-east in an uninhabited part of the eastern Himalayas. Had this part been populated, the effect would have ranked as a major disaster. As it was, many of our buildings were extensively damaged but fortunately there was no loss of life in Digboi and the wells were undamaged.

PAKISTAN

Development of the field at Chakwal, in the Punjab, is proceeding in close association with the Attock Oil Company, Limited, who have the lease over an adjoining area and at whose refinery at Rawalpindi oil from both areas is processed.

PROSPECTING

Prospecting has continued in India and Pakistan. No resumption was possible in Burma.

In India an outside test well at Barsilla in Upper Assam was completed without finding oil in commercial quantities and preparations have since been made to test another Upper Assam structure at Nichuguard. Although we have so far had no success in these Assam outside tests it is noteworthy that extension drilling at Digboi itself has proved further additions to the productive area of that field.

Preparations were begun for drilling an outside test in Baluchistan (West Pakistan) and another at Patharia in East Pakistan.

Last year in order to conform with the Pakistan Petroleum (Production) Rules 1949 a local rupee company was incorporated in Pakistan to take over our Pakistan Concessions Subsidiary's interests. It is hoped that the necessary formalities to enable this company to commence business will soon be completed.

LABOUR

The discharges of labour in Burma to which I have referred affected some 2,400 men at Chauk Oilfields and 2,700 men at Syriam Refinery. Although it must have been obvious to the men for some time that there had ceased to be work for them, each man no doubt hoped that the axe would not fall on him, and it shows much for their restraint and, I hope we may claim, for their experience of our fair dealing, that the atmosphere remained peaceful before, during and after the discharges and that no serious strike or disturbance took place. The labour now remaining on the payroll at Syriam is employed in connection with receipt and storage of oil.

In both India and Pakistan relations with labour remain good in spite of periodic claims from the unions which are now a feature in these countries, encouraged by the appeasing awards of adjudicators appointed in recent years under the Trade Disputes Act.

TANKERS

Our tanker fleet operated satisfactorily and profitably during 1950 but its long record of immunity from serious accident was marred at the end of January this year when an explosion in our small packed oil tanker S.S. *Beme* resulted in the death of seventeen men, Burmese and Indian, four of whom were company's employees.

Orders have been placed for three more tankers to enable us to carry a greater proportion of our total sales requirements in our own ships and to bring down their average age.

STAFF

Your companies are served by a loyal and efficient staff, who both at home and abroad, ashore and afloat, have continued to maintain their high standards. With your permission I shall convey to them the stockholders' appreciation.

The report and accounts were unanimously adopted.

The final dividend of 12½ per cent. (2s. 6d. per £1 unit) and the cash bonus of 6 per cent. (1s. 2.4d. per £1 unit) on the ordinary stock for the year 1950, recommended by the directors, was approved and declared payable on July 20, 1951.

Mr W. A. Gray and Mr T. T. McCreath, the directors retiring by rotation, were unanimously re-elected.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

PLASTER PRODUCTS (GREENHITHE) LIMITED

MR J. P. EVANS' STATEMENT

The fourteenth annual general meeting of Plaster Products (Greenhithe) Limited, was held in London on July 12th, Mr J. P. Evans (chairman) presiding.

The following is his statement circulated with the report and accounts:

Contrary to the usual practice, I should like to open my remarks by paying a high tribute to the management and staff, not only for their loyalty and co-operation, but also for the determination they have shown in achieving the improved results which are now before you.

Cost of raw materials, labour and distribution has continued to rise throughout the year and selling prices have been increased from time to time after negotiation with the Minister of Works.

With a credit balance on the profit and loss account and adequate cash at our disposal, we have decided to pay all arrears of preference dividend at the date of the balance sheet, and it is our intention to pay the half-yearly dividend which is due on June 30, 1951.

Prophecy is clearly impossible, but we are determined to continue our efforts to improve still further the financial position of the company and the investment of our shareholders. Given normal trading conditions and some betterment in national and international affairs, our efforts should be more adequately rewarded.

The report and accounts were adopted.

BOVRIL LIMITED

RECORD EXPORT SALES

The fifty-fourth annual general meeting of Bovril Limited was held, on July 11th, in London.

The Rt. Hon. the Lord Luke, who presided, in the course of his speech said that trading profits had decreased by £56,722, due to reductions in the profits of three subsidiary companies. The parent company's own profit had been maintained.

The directors recommended the payment of a final dividend on the deferred stock of 10 per cent., making 12½ per cent. for the year.

The cost of production had therefore increased again and the company's margin of profit diminished, since prices had remained constant. It was no easy matter to know whether it was a good thing in the "public interest" to make a good profit and earn more revenue for the Treasury, or make a smaller profit and endanger the stability of the company and the livelihood of its employees and shareholders.

The home sales during the year, in view of the conditions, could be considered satisfactory. During the first half there had been a reduction on the previous year owing to the mildness of the winter, the general shrinkage in spending power of the public, and the fact that wholesalers and retailers had both continued to reduce stocks. During the latter half of the year sales had recovered to normal volume.

Export sales had been the best on record and had made a splendid contribution to the year's figures. Distribution was almost universal except for those countries where shipment was banned—but there was a tendency for markets as a whole to become freer.

The report and accounts were adopted.

BANK OF BRITISH WEST AFRICA, LIMITED

WIDENED SPHERE OF ACTIVITIES

LORD HARLECH'S SURVEY

The fifty-seventh annual general meeting of the Bank of British West Africa, Limited, was held on July 12th in London, the Rt. Hon. Lord Harlech, K.G., G.C.M.G., the chairman, presiding.

The following is an extract from his statement.

Current, deposit and other accounts for the year to March 31, 1951:—

I am glad to submit figures and results which I believe you will examine with satisfaction as they portray an appreciable degree of expansion and a general widening of the bank's activities.

Capital remains unchanged at £1,200,000. A sum of £50,000 has been taken from profits and added to the reserve fund, bringing the total to £1,000,000. A further sum of £50,000 has been placed to contingencies account. Current, deposit and other acounts at £52,710,589 show an increase of £8,081,874 over the previous year.

There has been a substantial increase in the amount outstanding in respect of liabilities on acceptances, confirmed credits and other engagements on behalf of customers, from £5,306,265 to £10,549,839.

ASSETS

Turning to the assets side, cash holdings at £5,223,419 are lower by £2,807,315, but money at call and at short notice is higher at £25,600,000 by £9,175,000. It will be observed that the ratio of liquid assets to deposits stands at approximately 60 per cent. Such position is by no means static, as our resources are continually turning over and a high degree of liquidity is necessary to enable the bank to finance the purchase of West African crops whose value has so markedly increased, and also to meet the heavy demands made by merchant houses covering the dispatch of consumer goods to West Africa.

Investments show little change at £11,400,393. There has been a steady growth of business in loans, advances and overdrafts during the year. An increased total of £9,199,808 appears in the balance-sheet, compared with £7,847,095 a year ago. Premises and furniture stand in the books at £121,715, an increase of £10,876.

In view of the increased profits at our disposal, your directors have given careful consideration to the payment of the dividend this year. An interim dividend of 2½ per cent. was paid in December, 1950, and it is now recommended that a final dividend shall be paid at the rate of 6½ per cent., bringing the total to 9 per cent. for the full year. In making this recommendation, I believe shareholders will appreciate that they are now being compensated to some extent for the lower range of dividends they received during the difficult years preceding and during the war. I might perhaps add that a dividend of 9 per cent. has been paid on several occasions in the history of the bank, while on two occasions the rate was 10 per cent.

INFLATIONARY TROUBLES

Despite precautionary measures, West Africa, in common with other parts of the world, is having inflationary troubles. Steps taken by the Marketing Boards to curb the worst of these have been partially effective, but world demand for tropical crops has been so great that prices have moved steadily upward with the natural consequence that the cost of living in West Africa has become dangerously high. These tendencies have not yet come to an end and, wherever possible, governments will be well advised to counter them by concentrating on the production of domestic food crops to an even greater degree in order that such adverse conditions may be minimised.

Trade with West Africa has flourished throughout the year. African producers are receiving high values for their exportable wealth and are clearly making efforts to take advantage of the present international situation which has created an urgent demand in world markets.

Fortunately, supplies of consumer goods shipped to West Africa have been sufficient to meet demands and, although sales to local African markets by the retail merchant houses have been on a heavy scale, there has been frequent evidence of price resistance against the increased cost of imported manufactured goods. It seems therefore, that there will be future problems to face in connection with merchandise replacements as manufacturing costs are still mounting in every country and retail prices must follow.

NIGERIA

Nigeria experienced no difficulty in selling all it could produce and, while there were welcome slight increases in the output of palm oil and kernels, cotton and timber, the export of rubber was stepped up heavily to 28,000,000 lbs., against 15,000,000 lbs. for the previous year. Unfortunately, the exportable groundnut crop, which was expected to be normal, showed a decrease of 40,000 tons at 188,000 tons.

THE GOLD COAST.—The production and marketing of its extensive annual cocoa crop is still the principal and most lucrative industry of the Gold Coast. Although the existence of swollen shoot disease and uncertain rainfalls frequently affect tonnage output, it is usual to expect that approximately 250,000 tons or more will become available for export each year. Rising world prices have acted as a stimulus and extensive planting of fresh areas has been undertaken which will be of benefit when trees mature five years hence.

VOLTA RIVER SCHEME

Prominent in the colony's ten-year plan is the Volta River hydraulic scheme, an ambitious project. The Volta scheme has grown far beyond its original conception and, in addition to the envisaged hydro-electric generating plant, now embraces an aluminium factory for the processing of local bauxite, the provision of cheaper power for industries, the creation of a new harbour, a new railway and the irrigation of the Accra plains, with the distinct probability of numerous subsidiary industries growing up in the Volta River area.

Mining continues to hold a vital place in the country's economy. The extraction of gold, diamonds, manganese and bauxite proceeds without abatement, bringing valuable revenue to the country as well as creating extensive employment.

My former personal experience of these African territories goes back for many years. Realising their immense potential wealth, I naturally have great faith in their future, which is assured by the valuable agricultural crops and mineral assets they possess. Our bank has grown and progressed in step with these colonies and, having sufficient resources at our disposal, we are well equipped to meet the demands of these expanding countries with equanimity. With prospects such as these, I believe I am justified in looking to the future with confidence.

The report was adopted.

YORKSHIRE FINE WOOLLEN SPINNERS

RECORD RESULTS

SIR FRANK BINNS ON SLUMP IN WOOL VALUES

The third annual general meeting of Yorkshire Fine Woollen Spinners Limited, was held on July 6th in London, Sir Frank Binns, Kt. (chairman and managing director), presiding.

The following is an extract from his statement:

It naturally affords me personal gratification to be able to state that the profits for the year are a record, so far as this group of companies is concerned.

The accounts for the year ended December 31, 1950, show that before charging remuneration of directors and depreciation, the combined profits of the group amount to £253,550 (compared with £215,038 last year).

After deducting depreciation and remuneration of the directors, the profits prior to taxation are £215,116 (£179,117 last year). Taxation on the accounts absorbs £114,950 (£96,800 last year), and the net figure is £100,166 (£82,317 last year).

The investments and current assets amount to £601,120 as against current liabilities and provisions of £315,322.

We have continued to follow the same policy as in the past, in adapting ourselves to the latest types of machinery, and improvements are still being carried out towards the perfection of our plant.

The general working conditions of all our operatives receive our constant attention, thereby ensuring that the work-people's health, morale and efficiency are kept at a high level.

GENERAL

You will be aware that there has been a decided "slump" in the values of wool. The estimate of the fall in prices, I would put, in certain instances, as high as 35 per cent. to 40 per cent. This implied, of course, that wools or tops which were valued as high as 350d. or 360d. per lb. in March this year, are now approximately on the basis of 230d. to 240d. per lb.

I therefore must be cautious, and impart the information to you that although your companies have been extremely busy during the first four months of this year, I do not anticipate that the same margins of profit will be maintained for the remaining eight months of the year ending December 31, 1951.

By this statement I do not wish to make you apprehensive regarding the future, as when the "slump" really began in earnest, your companies were not overloaded with stocks. Your directors anticipate that during 1951, reasonably good profits will be made, sufficient, we think, to be quite adequate to maintain the dividend at 35 per cent., subject, of course, to a completely unprecedented crisis in raw material values not arising.

Your mills are running to full capacity on orders which are showing profits, which we consider to be satisfactory. We feel, however, that although your directors are not gravely concerned about the position at present, nevertheless, as future prices of raw materials are so very uncertain, great care and caution must be observed.

On the ordinary shares an interim dividend of 10 per cent. actual, less income tax, was paid in September, 1950. The directors now recommend a final dividend at the same rate as last year, namely, 25 per cent., less income tax.

The report was adopted.

WIGGINS TEAPE AND COMPANY (1919), LIMITED

(Makers of Gateway Papers)

RECORD OUTPUT AND SALES OF MERCHANTED PAPER

PROGRESS OF THREE NEW PROJECTS

RAW MATERIAL: ABNORMAL PRICE INCREASE

MR L. W. FARROW ON THE UNPRECEDENTED DEMAND

The thirty-second annual general meeting of Wiggins Teape and Company (1919), Limited, was held on July 5th at Winchester House, Old Broad Street, London, E.C.2. Mr L. W. Farrow, C.B.E. (the chairman), presided.

The secretary (Mr W. Barnes) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:

It is with great regret that I have to inform you that Mr F. D. Pirie passed away in November last. Mr Pirie was a director of this company from 1922 to 1949 and was chairman of our principal subsidiary Alex. Pirie and Sons, Limited, for some 35 years and a director of that company for over 50 years.

The improvement of the trading conditions in the paper trade to which I referred in my last year's statement continued throughout the year 1950. As a result, the output of the mills of the group and the sales volume of merchanted paper provided a record in the history of the group.

The demand for our papers so far outstripped the productive capacity of our mills that we were compelled, in fairness to our customers both at home and abroad, to operate a system of rationing.

PROGRESS OF NEW PROJECTS

I will deal with the progress of the three new projects in this country:

(1) Chartham Mill. The new machine at Chartham is now running satisfactorily. The product is good and profits are being earned.

(2) Glory Mill. Photographic Base paper is being produced on the new machine fully up to standard and the demand for our product exceeds our ability to supply.

(3) Bridgend Mill, South Wales. The machines in this mill have all begun production; it will, however, be some time before they are running to designed capacity. The product is satisfactory and profits are already being earned.

AUSTRALIA: SALES ORGANISATION AUGMENTED

No decision has yet been reached in regard to establishing a mill in Australia. Investigations are still proceeding and our proposed plans have had to be modified in view of the shortage of woodpulp, to which reference is made later in this statement. It is probable that provision will have to be made for the incorporation of a pulping plant to deal with raw materials indigenous to Australia. During the year, we acquired an old established merchanting house in Adelaide to augment our sales organisation in Australia. The house to which I refer is A. E. W. Short Proprietary, Limited, who have been our agents in South Australia for a very long period.

SATISFACTORY S. AFRICAN INVESTMENT

South African Pulp and Paper Industries, Limited, in which your company has a substantial interest, had a record year of trading profit during 1950. The paper machine and auxiliary plant which were sold to that company have been reconditioned and extended in the engineering shops at our Stoneywood mill and were delivered in September last within the specified time. The erection of this machine at Enstra, near Johannesburg, is almost complete and it should be in commercial production before the end of this year. They have ordered a further new machine and it should be delivered by the end of this year. By the provision of these machines the productive capacity of the mill should be doubled. Your directors are very satisfied with this investment and most cordial relations exist between the management of South African Pulp and Paper Industries, Limited, and that of your group.

ENVELOPES AND STATIONERY

I referred last year to the recession in the demand for envelopes and stationery, the manufacture of which is undertaken by our subsidiary, Pirie Appleton and Company, Limited, and its group of companies. I am glad to report that the trend in that industry followed that of the paper trade and a complete recovery took place in the second half of the year.

THE ACCOUNTS

With regard to the accounts, no change occurred in the capital structure during the year. Upon referring to the consolidated balance sheet it will be observed that the funds attributable to debenture and stockholders amount to nearly twelve million pounds. After deducting the amounts of debenture stock, preference and outside share capital, the amount attributable to ordinary capital of Wiggins Teape and Company (1919), Limited, is £7,271,728.

PROVISION OF ADDITIONAL FINANCE

In my statement last year I referred to the fact that paper mills were free to purchase their requirements of woodpulp and esparto. From the beginning of the late war until March 31, 1950, woodpulp and esparto had been purchased by the Board of Trade and the paper mills were not required to pay for these materials until they were used. The cessation of this procedure meant that the mills were once again required to finance their own stocks of these materials. In consequence of this and the need for additional working capital caused by increased business and prices, your company has been called upon to find additional finance of approximately £1,250,000. To do this, your directors arranged a bank loan of £500,000 and acceptance credits which, at December 30, 1950, amounted to £731,739. The other items of liabilities do not call for comment.

The increase in the total of fixed assets represents the payments made during the year on the new projects and on further capital expenditure at our other mills

Current assets show an increase of over £1,800,000 due to the causes to which I have referred. This increase has been financed partly out of profits retained in the business during 1950 and as to the balance, by the bank loan and acceptance credits.

TRADING RESULTS

Upon turning to the consolidated profit and loss account, you will notice that we have also tabled for comparison the trading results for 1948, as those for 1949 were exceptionally low for the reasons I referred to last year. Trading profits of the group amounted to £2,752,914 for 1950, before deducting the expenses enumerated and show an increase of £1,713,497 over 1949 and an increase of £88,855 over 1948, which was a more normal year. The increased profits are due to (a) profits earned by our new projects, (b) increased and more efficient production from our existing mills, (c) improved results of our merchanting companies and overseas branches and (d) increased sales by our converting companies. After allowing for repairs and renewals, pensions, interests on loans, amounts set aside for obsolescence and renewals and increases in specific reserves, the profits before taxation amounted to £1,814,783. After deducting taxation, dividends of subsidiaries applicable to outside shareholders and profits retained in subsidiary companies, etc., the profit of Wiggins Teape and Company (1919), Limited, amounts to £854,330.

It will be seen that your directors are recommending a final dividend of 3¾ per cent., free of tax, making with the interim, a total of 4¾ per cent., free of tax, on the ordinary stock for the year 1950. After transferring the sum of £530,000 to contingencies reserve, the carry forward is slightly increased to £62,263.

It will be observed that the contingencies reserve now amounts to £765,398, and the paper and raw materials stocks reserve amounts to £304,087, a total of £1,069,485. Your directors feel these reserves are necessary in view of the losses which ultimately may be incurred if and when the prices of paper and raw materials fall from their present very high level.

ANALYSIS OF £1 OF TURNOVER

I give below a table showing the relationship of the various items of cost, reserves and dividend to £1 of turnover for 1950:—

	£	s.	d.
1. Raw materials, purchases and stores		11	11½
2. Wages, salaries, pension and social services		3	2½
3. Fuel and electric power			10
4. Rent, rates and expenses			7½
5. Carriage			5
		17	0
6. Direct taxation		1	3½
7. Amounts set aside for obsolescence, renewals and reserves		1	3
8. Net payments to debenture and stockholders			5½
	£1	0	0

CURRENT YEAR'S PROSPECTS

With regard to the prospects for the current year, the unprecedented demand for paper continues and the results for 1951 should be satisfactory. The raw material position, however, is giving your directors considerable anxiety. The production of woodpulp throughout the world does not meet the demand, in consequence of which prices are

continuing to rise steeply. For certain grades of woodpulp it has become the custom in this country to fix prices for regular supplies each quarter, and increasing prices for each succeeding quarter's deliveries have been experienced. In some cases prices are being quoted for the second half of this year for bleached pulps which are four times the prices in 1949 and nine and a-half times the prices in 1938. These abnormal rises have reached such a high level that the prices of woodpulps bear little or no relation to the costs of production at the woodpulp mills.

It is my pleasant duty to refer to our employees, both at home and abroad, who have earned our grateful thanks for their loyal and praiseworthy work during the past year.

The report and accounts were adopted.

The retiring directors, Lt.-Col. R. G. Ritson and Comdr. W. B. Pirie, D.S.O., D.L., were re-elected and the remuneration of the auditors having been duly fixed the proceedings terminated.

PURNELL AND SONS LIMITED

(Printers and Bookbinders)

SATISFACTORY RESULTS

FULL PRODUCTION MAINTAINED

The seventeenth ordinary general meeting of Purnell & Sons Limited was held on July 6th at the Waldorf Hotel, Aldwych, London, W.C.2, Mr W. Harvey (chairman and managing director) presiding.

The following is an extract from the chairman's circulated review:

I have pleasure in once again submitting to you the accounts of your company showing results which, I believe you will agree, are satisfactory. The group profit for the year, before providing for taxation, is £561,000, and shows a slight decrease of approximately £10,000 on that of the preceeding year. Out of this profit has to be provided taxation, £362,916, and £4,600 in respect of the minority shareholders' interest in the profits of the subsidiary companies, leaving a balance for the year of £194,284; the corresponding figure for the previous year was £233,594.

HARSH EFFECT OF TAXATION ON INDUSTRY

At the last annual general meeting I referred to the harsh effect of taxation on industry and I feel it is my duty to again draw attention to this ever-increasing burden which is being placed upon the industry of this country. It will be observed that in the accounts now under review a profit which is £10,000 less than the previous year has to bear increased taxation of £28,000. There is left, after providing for taxation, less than 7s. 1d. in the £, to enable the company to maintain its policy of introducing the latest plant and equipment, finance ever-increasing prices of materials and costs, and, at the same time, provide some return to the members who provide the capital and take the risks. Under the provisions of the Finance Bill now before Parliament the proportion of earnings absorbed by taxation will be considerably increased and, one may well ask, for how long can industry carry this ever-increasing burden?

The consolidated balance sheet shows that the current assets exceed the current liabilities by just over £200,000, a similar position to that existing in December, 1949.

The company's works are in full production in spite of the difficulties experienced in obtaining raw materials, but I must say that conditions appear to become more difficult, in every direction, each day. I can, however, assure you that your directors are using every endeavour to maintain production, and I believe I can say, that as far as one can forecast, the present year's results will be satisfactory.

I should like once again to pay tribute to my colleagues on the board, all of whom give their full time to the service of the company, and to express my thanks to the staff and workpeople, without whose wholehearted support the satisfactory results shown by the accounts could not be attained.

The report and accounts were adopted and a final dividend of 32 per cent., making 60 per cent. for the year, was approved.

ASSOCIATED WEAVERS LIMITED

(Manufacturers of Upholstery Fabrics and Carpets; Dyers and Spinners)

RECORD PRODUCTION AND PROFIT

STEADY WORLD-WIDE DEMAND

SIR FRANK NEWNES ON THE OUTLOOK

The fifteenth annual general meeting of Associated Weavers Limited will be held on July 25th at the Savoy Hotel, Strand, London, W.C.

The following is the statement of the Chairman, Sir Frank H. Newnes, Bt., which has been circulated with the report and accounts for the year under review:

The year ended March 31, 1951, has been a record year, both from the point of view of volume of production and profit earned. The consolidated net profit for the year after deducting all expenses, except taxation, amounted to £430,709, against £251,746 last year. Of the profits, 56 per cent., or £240,202, is required for taxation, 12 per cent., or £52,136, is allocated for dividends, and the remainder, 32 per cent., goes to strengthen our reserves and undistributed profits.

You will notice that your Directors recommend on the ordinary stock, as increased by the capital bonus, the same rate of final dividend, viz., 22½ per cent., as that paid for the last four years. It is in addition your Directors' current intention to maintain the interim dividend for 1951-52 at 10 per cent. less tax, thus maintaining the total of 32½ per cent. paid in recent years on the former capital.

SUCCESS OF BOARD'S POLICY

The increased production and profit are largely due, firstly, to the results of constant research and experiment, and secondly, to the Board's policy of capital expenditure wherever sufficiently improved designs of machinery or equipment are available. During the year we spent about £120,000 on capital account, and you will see from a note on the balance sheet that we shall have in due course to pay a further £206,000 in respect of uncompleted contracts for capital expenditure. We anticipate that our cash balances of £160,000, our annual depreciation provisions, and our surplus profits in the future will be sufficient for this purpose.

As a result of the dividend policy followed by the Directors from the inception of the Company, a large proportion of the profits has accumulated in the form of reserves employed in the business, and mainly due to that, the total of our tangible assets, less liabilities at March 31st last, was £1,020,000, exceeding £1,000,000 for the first time.

CURRENT ASSETS

You will notice that our current assets now amount to £1,206,000, against current liabilities amounting to £477,000 (including current taxation and proposed dividends). The largest single item in the current assets is our stock and work in progress. Of this, wool amounts to about two-fifths only. The remainder includes the other textile fibres, cotton, rayon, and jute, together with cotton cloth and raw materials for our subsidiary, Armoride Limited.

I am pleased to report that Armoride Limited continued to improve its position, both in the export and home markets. Its main problem is to obtain sufficient and suitable raw materials.

We have developed the export markets with energy, and the value of our Group exports rose by 25 per cent. during the year. We have established a world-wide organisation, and while one or two markets are of considerable importance to us, there is a steady demand for our productions from nearly every part of the world, except those territories under Russian influence.

MOTHPROOF UPHOLSTERY FABRICS AND CARPETS

For the benefit of new shareholders and those unacquainted with our business, I would state that the Parent Company specialises in the production of mothproofed moquettes for the upholstering of furniture for domestic use, ships, hotels, cinemas, and transport. We are also manufacturers of mothproofed Axminster carpets. Both moquettes and carpets are sold under the same brand name, "Weavercraft," which is well known in the trade. Armoride Limited makes leather cloths and plastic cloths, some of a very specialised type, for a variety of trades, including upholstery, handbags, luggage, shoes, and fancy goods, and the branded names "Armoride" and "Plaxide" are well known. In addition a section of the works is engaged on the rearmament programme.

You will recall that towards the end of 1950 there was distributed to the ordinary shareholders a bonus of one share in five, and it is your Directors' intention towards the end of 1951 to submit to shareholders a resolution providing for a further bonus, this time of one share in six. In addition to the large reserves shown in the balance sheet the current values of our factories and plant are much higher than the book values thus constituting a further reserve, and your Directors wish to see the ordinary capital more nearly representative of the actual capital employed.

BALANCE SHEET ITEMS

There were two small intangible items in our consolidated balance sheet. One is goodwill £15,682, and the other is the excess cost of shares in subsidiary Companies over their net tangible asset value, £881. Your Directors have written off these two items so that there be no entries in the balance sheet except those in respect of tangible assets. The goodwill of your Group is obviously worth very much more than £15,000, but it is not an item we wish to leave indefinitely in our accounts.

So far as the current year is concerned, we have good order books for the export and home trades, and subject to the usual difficulties of raw materials and controls, the outlook remains satisfactory.

Once again, for their contribution to this excellent result, I wish to render thanks to our executive staff, employees, suppliers, and also to the sales secretariat and their agents throughout the world.

LAPORTE CHEMICALS LIMITED

RECORD VOLUME OF SALES

MR L. P. O'BRIEN'S SPEECH

The forty-fourth annual general meeting of Laporte Chemicals, Limited, was held on July 10th in London. Mr L. P. O'Brien, the chairman, presiding.

The following is an extract from his circulated statement:—

Our audited consolidated accounts for the past year show that after deduction of £151,819 for depreciation, there is a credit surplus of £690,137, which is more than was shown at the end of the previous year by £156,493.

Increased earnings were achieved as a result of record sales, both by volume and value.

Last year a surplus, being post-acquisition earnings by one subsidiary for nine months only, was brought in and, therefore, addition of one-third to the figures of that subsidiary to show a twelve-months' average would give an equal period comparison, and on that basis the surplus would be reduced to £143,340.

REPLACEMENT OF ASSETS

The depreciation rates employed would have been satisfactory if the purchasing power of money remained constant from year to year, but that has not been our experience. We have found that the replacement cost of new works built and equipped these last few years is higher than the original cost to an extent greater than the sum provided by our depreciation rates.

Your directors have this subject under consideration in order to arrive at a suitable long-term method of dealing with it.

In the meantime, as we cannot accept that under conditions now prevailing a surplus is a true profit, we are asking you to allocate from the total divisible surplus of the parent company the sum of £100,000, instead of £50,000 as last year, to the credit of obsolescence and replacement of assets reserve, as we now call it, instead of obsolescence reserve as previously, towards providing against the probable undercover which exists in the accounts now before you.

As you know, the Exchequer has not done anything since 1946 towards increasing wear and tear allowances to offset continually increasing costs of replacement. Consequently, this allocation must come out of the surplus remaining after provision for future taxation arising from these accounts.

The total capital and reserves, excluding tax reserves, amount to £2,897,689—an increase of £190,061.

ADDITIONAL PLANT ORDERED

We have an elemental sulphur-burning acid plant at Luton and our two subsidiary companies, John Nicholson and Sons, Limited, and Hunt Brothers (Castleford) Limited, burn quite a lot of sulphur in their Yorkshire plants, and so we have ordered a second pyrites-burning plant to produce 100 tons of strong acid per day to be erected at Castleford, to ensure no permanent interruption to their businesses. Pyrites-burning plants of the type ordered are very expensive and because of the high amortisation amount which it will be necessary to provide, it will be essential to receive higher prices for sulphuric acid made from these plants than from sulphur-burning plants. However, there are acid users who are willing to contract ahead for several years at cost plus for output from these plants.

This country must have adequate supplies of sulphuric acid to survive as an industrial power. Presently there is not enough sulphur to meet demand and soon there will be less still. We have been promised pyrites supplies for several years after our new plants are ready to burn it. Certainly, at that time there will be no plethora of acid production so we deemed it advisable to take steps to provide for the future needs of our customers and ourselves. I regard these new plants as likely to be sound investments.

When the time comes to ask for more capital, I shall go more closely into matters concerning new capital projects. All it seems necessary to add now is that the planned extensions are natural developments of our usual activities.

One might add in this connection that the company has applied for permission to make other extensions necessary to meet stated forward requirements of our customers but, unfortunately, this has been refused for the time being.

Except for National Titanium Pigments, Limited, whose output was reduced in the fourth quarter through shortage of sulphuric acid, the parent company and the subsidiaries have been at full stretch of production in almost every department, and it looks as though it may be like that this year, except possibly in the acid plants.

RESEARCH DEPARTMENT

To ensure continued prosperity in future years, your directors are strengthening the research departments. For example, the company has just completed extensions to existing laboratories at a cost of about £50,000, so that the increasing numbers of the highly qualified scientific staff shall be properly housed and equipped.

Research is not usually a short-term investment; it often takes some years to realise the benefit of patient work, but we have faith in our research departments because we and our customers are benefiting now from work done in past years.

For example, the new hydrogen peroxide plant came into production early in 1950. It has been successful from every point of view. Despite the much heavier amortisation charge to be borne as compared with older plant, the final cost of production is low enough that, so far, helped by the spread of overheads on the greater than expected output, we have absorbed all the higher prices we had to pay for fuel, electricity, wages and everything else, without putting up our selling prices for hydrogen peroxide, which have not been increased for 3½ years. In the circumstances, we feel confident of gainful employment of the extension of the plant now being undertaken and which should start working before the close of this financial year.

We are not going to rely indefinitely on present production methods, good as they may be; for any further extensions and replacements we have still more improvements to introduce, and possibly entirely new ways of manufacture.

Our subsidiary, Malehurst Barytes Company, Limited, has extended its mining operations to Devonshire, having acquired the Bridford Mine, from which barytes are won for use in the barium plants of the parent company. The output from this mine, together with that from our Silverband Mine in Westmorland, leaves the company largely independent of outside supplies.

The report was adopted, the dividends were approved, and Mr P. D. O'Brien was re-elected to the board.

WALKER CAIN LIMITED

CONTINUED DEMAND FOR BOTTLED BEER

The twenty-ninth ordinary annual general meeting of Walker Cain Limited was held on July 11th in London, The Rt. Hon. Lord Brocket (the chairman) presiding.

In the course of his speech, the chairman said: Trade for the year showed a slight recession compared with the previous year due, to a large extent, to the very bad weather experienced last summer. The decrease, however, is very much less than that of the country as a whole, which I regard as a compliment to the excellence of our products. Draught beer tends to fall behind, due, no doubt, to the lack of facilities for obtaining refreshment on the housing estates which have been built since the war. As a consequence, the demand for bottled beer continues to increase. During the year we completed the extension of our bottling stores and chilling plant, and present indications are that we are in a good position to cater for any increased demand that may arise.

The net profit at £523,069 compares with £567,365, showing a decrease of £44,296 after all charges.

The available profit of the group, including the amount brought forward (£523,869) from last year is £1,053,438. We propose that £135,000 be placed to property improvement reserve and £26,000 to general reserves. Dividends to outside shareholders in subsidiary companies absorb £75,036. Parent company preference stock dividends take £88,000, the ordinary stock interim dividend (5 per cent.) £62,425, and the final ordinary dividend (11 per cent.) £131,092. After these allocations the balance carried forward to next year is £535,885, which is £12,016 more than last year.

The report was adopted.

SMITH'S POTATO CRISPS (1929) LIMITED

INSISTENT DEMAND

The twenty-second ordinary general meeting of Smith's Potato Crisps (1929) Limited was held on July 11th in London.

Mr Fermian Le Neve-Foster, the chairman, after paying a tribute to the late Sir Herbert Morgan, said: The net profit shown by the consolidated profit and loss account, after provision for taxation and other items, amounts to £101,633, compared with £97,767 for the previous year.

One factor common to all manufacturing companies for the year under review is the steep increase of costs of all kinds, particularly in the price of materials. We have had to face substantial increases on almost everything we have to buy. That in face of this position we have been able, so far, to refrain from raising our price of our product to the public of 3d. a bag and, at the same time, substantially maintain profits is an achievement of management, the chief credit for which must go to our founder and managing director, Mr Frank Smith.

There can be no doubt that, were we able to supply more crisps of the same quality, our sales could be very greatly increased. One hopes that with increasing world supplies the time may not be too far distant when the limitation and rationing will be removed and we shall be enabled to produce adequate quantities for the whole of the public. The information that is constantly being submitted to us from the trade is strong evidence that if Smith's Crisps were available they are the ones to be supplied. There are no crisps like Smith's.

The report was adopted and the proposed dividend and bonus, making 32½ per cent., less tax, for the year, were approved.

J. LYONS AND COMPANY

PLEA FOR RELAXATION OF AUSTERITY

MR GLUCKSTEIN'S STATEMENT

The 57th annual general meeting of J. Lyons and Company, Limited, was held on July 9 at the Trocadero Restaurant, London, W. Mr Montague Gluckstein (the chairman) presiding.

The following is an extract from his circulated statement:

It is with very deep regret that I have to mention the heavy loss we suffered in the death of Mr Harry Salmon.

In February we had the honour of a visit to Cadby Hall by H.R.H. The Princess Elizabeth. Her visit stirred all hearts, and her gracious acceptance of our welcome, and the lively interest she showed in all she saw, have left with us a proud and happy memory.

Referring first to the company's balance sheet, you will see that, in accordance with the resolution of the extraordinary general meeting held on January 17th, the nominal capital now stands at £10,925,000, an increase of £1,000,000, represented by the creation of further "A" Ordinary shares of £1 each. 660,000 of these new shares have been issued and have now been converted into stock. The price at which they were issued was £4 10s. per share, of which the final instalment of £2 per share was not due until after the close of the financial year on March 31st. The success of the issue was gratifying.

DIVIDENDS MAINTAINED

The net profit for the year is £610,262, which shows an increase of £32,199 over last year's figure of £578,063. Dividends on preference and preferred ordinary stocks for the year have absorbed £269,938. We are recommending the payment of final dividends on the ordinary, "A" ordinary and Proportional Profit capital at the same rates as last year, which, with the interim dividends paid in December last, will take £221,593.

PROBLEM OF RISING COSTS

The year has seen a continued and, in some cases, a steep rise in the cost of all raw materials and equipment. Increases in the cost of transport, both rail and road, have also been heavy. We wonder if those who decide upon these higher charges make sufficient effort to avoid imposing them; they seem to act as if the only way to cover any increases in their costs is to pass them on automatically to those who use the services. Inevitably some at least of the increases must be passed on to the customer; a process which causes us the utmost concern because there is the ever present fear that prices will reach a point beyond his ability to pay them. Our policy has always been to keep the lowest possible price consistent with the maintenance of a high standard of quality, and to realise no more than the smallest margin of profit; often so small that the slightest miscalculation can dissipate it.

The fact that the Government has decided to retain subsidies on certain foodstuffs seems to involve a continuance of austerity, for the quantities made available for consumption at subsidised prices cannot be unlimited. There is however in the case of some foodstuffs, for instance cheese and ham, a "two tier" system, permitting the consumer to purchase additional quantities but at a non-subsidised price. It would seem that the system could well be improved and extended to less expensive commodities after the basic ration has been secured. If anyone prefers to spend extra on food, instead of spending in other ways, there can surely be no serious objection to his being allowed to do so. Relaxation of austerity is desirable, and not only in quantity but in quality also. We welcomed the reopening of the London Tea Market, but it was something of a burlesque to retain retail price control for a commodity which in the market is sold by auction. The effect has been to discourage the sending of finest quality teas to London.

Despite the difficulties, however, I think you will agree that we have reason to be satisfied with the results of our year's work. The achievement of these results would not have been possible without the loyalty and untiring efforts of all our staff. In a company such as this it is not only the board and the senior management who carry home with them their concern for the company's progress and success; there are many that might be termed "middle management" who curtail their leisure and lose some sleep in striving for the successful conduct of the company's business in all its branches. To them, and to the whole staff, I should like, and I am sure you will be with me, to express our warm thanks for their efforts and enthusiasm. It is good to be able to say that we maintain as ever a happy spirit of loyalty and enthusiasm throughout the organisation.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the Chairman said: I would like to add a little to the statement that accompanied the accounts.

Reference has been made in it to the great loss which the company sustained by the death, in October last, of Mr Harry Salmon. It is difficult to find adequate words to express the value of his services to the company or to indicate the influence he had on its fortunes. I recognise that I have undertaken a difficult task in following him in the chair, but I hope that the inspiration of his example, and the benefit of my very long association with him, will enable me, with the support of my colleagues, to fulfil it to the benefit of the company.

The country seems to have become so accustomed to austerity, restriction and control that it is in danger of losing resilience. Faced with a Finance Bill which penalises still further the risk-bearing investor by increasing profits tax and places further heavy burdens on industry, the attitude seemed to be "it might have been worse." This country, and this company, were not built up in that spirit. If we are to get back to real achievement and progress, the qualities of enthusiasm, vigour and readiness to take risks—they are still to be found here—should be set free to operate as in the past.

Critics, we are told, should make plain what they want. Very well then we want some relief from the spate of legislation to which we have been subjected for so many years. We want more freedom to buy what we want, where we want, and in the qualities we want. We want freedom to pay high real wages to all who contribute to our effort. Wages are playing a game of leap-frog with the cost of living. Those of half a century ago are often quoted as a shameful past to be lived down. But what could be bought with them is an interesting study. As one of our older employees put it recently: "With sixpence I had a shave, a packet of cigarettes and half a pint of beer." We want freedom to pay high real wages not only to all our staff, but also to those who supply the necessary capital to enable us to build, to equip, to experiment and to progress.

The report and accounts were adopted.

VAB PRODUCTS

The 14th annual general meeting of Vab Products, Limited, was held recently in London.

Mr J. E. Hodgkin, M.I.E.E., M.I.M.E. (the chairman), presided, and, in the course of his speech, said: I think I may say that the company has never stood in a stronger position, and thanks to the very efficient management of our co-directors and managers who are responsible for our subsidiary companies the figures are eminently satisfactory, in spite of the very great difficulties in obtaining raw materials.

The principal change in the company's properties during the year has been the acquisition of the business of Royse Bros., Limited, of Sheffield, which is proving a useful profit-earning member of our group of companies.

Taxation, as you will note, requires more than 70 per cent. of our net profit, which is definitely discouraging to enterprise; but your directors feel that shareholders should participate to a larger extent than hitherto which accounts for the increased dividend recommended in our report.

We have also started a practice of ploughing back into subsidiary companies a substantial amount of their profits as a reserve towards future taxation liability. Therefore the picture is more attractive than shown by the actual figures.

Mr W. G. F. Westbrooke has been appointed managing director during the year, and is very efficiently carrying out the co-ordination of the company's various businesses.

The balance sheet and report were adopted, and a final dividend of 10 per cent., making 20 per cent. for the year, declared.

TELEPHONE MANUFACTURING COMPANY

TAXATION BURDEN ON INDUSTRY

The twenty-first annual general meeting of Telephone Manufacturing Company Limited was held on July 9th in London, Mr Fred T. Jackson, O.B.E., Comp.I.E.E. (chairman and managing director), presiding.

The following is an extract from his circulated statement:

The net profit of the parent company amounted to £192,016; taxation at the new rates takes no less than £105,603. The total dividend of £50,000 subject to income tax has increased by 11 per cent. only since 1939 whereas wages and salaries are more than 100 per cent. higher. This is particularly hard on the 3,000 odd shareholders. Small savings directly or indirectly form a large part of risk capital, which is the lifeblood of industry, and an adequate return is essential if the supply of capital is to be maintained. Heavy taxation and mounting inflation are restricting severely the savings both of industry and of the individual. In the case of your company it is becoming increasingly difficult to retain a sufficient proportion of the profits with which to maintain and provide for a reasonable expansion of the business.

After referring to the progress of the subsidiary companies the statement continued: The parent company's turnover for 1950 showed a small increase. 41.4 per cent. of the output was exported.

The British Post Office is the company's principal customer in the home market. There is no indication as to when it will be possible to recommence the development of the telephone service in this country.

The report and accounts were adopted.

MIDDLE WITWATERSRAND (WESTERN AREAS) LIMITED

REVIEW OF WIDESPREAD INTERESTS

MR S. G. MENELL ON SUCCESS OF PIONEER WORK

The eighteenth annual general meeting of Middle Witwatersrand (Western Areas) Limited was held on June 27th in the Board Room, Anglovaal House, Fox Street, Johannesburg.

The chairman of the company, Mr S. G. Menell, presided, and, in the course of his address, said:

The net profit for the year was £407,767 compared with the previous year's figure of £176,615. Provision for taxation together with expenses in connection with a quotation for the company's shares on the Paris Bourse absorbed £83,118, leaving £324,649 which, added to the balance from the previous year, left £546,257 to be carried forward on appropriation account.

At the date of the balance-sheet the book value of investments was £1,179,453, compared with the previous year's figure of £484,126. The book value of the quoted investments in the company's portfolio was £1,026,962 while the market value of such investments was £1,735,329.

During the year further capital was called up on our holding of Kennecott-Anglovaal Exploration Company, Limited, shares. The item shares in subsidiary companies £41,977, represents the company's holding of 203,597 shares in New Klerksdorp Gold Estates, Limited, and 10,000 shares in S.A. Base Minerals, Limited.

At today's date, the company has over £700,000 cash working capital available to cover the contemplated expenditure on the several operations being conducted by the company.

ORANGE FREE STATE INTERESTS—SAND RIVER AREA

Merriespruit Flotation—Subsequent to my address to shareholders last year, advice was received that the Hon. the Minister of Mines had agreed to grant the company its second mining lease in respect of approximately 5,830 claims immediately to the south of the Virginia and Harmony mines.

Merriespruit (Orange Free State) Gold Mining Company, Limited, was formed to work this second lease area.

Merriespruit Mine.—Progress continues to be made with shaft-sinking and with the other activities necessary to bring a large new mine to production, and full advantage is being taken of the adjacent situation of the Virginia mine for the conjoint opening-up of the two mines.

Progress has been maintained on shaft-sinking, building construction and installation of equipment at Virginia mine. It is pleasing to note that the breaking of world shaft-sinking records at No. 3 shaft during March and April this year has appreciably advanced the date on which development operations will be commenced in the upper levels of the mine.

Other Farms in the Sand River Area.—The farms Zomersveld 395, Gelukspan 394 and portions 2 and 4 of La Riviera 289, totalling 1,227 morgen approximately, adjoining the Virginia and Harmony mines, are the subject of an agreement between the company and New Consolidated Free State Exploration Company, Limited, for the exploration of a joint mining area in which your company will be entitled to participation rights.

In this area, New Consolidated Free State Exploration Company, Limited, have announced encouraging results obtained from Boreholes S.A.P.1, S.A.H.1, SH.D.1 and S.S.D.1 drilled on the farm Saaiplaas No. 690.

Drilling in this area is being continued.

ODENDAALSRUS AREA

The farms Van den Heevers Rust, Klein Begin, Britspan and Stephanus Rust form portion of a block of ground which is the subject of an agreement between the company and General Exploration Orange Free State, Limited, for the exploration of mining areas in the Odendaalsrus district. In the event of it being decided to make an application for a mining lease your company and General Exploration Orange Free State, Limited, will, subject to existing rights, participate in the vendor and subscription rights pro rata to the estimated payable tonnage contributed by each company. The first company formed to take cession of a mining lease in respect of this ground will be under the administration of Anglo-Transvaal Consolidated Investment Company, Limited. Your company will receive a minimum of 25 per cent. of all vendor and subscription rights in such first mining company.

Drilling to date has indicated that the highly payable upper reefs intersected in boreholes K.1, TV.2, VDH.1 and borehole No. 1 on Rosedale 898 extend over a distance of some four miles.

In addition, boreholes V.D.H.5 and V.D.H.6 are being drilled by your company on joint account with General Exploration Orange Free State, Limited, and W.N.5 is being drilled by General Exploration Orange Free State, Limited, on joint account with your company.

PARTICIPATION RIGHTS

The company retains its right (subject to a maximum of £50,000 in respect of any one flotation) to subscribe for 20 per cent. of any working capital for which Lydenburg Estates, Limited, is entitled to subscribe in respect of the turning to account of certain of its properties and interests in the Orange Free State.

STILFONTEIN-HARTEBEESTFONTEIN AREA

In the area south of Stilfontein Gold Mining Company's lease area, known as the Lucas block, drilling has been continued in order to demarcate the extent of the reef-bearing ground. Seven boreholes are at present in progress.

It is anticipated that two mines may eventually be established on the Lucas block and on certain adjoining ground.

Your company retains its interest in the Stilfontein Gold Mining Company, Limited, where good progress has been made during the twelve months under review.

KENNECOTT-ANGLOVAAL EXPLORATION COMPANY, LIMITED

Your company retains its interest in Kennecott-Anglovaal Exploration Company, Limited, which is engaged in prospecting in the Northern Free State and Western and Northern Transvaal. No results of importance have been obtained to date.

NEW KLERKSDORP GOLD ESTATES, LIMITED

The tonnage crushed for the year was 104,450 tons, and the working profit was £28,041. Included in this working profit is the sum of £3,056 received from the sale of gold at enhanced prices.

The payable ore reserve as at December 31, 1950, was estimated to amount to 578,000 tons, having an average value of 2.58 dwts. over a stoping width of 70.1 in.

Progress has been maintained with construction work to increase the capacity of the reduction works to 10,000 tons per month.

KLERKSDORP TOWNLANDS

Since the close of the year your company exercised an option to purchase the mineral rights of the eastern portion of the Klerksdorp Townlands, measuring approximately 4,556 morgen.

It is the present intention that any mine or mines developed on the Klerksdorp Townlands will be developed by New Klerksdorp Gold Estates, Limited.

The report was adopted.

ROYTON TEXTILE CORPORATION LIMITED

GOOD PROGRESS DURING YEAR

The second annual general meeting of the Royton Textile Corporation Limited was held on July 12, 1951, at the offices of the Corporation, Col. J. B. Gartside, D.S.O., M.C., T.D., D.L., J.P., the chairman, presiding.

The secretary read the notice convening the meeting and the report of the auditors. The following is the chairman's statement, which had been circulated with the report and accounts for the year ended March 31, 1951:—

The accounts presented cover the first full year's trading of the Corporation and need little comment from me, being self-explanatory and easily understood. I do feel, however, you would wish me to point out a few of the salient features.

After providing £52,633 depreciation and £208,144 for taxation on the year's profits, the net profit for the year is £173,592, as compared with £107,599 for the nine months ended March 31, 1950.

TAXATION PROVISION

The amount of £83,000 transferred from profit and loss appropriation account calls for some explanation and arises by reason of the normal method adopted of assessing Income Tax Schedule "D" on the preceding year's profits. As a consequence it is necessary in one or other of the first three years' trading of a new company to make provision for the current tax payable on the actual profits earned and also for the future tax which is assessed on those same profits.

The board feel sure that you will agree that in view of the very satisfactory profits earned, full provision should be made as early as possible for all current and future taxation, and this course has been adopted by making the transfer of £83,000. Thus some two-thirds of our gross profit goes to our insatiable friend the Chancellor of the Exchequer.

Turning to the balance sheet, £43,019 has been received on account of the re-equipment grant under the Cotton Spinning (Re-equipment Subsidy) Act, 1948.

Stock reserve £30,000, a very necessary provision. It is to be noted that the cost of raw cotton at 53d. is some 22d. per lb. dearer than a year ago—31d.—and compares with 5d. in 1938.

Of the additions to fixed stock this year, £67,564, some £51,000 will rank for the subsidy grant.

Our commitments for new machinery and ancillary equipment amount to £170,000.

ANALYSIS OF EXPENDITURE

Each £ of Expenditure s.	d.		Per-centage
13	8·85	Cotton	68·687
2	3·85	Wages and Nat. Health Insurance	11·605
	11·50	Maintenance and Trade Expenses.	4·706
2	0·55	Taxation	10·229
	3·49	Dividends	1·455
	7·96	Reserves, Depreciation and Surplus	3·318
20	0·00		100·000%

RE-EQUIPMENT PROGRESS

The re-equipment programmes instigated by the Transferor Companies in 1945-46, and implemented by the Corporation, are materialising; progress cannot be considered as satisfactory as had been anticipated, but when complete our plant will be capable of producing quality cotton yarns under modern practices, conditions and the full utilisation of labour.

Holly Mill is being converted to be capable of producing rayon yarns as and when raw material is available.

The labour position, whilst slightly better than a year ago, still leaves our mills with machines standing idle, and, whilst our production during the past year has increased, we are still below our capacity to produce.

The raw cotton situation gives cause for grave anxiety in the coming year, not only as regards quality, but also as to the availability of the raw material. During the past year, by the kind forbearance of our customers and the ability of our managers and operatives, substitute cottons have been used to a degree never before experienced.

SURVEY OF THE INDUSTRY

Our order book is satisfactory; we have made every effort to keep faith with our customers who supply the utility programme. We are now supplying yarn in larger packages in cop, cone, cheese and beam; and new ring yarn now in production at Vine Mill is giving every satisfaction. By the installation of ancillary machinery we are keeping abreast of the changing conditions which are a feature of the weaving section of the industry. To this end we welcome the suggestion that a survey of the industry should be made in order that the manifold changes which are taking place could be co-ordinated.

During the year our managing director has visited the U.S.A. and Egypt and has had the opportunity to study the various methods of spinning and weaving operative in those countries.

From the foregoing you will gather that whilst we have made progress much remains to be done and teething difficulties to overcome. The present year should, however, see us further on our way to building up an organisation comparable with any in the industry.

I would like on your behalf to express thanks to the management, officials, staff and all employees at the mills, for the loyal and splendid service they have rendered during the year which has resulted in the production of so very satisfactory a result.

Mr F. Brewer and Mr Harold Hasty were re-elected directors.

A final dividend of 10 per cent. (less income tax) was declared making 15 per cent. (less income tax) for the year.

The report and accounts were adopted.

RICHARD COSTAIN LIMITED

SATISFACTORY FINANCIAL POSITION

BALANCED SPREAD OF RESOURCES

MR R. R. COSTAIN ON THE OVERSEAS INTERESTS

The eighteenth annual general meeting of Richard Costain Limited, was held on July 11th at Rodney House, Chichester Street, Dolphin Square, London, S.W.1, Mr R. R. Costain, C.B.E. (chairman and joint managing director) presiding.

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

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1950:

The accounts for the year ended December 31, 1950, show a small increase in profits, the greater part of which is absorbed by additional taxation. The net profit of the group, after providing for tax, amounts to £82,010, of which 41 per cent. will be absorbed by the dividend on the preference capital and the proposed ordinary dividend, leaving the balance of 59 per cent. to strengthen the reserves of the group. The board recommends a dividend of 10 per cent., less tax, on the ordinary share capital, and, after placing £8,522 to the capital redemption reserve fund and £30,363 to general reserve, the balance on profit and loss account is increased by £3,923.

EFFECT OF RENT RESTRICTION ACTS

The consolidated balance sheet shows a satisfactory position and indicates the balanced spread of the group's resources between freehold and leasehold properties on the one hand and general contracting work on the other. Capital and revenue reserves are shown in the balance sheet at £775,558 as compared with the ordinary capital of £507,985. I should mention that the freehold and leasehold properties are almost entirely included in the balance sheet at pre-war cost, less amortisation, and that the current replacement cost would exceed this by several million pounds. Unfortunately, the operation of the Rent Restriction Acts constitutes an increasing burden on property owners who have to bear the heavily increased cost of repairs and maintenance as well as the service costs associated with flat properties. I am glad to say that practically all the tenants of Dolphin Square have shown an understanding of the position and have co-operated voluntarily in agreeing to a moderate increase in rentals to cover part of the heavier costs of operating and maintaining the property and its essential services.

No account has been taken in the balance sheet of our claim for compensation under the Town and Country Planning Act, 1947.

OVERSEAS DEVELOPMENT POLICY

In my statement last year I referred to the establishment of business in new areas. I am pleased to report that our policy of overseas development has been well justified: we have now overcome the teething troubles inseparable from operations of this nature, and I believe that our overseas interests are now firmly established on a profit-earning basis.

At home we were entrusted with the major part of the work on the Festival of Britain South Bank site and the River Wall, and this work was completed either before or on scheduled dates. On the other side of the river the important block of Government offices in Whitehall is nearing completion.

STEEL SUPPLIES CONCERN

The volume of work on hand is satisfactory and includes several important civil engineering contracts. We are, however, seriously concerned in regard to the supply of steel: the shortage which has arisen so suddenly and acutely is bound to have a marked effect on the progress of our contract work. Even as regards our pre-stressed concrete activities which use a minimum of steel, production has had to be severely curtailed.

We have made a considerable contribution to open-cast coal production during the last few years, but I regret to say that this work over a period of time has not proved economic.

THE OUTLOOK

It is, under present circumstances, impossible to make any statement as to future prospects. I can only say that the group's organisation is in a highly efficient condition, and in the absence of circumstances which we cannot control we should be able to continue the steady progress and strengthening of our reserves which have been maintained for many years.

I am sorry to report that Lord Clwyd, who has been associated with the company for 18 years, has decided not to offer himself for re-election as a director. His advice and support have always been of great value to the company.

Finally, I must express our appreciation of the hard work and loyalty of all members of our organisation at home and abroad which have produced the satisfactory results shown by the accounts.

The report and accounts were adopted and the dividend of 10 per cent. on the ordinary shares was approved.

The retiring director, Brigadier A. G. Bonn, was re-elected and the remuneration of the joint auditors, Messrs James Worley and Sons and Messrs Peat Marwick Mitchell and Company, having been fixed the proceedings terminated.

HAYDEN-NILOS LIMITED

EXPANSION OF HOME AND EXPORT SALES

CAPITALISATION OF £50,000 APPROVED

The fourth ordinary general meeting of Hayden-Nilos Limited, was held on July 11th at the Waldorf Hotel, London W.C.

Commander Robert H. Bristowe, D.S.O. chairman of the company, presided.

The following is his address which has been circulated to shareholders with the report and accounts for the year ended March 31, 1951:

You will notice from the directors' report that Sir Eric Young has joined the board. Sir Eric's coal mining experience of conditions both at home and abroad will be of inestimable value to the company, and it gives me very great pleasure to welcome him to-day.

The consolidated net profit for the year, after taxation and non-recurring items, is £103,933, which together with the amount brought forward of £58,881, less the amount capitalised of £38,117, makes an available balance of £124,697. The first and second interim dividends of 25 per cent. and 30 per cent. respectively have already been paid, absorbing in total £45,375. Your directors do not propose to pay a final dividend. You will be asked at a later meeting to sanction the capitalisation of £50,000, and if this is passed the balance to carry forward on profit and loss account will be £29,322 as against £20,764 last year.

Increasing benefit has been received this year from the works extension and the introduction of the "Mark 15" belt fastening system—to both of which I referred last year. There has been an appreciable expansion in both home and export sales. During the year a director of the company again visited the U.S.A. and Canada. Your directors are confident that in both these countries—where a satisfactory business has already been established—there are good reasons for anticipating continued expansion.

Your management has spent much time in the development of the overseas market, and it will be of interest to shareholders to know that the company has large and increasing markets in 41 countries.

The canteen which opened last December has been well patronised by the company's employees. It is fitted with the most modern appliances, and provides facilities which are obviously much appreciated. I mentioned last year that negotiations for a lease of land close to the works were proceeding, and I can now report that the lease has been obtained. Building will begin as soon as the necessary licence has been obtained.

Congratulations are due to the managing director, Mr Edwin Thompson, and office and works personnel, who have by their industry, enthusiasm and loyalty made such results possible.

The report and accounts were adopted.

At a subsequent extraordinary general meeting a resolution was passed capitalising £50,000 by the issue of 200,000 shares in the proportion of one new share for every three held on July 2, 1951.

FOY MORGAN AND COMPANY, LIMITED

(Timber Agents and Brokers)

SIR GERALD LENANTON'S STATEMENT

The sixteenth annual general meeting of Foy Morgan and Company, Limited, was held on July 11th at the offices of the company, 16, Eastcheap, London, E.C.3. Mr Hurbert Lenanton presided in the absence of the chairman, Sir Gerald Lenanton.

The following is the statement by the Chairman which had been circulated with the report and accounts for the year ended December 31, 1950:—

Experience of trading conditions during 1950 has confirmed the doubts expressed in the penultimate paragraph of my Statement which accompanied last year's Accounts, and the Trading Profit of your Company for the year ended December 31st last, including income from Investments, is £126,335, compared with £149,619 in the previous year. After providing for taxation, the dividends paid on the preference and ordinary shares, and additional remuneration to Directors, it is proposed to transfer £5,000 to the preference Share Redemption Fund and £5,000 to Pensions Account. The Reserve for Contingencies of £10,000 is no longer required.

During the year an unexpected opportunity occurred to sell an overseas asset of the Company. This transaction resulted in a profit over Balance Sheet valuation at cost of £39,000, and your Directors recommend that this exceptional capital profit, less distribution profits tax, be paid to the ordinary shareholders as a capital bonus, leaving a balance to be carried forward of £107,245, compared with £72,148 in 1949.

The trading prospects for the year 1951 are better.

The purchase of Softwood from certain countries has been freed from control, and the Softwood Agents' pooling arrangement has come to an end.

PROGRESS MAINTAINED

Your Directors are satisfied that the steps which I mentioned in the final paragraph of my Statement last year, to meet the changed conditions, have been wisely taken, and that your Company is equipped to obtain at least its previous share of the country's import of Softwood. The Hardwood, Plywood and Wallboard departments continue to maintain the progress shown in the past two years.

The report and accounts were adopted and the dividend distribution was approved.

The retiring directors, Mr R. V. Cooper and Mr N. E. Graydon, were re-elected and the remuneration of the auditors, Messrs Hope Agar and Company, was fixed.

The special resolution amending the Articles of Association was also passed and the proceedings then terminated.

MILFORD STEAM TRAWLING COMPANY

MR J. M. WHITTINGTON'S STATEMENT

The annual general meeting of the Milford Steam Trawling Company, Limited, was held on July 11th, at the Great Western Royal Hotel, Paddington, London, Mr J. M. Whittington (the chairman) presiding.

The following is an extract from his circulated statement:

The fishing industry surely touched bottom in 1950. The distant water interests had to organise a restriction scheme and new ships were tied up on delivery from the builders' yard. In most ports 25 per cent. of the fleet was laid up for a time. Landed weight in England and Wales fell by 13.3 per cent. and the average realised price remained practically unchanged at about 4¼d. per lb.; so much for the exploitation of the housewife. Fortunately for us the average value for hake increased from 92s. to 114s. per cwt., and 3½ months of control are covered by the better figure. We had always contended that the Ministry of Food's price for this fish was unfair and oppressive. According to the Economic Survey for 1951, the consumption per head of fish (with which is aggregated poultry and game) declined by 20 per cent., compared with 1949 and surprisingly was 13.4 per cent. below that for 1938. In passing it may be noted that the decline in consumption of meat between 1938 and 1950 was only about 14 per cent. No doubt most people still believe that vast quantities of fish at extortionate prices were forced down their throats last year, but I hope stockholders who may read these figures will be better informed.

The powers given to the White Fish Authority are wide; it remains to be seen what use is made of them. The Authority itself appears to have no powers to over-ride the Ministry of Food in the important matters of domestic price and foreign imports. So far as I can see, there is nothing to prevent that Minister reimposing the bad old control system or importing unlimited quantities of foreign-caught fish, and the Authority would be powerless to prevent it. This is a fundamental weakness which no well-meant assurances can remove.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said:

Since my statement was compiled, we have sold to foreign buyers the 10-year-old m.t. Milford Marquis at a profit of some £17,500 over book value. Ships' trading account had benefited little from this ship in recent years, and charges for depreciation and interest will be reduced by some £3,500 a year. From the proceeds all short term debt has been repaid and cash resources replenished.

Provisional accounts for four months to April 30th confirm the impression that profits are now being earned. There was a modest surplus of £2,678 for this period after meeting all charges including depreciation and interest: there should be no liability for taxation for some years. Since April 30th, trade has been maintained at around the same level.

The report was adopted.

NOTICES

A WELL-KNOWN INDUSTRIAL COMPANY, with headquarters in London, invites applications for the post of Deputy to the Director of Personnel with the prospect of succession within a few years. The desirable qualifications are a University Degree, industrial training and experience. Age about 35 years. The duties require a man of broad interests, who would succeed in securing the confidence of highly qualified technical staff. Service experience would be an advantage. The appointment carries a four-figure salary and is pensionable. Please send full details of qualifications and experience in confidence to Box 685.

THE BRITISH INSTITUTE OF MANAGEMENT invites applications for appointment as Information Officer (Financial and Office Management). A keen mind, good working knowledge of Financial and Office Management, experience in either industry or commerce, and ability to write clearly and concisely are essential. Salary according to qualifications.—Apply, The Director, Management House, 8, Hill Street, W.1.

CHARTERED ACCOUNTANT wanted by old-established and progressive commercial company in Nairobi, Kenya. Candidates must be of good personality, able control branch accountants over wide area and able advise upon and install, if necessary, new accounting system. Married man with children preferred. Salary will not be less than £1,500 p.a., plus free house. Home leave every four years. Pension scheme.—Fullest details in strictest confidence to Box "JU/160," c/o 95, Bishopsgate, E.C.2.

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By Order of the Board,
T. H. ATKINSON, General Manager.

July 12, 1951.

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For Barclays Bank (Dominion, Colonial and Overseas),
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G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2. July 9, 1951.

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Applications (three copies) indicating the line of research proposed by the applicant, and including the names and addresses of three referees, and, if desired, copies of testimonials, should reach the Registrar, The University, Sheffield (from whom further particulars may be obtained), by September 1, 1951. Official application forms are *not* provided.

A. W. CHAPMAN, Registrar.

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Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

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Further particulars can be obtained from the Acting Secretary Royal Wanstead School, Wanstead, E.11.

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Arms in Proportion

A DANGER known is half overcome. Almost the West's greatest handicap in deciding its policies towards Russia is uncertainty about the amount of force that the Kremlin could effectively bring to bear in support of expansionist policies. It is this uncertainty that has made possible the wishful thinking of MacArthurism and Bevanism, both of which depend for their popular appeal on an assumption that Russia is weaker than most politicians (as well as the experts) believe. General MacArthur concludes that the United Nations could risk being tougher with China and Mr Bevan concludes that Britain should be more conciliatory and not worry too much about arms, but the basis is the same. This assumption will certainly be encouraged if a truce is negotiated in Korea. Public understanding of the necessity and purpose of rearmament for a cold war will then be tested, both here and on the other side of the Atlantic, for the first time. If the test is to be passed the broad facts about the comparative strength of East and West must be widely understood; to explain them clearly and honestly is now almost the first task of Western statesmen.

The Under Secretary for War, Mr Wyatt, last Sunday gave some comparatively detailed estimates of Russia's armed forces. He put the number of Russian divisions at 215, apparently by adding in 40 anti-aircraft and artillery divisions excluded from the recently accepted figure of 175 divisions. There were, he said, over four million men in the Russian armed forces. In addition, the satellites had 60 to 70 mobilised divisions. In Eastern Germany alone there were 22 fully equipped Russian divisions, 18 of them armoured—with more than 5,000 tanks. On Monday, the Under-Secretary for Air followed up these estimates with a reminder that Russia is thought to have about 19,000 aircraft and that the number is growing.

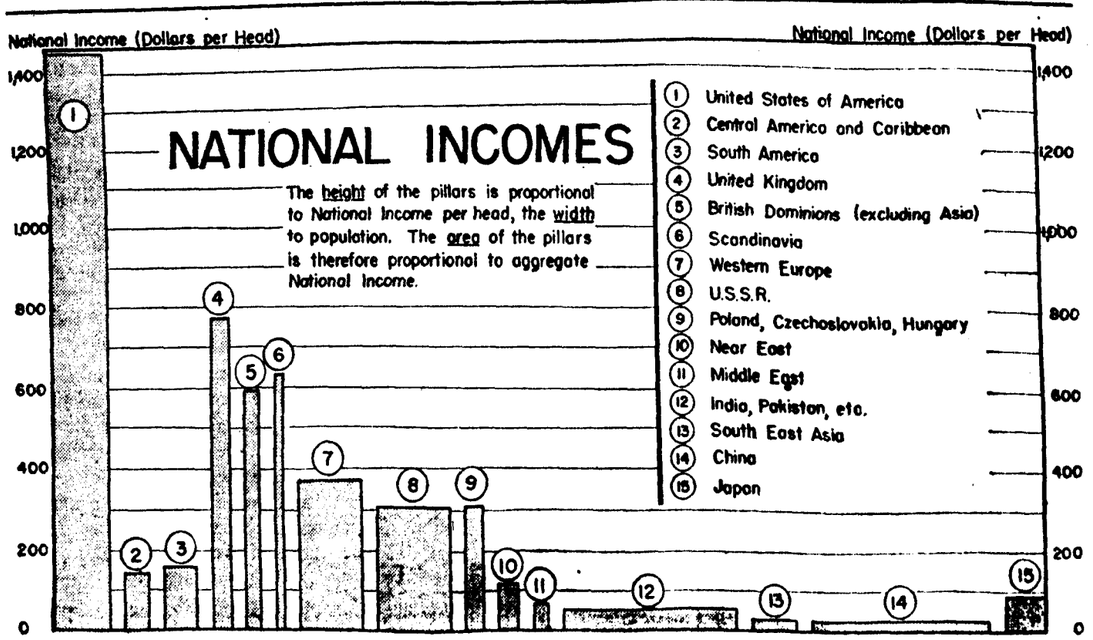
Though these figures must be accepted as the best guesses there are, they can easily be made to seem more frightening than they really are. That is unnecessary. In the Russian army a division is now about 30 per cent smaller than its Western equivalent; but even when every optimistic allowance has been made, it remains true that the 18 to 20 divisions possibly available to Nato in Western Europe are a pitifully inadequate shield against the Red Army giant.

But the greatest deterrent to Russia is, and will remain, the American reserve of industrial power. The facts about the resources available to East and West are illustrated by a diagram on the next page, showing the national incomes of the principal territories concerned. The main points may be summed up as follows. In 1949, according to figures collected and published by the statistical office of the United Nations, the national incomes of the United States and Canada were $228 billion; those of the Western European members of Nato were $87 billion, while the marginal European countries—Western Germany, Greece, Turkey and Jugoslavia—contributed another $21 billion. This makes a total of $336 billion

of resources available to the West even with the southern British Dominions and Latin America left out of account. On the other side, Russian national income in 1949 is put at $60 billion, while the total for the Soviet satellites—for some of which the United Nations could get no figures—may be very roughly estimated at $27 billion; China adds only another $12 billion, making the total for the Communist bloc less than $100 billion. Its resources are, in other words, less than a third of those of the West; and while it is true that even in the direst wartime conditions civilian needs in the West could never be compressed to as small a proportion of total income as totalitarian methods permit, the disparity in the resources left over for potential military use remains enormous. The Communists are unlikely to win a war in the end and there is, therefore, some reason to hope that they will not deliberately start a general war.

This is important, but it is nothing new. It is, at best, a negative relief; it is a hope that Communist policy will not become more aggressive than it has been for the past five years. That policy is to weaken the West by all mischief short of general war. It has so far secured an enormous expansion of Russian power, and it has done so largely by means of, in the phrase of Mr Bevan's pamphlet, "adventures"—in blunter terms, by the suppression of freedom and democratic institutions and the murder of, among others, Socialist politicians. No one believes that the Russians will be deterred from such adventures in the future, any more than in the past, by the West's potential ability to win a general war. All the evidence is still that limited aggression by Russia or its satellites will occur when and where the Kremlin thinks that there is no force adequate to resist it. The only effective deterrent is mobilised force on the spot, not merely the latent ability of American factories to produce a lot of tanks and aircraft in two years' time.

This is the simple lesson of postwar experience. There are, admittedly, more long-standing historical reasons why the principal partners in the North Atlantic Treaty should be tempted to forget it whenever the Russians give them a brief excuse for complacency. Britain and the United States have in this century entered two wars on the strength of their latent rather than of their actual forces and have won in the end. But the victory has come only after two or three years of retreat. In war one may retreat fighting and return fighting. There is no such symmetry in cold war. Retreats may be bloodless, but the only way to return is the method used in Korea. There it has been possible to fight back without directly challenging Russian prestige and so extending the war, but in Europe and the Middle East it would not be possible. If, say, Greece once fell to Communist attack, Soviet totalitarianism could not endure the loss of prestige involved in standing aside when Western armies drove out the foreign "volunteers" who had "helped" the Greek Communists. The Russians would have to choose war. Such a situation is probably the most direct danger; where Western forces are small the Kremlin may miscalculate and undertake—directly or by proxy—an adventure against which the West is compelled to fight. That is what happened in Korea, and the successful resistance will make future Russian policy less adventurous only if the West remains determined never to be so relatively weak anywhere again. The force that may keep all the 215 or so Russian divisions inactive is not the latent force that the West could call on after fighting had begun; it is the mobilised force that can be created now. How great that force needs to be is determined by the size of the Red Army, not the level of Russian national income. The West has to establish an effective equality in the forces that could quickly be brought to bear at any of the points where Russian aggression is possible. Their latent power may make the industrial countries sure of victory in a full war, but for a cold war mobilised divisions are—paradoxically—indispensable; to rely on latent power is to ensure defeats like those of the past five years and to make full war almost certain sooner or later. The paradox is in the nature of cold war,



which should by now be familiar enough to remove the excuses for muddled thinking.

The West can be confident of its ability to win a long war with Russia, but it must be clear about the implications of such confidence. The significance of industrial superiority is not to make the burden of rearmament unnecessary, but to make it more easily supportable. If the policies of the next two years are successful, if war is avoided and the West's armed forces are raised by 1953 to effective equality with the East's, then it should be possible to maintain that equality with relatively little effort. It would be an over-simplification to say that, because the West's total output is three or more times that of the Communist economies, the Western countries will need to devote only one per cent of their national incomes to defence for every three per cent the Russians employ. The West's advantage in productivity is not uniform. There is some reason to suppose that it may be smaller in military matters than in the peaceful activities to which the democracies attach more importance. It is, however, a fair guess at this stage to say that, once the West has caught up with the Russian forces, 10 per cent of national income will be enough to keep it level with any practicable armament effort in the East. The military strategists and planners will no doubt find plausible reasons why they should continue to have more; that is the nature of all specialists, and it is as well to serve notice on them now that by 1953, if all goes well, the politicians' task will be again to challenge their claims, not to give them a free hand; we may all be Bevanists then (though no doubt Mr Bevan will by then have become something else).

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Mr Bevan is wrong now, not because he emphasises the West's industrial superiority over Russia, but because the moral he draws has no relation to the actual facts of cold war. The real significance of industrial superiority is that armaments need cut into the living standards of the West only during the heave of the next two years. The long pull required for continued security can be made more easily. Unless Mr Bevan and his friends succeed in clamping an entirely static economy on this country, the advance in real incomes can be renewed, with a burst of speed, at the end of 1953. And—what is perhaps even more important to the morale of the West—the heave itself is not, in relation to the magnitude of Western resources, anything that need frighten any reasonable man. It may help to preserve a sense of proportion to repeat a calculation made in these columns before the defence programme was challenged. The difference between peace and war is the difference between the 3 per cent of national income that the British people devoted to defence in the twenties and the 51 per cent reached at the peak of the war. As against this difference of 48 per cent, the rearmament programme involves an additional effort, compared with the thirties, equivalent by 1953 to about 12 per cent of the national income. It is, that is to say, one-quarter war. And after the first heave, it can be reduced to about one-seventh war.

To suggest that such a burden is more than the wealthy West can bear is nonsense. It is, indeed, only too likely to produce the sharpest economic dislocation and inflation when it is imposed on an economy already so fully stretched that the rate of unemployment has fallen to one per cent before armament production has seriously begun. But the reason for the tensions lies in the starting-point, not in the nature of the defence programme. There is no difficulty that cannot be overcome by a realistic economic policy. It is always, of course, open to the West to throw away its advantage in wealth by unrealistic policies, but that does not constitute a case against rearmament.

The essential facts, which it is the task of responsible politicians to make plain, are simple enough: the West is greatly superior to the Communist world in latent strength, but at present greatly inferior in effectively mobilised strength. To deter further Communist aggression, it should be necessary to convert only a small fraction of the latent strength to mobilised strength. Security can, in other words, be gained and retained without crippling economic sacrifices. But the conversion is not any the less essential because it is, proportionately, small.

India and Pakistan

THE danger of war between India and Pakistan is once more becoming acute. The accusation made last week-end by Mr Liaquat Ali Khan, the Pakistani Prime Minister—and since denied by Mr Nehru—that Indian forces are massing aggressively on the frontier in the Punjab was not entirely surprising after the last two months of rapidly mounting tension. Mr Liaquat Ali Khan made a triple appeal: to Mr Nehru in Delhi "to remove the threat," to the Security Council to take notice of the position, and to the people of other countries to apply "their intelligence and good sense" to the problem of relations between India and Pakistan. There can, unhappily, be little hope that his words will lead directly to any change in India's military dispositions. But they do serve to warn the world that it is almost certainly about to face another alarming intensification of the Kashmir dispute. And they also represent a shrewd attempt by Pakistan to seize the initiative in putting its case to the world.

The fact of the matter is that, while Delhi's passive refusal to budge an inch in Kashmir is the direct cause of the present unrest, India itself is most unlikely to make the first overt move; in this respect Mr Nehru spoke no more than the truth. Pakistan therefore runs the risk of finding itself—as it did before—in a position to be branded technically as the aggressor while having a balance of moral justification on its side. The real danger of war over Kashmir now comes from the rising temper of the people of Pakistan. At the same time, they are being goaded by India's continuing and indeed callous rejection of any form of arbitration suggested either by the Security Council or by the Great Powers. There is accordingly little wonder that Mr Liaquat Ali Khan, placed in a tragically difficult situation in relation both to outside opinion and to his political opponents at home, seeks to focus attention on Indian military measures which, although provocative in themselves, no government in Delhi could well avoid taking now in view of the menacing deterioration of the situation.

It takes two to make a quarrel, and in Kashmir both

parties have contributed to the present stalemate. One of the anomalies of the dispute is that, while it was India which first took the issue to the United Nations three years ago, it is India which rejects the jurisdiction of the Security Council today—because the United Nations has failed to settle the dispute in India's favour. In Pakistan, on the other hand, where the problem of Kashmir dominates political life, it is the apparent refusal of the United Nations to intervene as vigorously as it has in Korea that drives opinion inexorably on towards taking the law into its own hands. Certainly the sequence of events in the past year has been favourable to Pakistan. The trouble is that it is not thought to have been favourable enough. And the proof, as anyone in Karachi will say, is that India still sits as before in dogged possession of two-thirds of Kashmir, ingenuously crying peace and urging everyone else to let sleeping dogs lie and bygones be bygones.

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There have been three leading developments in the Kashmir dispute since the beginning of this year. The first was at the conference of Commonwealth Prime Ministers in London during January, when an attempt was made to negotiate a settlement in private and between friends. The outcome was a failure to reach agreement, but a clear gain in public sympathy for Pakistan. Mr Nehru did not improve his case when, on his return to Delhi, he explained that he had rejected an informal proposal to send a Commonwealth force to Kashmir to ensure order for holding a plebiscite—the objective of United Nations policy—because its arrival would have unfortunate repercussions on Indian opinion. Then, during February and March, the Security Council discussed and passed a resolution, originated by Britain and America, under which Dr Frank Graham, formerly a member of the Senate and before that President of the University of North Carolina, is now in Kashmir as a mediator, in succession to Sir Owen Dixon, in order to do all he can to bring about agreement and demilitarisation. If after three months he has failed—he arrived in Karachi at the end of June—the Security Council, acting on his recommendations, is to call on the two sides to accept arbitration. India, while treating Dr Graham personally with courtesy, rejects the terms on which he was appointed, having held throughout that arbitration can offer no solution. The third development has been the Indian decision, in association with the Kashmiri government of Sheikh Abdulla, to emphasise the permanent nature of the *status quo* by proceeding with steps to convene a constituent assembly for Kashmir, probably in October. When, to this end, an important session of Sheikh Abdulla's National Conference Party was held in Srinagar six weeks ago and Pakistan complained to the Security Council, Sir Gladwyn Jebb, speaking for Britain, secured the adoption—with Russia and India abstaining—of a protest against any Indian action that might prejudice the authority of the United Nations.

The tide in fact has been running hard against Mr Nehru. Unfortunately, however, from the point of view of any hope for a settlement, opinion in Delhi has lately rallied much more to his side. And this has happened at a time when, in Kashmir itself, the military situation on the ground—that is, along the cease-fire line across which the Indian and Pakistani armies have now been facing each other for two and a half years—has materially deteriorated. India, for instance, was undoubtedly justified in complaining to the Security Council at the beginning of this month about an increase in the number of Pakistani violations of the cease-fire agreement; at least fifteen major incidents are reported to have taken place during the last few weeks, in some of which armed raiders have shot up Indian villages, driven off livestock, and flogged the male inhabitants. To this Mr Gurmani, Pakistan's Minister for Kashmir Affairs, speaking in Rawalpindi, retorted that while India had complained of 392 violations since January, 1949, Pakistan complained of 492.

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This, then, is the background of the grave new period of tension which is beginning. How long may it last? And what can be done to end it without bringing on the appalling disaster of war? It seems unlikely that a conflict will break out before Dr Graham has made his report, since the initiative lies with Karachi, and Pakistan's dissatisfaction will scarcely reach its peak until the Security Council has tried—and is considered in Pakistan to have failed—to put Dr Graham's recommendations into practice. This would carry the dispute over into October. By that time, however, the Kashmir Constituent Assembly may be expected to have met and further inflamed Pakistani opinion. The most likely way for trouble to start would then be a repetition of what happened in 1947: an invasion of Kashmir by the tribes of the North West frontier with Pakistani concurrence. It is a remarkable coincidence that the danger will be at its height at the same time of year as last time, just before the snows fall. If the Constituent Assembly could be deferred for a few weeks, the crisis might be prevented from reaching its peak until early next year.

These grim prospects are at once a menace to millions of innocent Indians and Pakistanis, and a challenge which the nations of the free world can no longer afford to evade. Mr Nehru alone saved the situation in Bengal last year. Now he himself is the prime and obstinate source of trouble. This means that the danger of this latest conflict drifting into open war is greater than at any previous time in the brief history of Pakistan and India. And if war came, the blood-letting which followed would almost certainly rock the stability of the regimes in both Delhi and Karachi. Already a *coup* has been attempted against Mr Liaquat Ali Khan, while in India the extremist Hindu Mahasabha has publicly embarked on a policy of undoing partition, destroying Pakistan and setting up a united greater India, Akhand Hindustan.

A possible truce in Korea and the stalemate in Europe may well lead to a concentration of Soviet effort on Russia's southern flank. In Persia the Communist Tudeh party is waiting for the right moment to try to seize power. In the neighbouring countries of Pakistan and India, with all their resources of industry, manpower, strategic position and Asian prestige, the prize is even greater and the opportunity may soon be scarcely less good. It is a vital interest of the free world that this tragic course of events should be stopped before it is too late. There is much truth in the Pakistani accusation that the United Nations has never put itself out over Kashmir to the same extent as over Korea. If war actually started, a great deal more would be done; the Security Council would be bound, for one thing, to consider the Kashmir dispute under the more critical Chapter VII—action with respect to threats to, and breaches of, the peace. The need is to make this change of heart at once before anything further happens. Even now it would be a help if the Security Council reacted straightaway to the recent pronouncements by Mr Liaquat Ali Khan and Mr Nehru; it could at least send its military observers already in Kashmir down to investigate the military situation in the Punjab. There has always been an understandable unwillingness on the part of the western powers to intervene in the Kashmir dispute for fear of being accused of dictation and imperialism. But unless they now take a bolder and more positive line in both capitals, or unless other powers in Asia, the Middle East or Latin America can prevail on the two governments to bury their differences, the chances of avoiding the ultimate disasters ahead appear to be dwindling dangerously.

Local Government Dilemmas

THE debate on local government in the Commons this week demonstrated the growing alarm with which members of all parties view the steady decline in the powers and the prestige of local authorities. This malaise of local government has no single cause and a variety of symptoms, such as the fall in public interest and participation in the work of local democracy. The chief evidence of decline is the inflated power of control over local administration now wielded by Government departments, powers which sometimes reduce the local council's responsibility for policy-making to farcical dimensions.

Since 1945, the Government has striven to achieve more uniformity, and much higher standards, in local administration. This policy has much to recommend it; but the pace at which it has been pursued, in a period of economic scarcity, has involved the coercion of the more backward local authorities to greater efforts coupled with the denial to progressive authorities of any scope for improvement or experiment. The deadening effect on local initiative and responsibility is unmistakable. At the same time, local government is suffering from financial and structural defects of longer standing. The comparative stability of rate revenues, in face of rapidly rising local expenditure, has over a long period increased the dependence of local authorities on Exchequer aid, and has fastened tighter the controls that go with it. A more general cause of local government weakness lies in the obsolete character of its pattern of areas and division of functions. The removal of certain functions from local government over the last few years has been in part due to these financial and structural inadequacies.

The Commons debate was largely concerned with the evergreen problem of reforming local government areas. It is important to remember that this question is no more than one aspect of what has become a hydra-headed problem. Indeed, the approach to the question of areas and functions depends on what view is taken of the future place of local democracy in British political life. Any system of local government must today strike a compromise between the needs of administration, which suggest comparatively large and uniform areas, and the needs of democracy, which compel respect for the variegated pattern of local communities and for the traditions woven around existing institutions. If it be accepted that the centralising process will continue, reducing local councils to the position of agents of the Government with little or no discretion of their own, then the democratic side of this equation loses much of its force. In such circumstances, a complete rationalisation of local government units, in order to secure the maximum administrative efficiency, has much to be said for it. But if the starting point for reform is a determination to make local institutions more vigorous, as well as more efficient, then a much more delicate balance has to be struck between competing considerations. The reform of areas is then only one step—albeit a necessary one—towards the general rehabilitation of local government.

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There is general agreement that the English and Welsh system of local government, which was created over sixty years ago, is ill suited to modern conditions. It is also agreed that a general recasting of the system is much preferable to piecemeal tinkering with existing authorities and areas. These points were made by the Local Government Boundary Commission, and the Government has endorsed them. The difficulty is that the only plan of reform available which has any real chance of public acceptance is that put forward by the Commission itself in 1947. The Government, which refused to act on the Commission's reports and wound up its work, has failed to produce an alternative plan of its own despite Mr Bevan's promise that it would do so.

The Government now pins its hope of further progress to reaching agreement on a plan of reform with the various local authority associations. Mr Lindgren made it clear in the debate that, if this cannot be done, then "the Government cannot see the possibility of action being taken within the lifetime of this Parliament." This may be the only realistic attitude for a Government in a precarious position, but it underlines its own failure to take any but the negative step of abolishing the Commission during its five years with a comfortable majority. Do Ministers seriously believe that the various groups of local authorities, all of which have divergent interests and aims and have been amply consulted before, can agree, if at all, on anything but an emaciated compromise which burkes the real issues of reform? Ministers' unwonted anxiety for proceeding by general agreement is a thin disguise for their wish to do nothing. There is no real excuse for continued inaction. If there cannot be comprehensive reform, the stage has been reached when a measure of interim reform, making some piecemeal adjustments in the present system, would be better than further delay—provided this can be done in a way that does not prejudice full reform later.

The most obvious anomaly in local government areas is the way in which many towns have outstripped their administrative boundaries. Since 1926, a county borough has had to obtain a Private Act of Parliament in order to extend its borders. Since 1939, there have

been hardly any extensions of urban boundaries. Many authorities consequently have little or no land within their borders on which to build, and this is highly detrimental to good town planning. To permit a local authority to build houses outside its own area is very far from satisfactory. It arouses local antagonisms and creates a divided responsibility for the provision of services. If, alternatively, other local authorities are made responsible for rehousing the surplus population of a nearby city, then—as Dr Dalton recognised in the debate—they must be given financial incentives to fulfil a task that they are unlikely anyhow to tackle with enthusiasm. In either case, it is a poor transaction for the parent city, which loses population and rateable value without compensating advantages.

Many county boroughs are recognised to have a just case for extending their boundaries. The objection to giving them their way is the effect on the population and rateable value of the administrative counties. The counties have always pleaded that they need the higher rateable values which are often found in the vicinity of large cities to help pay for the provision of services to the poorer rural areas. But the operation of the new Exchequer Equalisation Grant means that any fall in the average rateable value per head of a county will be largely offset by Government aid.

What is important to a local authority now is, as the Boundary Commission pointed out, not so much the quality but the quantity of rateable value—in other words, the size of its population. Many of both the present counties and the county boroughs are too small to provide modern services with full efficiency. But the county boroughs as a whole are worse off than the counties, since their average population is less than half that of the average county. Behind these averages there lie many differences of local conditions and needs. The claim that the extension of a county borough would disrupt the administrative efficiency of some county is no doubt true in certain cases. But there are many instances where it would do nothing of the sort.

It would, of course, be impossible to give full satisfaction to the claims, however legitimate, of existing county boroughs. There is also the problem presented by the claims of many towns seeking county borough status and having, by past standards, an adequate population to justify promotion. Here, however, a different principle is involved. To add to the total number of county boroughs would intensify the struggle for population among the major local authorities, of whom there are already too many. It would clearly be foolish to add to the tally of small county boroughs, though there may be outside the Greater London area, where special considerations apply, one or two towns of over 100,000 population whose wish to enjoy the benefits of county borough status it would be churlish to deny any longer.

The extension of the boundaries of certain county boroughs (unlike the creation of new ones) would not prejudice, as the Boundary Commission recognised, the eventual requirements of local government reform. It is not logical or desirable, under any system, that a town should be compressed within an administrative straitjacket, and precluded from exercising control over its own development. This point has been better recognised in the United States, which is faced with many local government problems of a similar nature. Failure to act on it here will bedevil the planning schemes of a number of large cities. The authority needs to have sufficient control over its immediate environment to plan its growth on a long-term basis, which may involve such measures as the preservation of a green belt and the development of outlying communities. The accusation that such measures will encourage towns to become bigger than is desirable has little basis. In so far as the Government does not take special steps, such as the creation of new towns, to reduce the growth of urban concentrations, they will grow anyhow—in size if not in population ; and it is better that this development should be under unified direction and be carried out at proper standards than that responsibility should be shuffled between a medley of authorities.

To carry out this policy some interim machinery—such as the creation of a new Boundary Commission with a clear mandate and limited powers, or the passage of an Enabling Bill through Parliament—would have to be created. The Minister is mistaken in thinking that minor extensions in one or two cases, obtained (if at all) through the present cumbersome parliamentary procedure, will meet the point. A more generous treatment of county borough claims would not of course solve the general problems of local government reform, which will remain important and pressing. But it would not aggravate their solution, and it would be an interim measure of justice.

The Odious Traffic

The brief notice taken on Monday evening in the House of Commons, of the present condition of the Slave Trade, enables us to congratulate our readers on the sensible diminution of that odious traffic. Mr Hume having called attention to the subject, Lord Palmerston informed the House that on the coast of Africa, north of the Line, the trade might be said to be almost extinguished. The only exceptions were Lagos and Porto Nuevo, and there the presence of British cruisers, spoiling the trade, was inducing the dealers to turn from exporting human beings to exporting palm oil, as a safer and more profitable article to deal in. The people had acquired a taste for European commodities, but had been under the erroneous impression that only slaves would be taken in exchange for them, and had been agreeably disappointed to learn that cotton, which they had begun to cultivate, and other products of industry, were more acceptable than human beings. . . . It is ascertained in Brazil that the employment of slaves is the ruin of agriculture. It has been discovered, too, that the employment of slaves, merely because they cannot be trusted, is more costly than employing free men. . . As the Brazilians and others learn that with slaves there cannot well be a continued division of labour, and little or no improvement in skill, while these two circumstances are the main causes of all improved and cheapened production, they must see that the folly of continuing to import barbarians from Africa is fully equal to its injustice, and they will naturally cease to do that which will continually tend to their own injury and ruin. . . We have shared with others in many doubts as to the utility of maintaining our squadron on the coast of Africa. The results, as explained by Lord Palmerston on Monday, are calculated to put an end to all doubts, and justify a policy that was thought to be more recommended by a visionary philanthropy than sound political expediency.

The Economist

July 19, 1851

The Census of 1951

THE Preliminary Report of the Census of 1951 received brief comment last week ; but the figures contained in it deserve a more extended review. These volumes contain no industrial or occupational breakdown of the figures ; for these and for the answers to the questions about age, size of families and housing, it will be necessary to wait quite a time. But the total figures of population, distinguished simply between men and women and place of residence, have been compiled with exemplary promptness. Some of the more important total figures are summarised below. (Except where otherwise stated, all figures in tables are in thousands.)

The largest aggregate is that of the population of the British Isles as a whole:—

1. Total Population

	1851	1901	1921	1931	1951
England	16,765	30,509	35,230	37,359	41,148
Wales*	1,163	2,019	2,656	2,593	2,597
Scotland	2,889	4,472	4,882	4,843	5,096
Great Britain	**20,816**	**37,000**	**42,769**	**44,795**	**48,841**
Northern Ireland	1,443	1,237	1,258	1,243	1,370
United Kingdom†	**22,259**	**38,237**	**44,027**	**46,038**	**50,210**
Islands‡	143	150	151	143	158
Eire	5,112	3,222	3,096	2,933	2,959
Total, British Isles	**27,514**	**41,609**	**47,274**	**49,114**	**53,327**

* Includes Monmouthshire. † Present boundaries of U.K.
‡ Isle of Man and Channel Islands.

The increase in the twenty years 1931-51 is 9.0 per cent for Great Britain and 9.1 per cent for the United Kingdom. This rate of increase was, however, irregularly distributed among the different regions of the country, as is shown in Table 2.

2. Regional Population

Regions	Total Population		Increase
	1931	1951	%
Northern	3,038	3,140	3·3
East & West Ridings	3,929	4,096	4·2
North Western	6,197	6,445	4·0
North Midland	2,939	3,378	15·0
Midland	3,743	4,422	18·1
Eastern	2,433	3,096	27·2
London & South-Eastern	10,330	10,902	5·5
Southern	2,135	2,648	24·1
South-Western	2,615	3,021	15·5
Total, England	**37,359**	**41,359**	**10·1**
Wales	2,593	2,597	0·1
Scotland	4,843	5,096	5·2
Northern Ireland	1,243	1,370	11·0
United Kingdom	**46,038**	**50,210**	**9·1**

The Eastern and Southern regions, which show the highest rates of increase, were also the leaders in the period 1921-31. It is clear from the figures for the separate counties, however, that the increase in these two regions has been chiefly in the outermost fringes of London: the counties showing the largest rates of increase of the fifteen included in the two regions are Hertfordshire, Buckinghamshire and Bedfordshire. It would seem therefore that the trend of the population towards the south-eastern quarter of the country continues, although it now shows in the outer ring of that area rather than within the metropolitan area itself. The other area where population is collecting is in the Midland and North Midland regions. This seems to be a much more genuinely regional growth, as the increase is very evenly spread among the fourteen counties involved, none showing an increase of less than 10 per cent or more than 25 per cent.

The conclusion that has hit the headlines has been the fact that, for the first time for more than a century, the proportion of the population living in what are defined as rural areas has grown at the expense of the urban areas. These figures need to be interpreted with some care. In the pre-war years, many local government boundaries were altered, mainly in the direction of extending the towns, which would naturally have the effect of increasing the " urban " population without any change in the underlying facts. Since 1939, however, the boundaries between urban and rural areas has been unchanged, and it is in the twelve years since 1939 that the great change has occurred:—

3. Urban and Rural Population
(England and Wales only)

	Urban Areas	Rural Areas
1921—Population (000)	30,035	7,851
Percentage of total population	79·3	20·7
1931—Population (000)	31,952	8,030
Percentage of total population	80·0	20·0
Increase since 1921 (%) :—		
" Self growth "*	4·9	7·8
Balance†	1·5	−5·9
1939—Population (000)	34,183	7,277
Percentage of total population	82·4	17·6
Increase since 1931(%) :—		
" Self growth "*	3·8	3·7
Balance†	3·2	−12·7
1951—Population (000)	35,322	8,423
Percentage of total population	80·7	19·3
Increase since 1939 (%) :—		
" Self growth "*	3·3	15·8
Balance†	...	...

* " Self growth " is increase in population within the boundaries as at the end of the period.
† " Balance " is apparent increase or decrease due solely to alterations of boundaries.

This increase in the population in rural areas is striking ; but it does not connote an increase in the population engaged in rural pursuits. For certainty on this it will be necessary to await the more detailed volumes. But a preliminary judgment, based on inspection of the figures of increases by individual areas, suggests once again that it is the fringe areas—those that are still counted as rural, but have become largely urban, or border on urban areas, that show the big increases. The surprising thing is that this migration to the country proved possible in the twelve years of war and building restrictions.

From 1931 to 1939, Greater London continued to

grow. In the last twelve years there has been a fall, but the total is still above that of 1931:—

4. POPULATION OF LONDON

	1901	1931	1939	1951
County of London	4,536	4,397	4,013	3,348
Outer ring	2,045	3,819	4,715	4,998
Greater London	**6,581**	**8,216**	**8,728**	**8,346**

On the basis of this final figure, the claim is made for London that it is still the largest city in the world, the total population of New York City being 7,835,000 in the census of 1950. But this is not comparing like with like, since Greater London is not, save in police matters, a single administrative unit; it is a conurbation, that is, in the official definition, "a continuous urban area . . . the characteristics of which are mainly those of a single community with a large and continuous interchange of individuals between its several parts." The "metropolitan area" of New York, with a definition roughly corresponding to that of a British conurbation, had a population in 1950 of 12,832,000, or more than half as much again as that of Greater London.

In the order of precedence of the other large cities, Birmingham now takes priority over Glasgow. There is, in total, as can be seen from Table 5, one less city with a population of over a quarter million. The interesting feature of these lists is how very few of the large cities, except those in the Midlands, gained in population in the two decades. Here again, however, the result may be simply due to the narrow definition of a city. An official committee last year defined five "conurbations" in England, of which figures can thus be given for the first time; they are summarised in Table 6.

On the whole, these figures do not substantially alter the picture. Only the West Midlands conurbation shows a sharp increase; the others are fairly static. It seems possible to conclude, tentatively, that whether or not there is a real, as distinct from a statistical, change of trend in favour of rural living, the tide does seem to be setting against the large city. Only those city fathers whose pride is purely arithmetical will regret it.

The ratio of females to males in England and Wales as a whole has declined from 1,088 females to 1,000 males in 1931 to 1,081 in 1951, though it is still higher than at any census before 1921. There are some interesting geographical variations in the ratio. It has fallen quite sharply in rural areas as a whole, where it is now below 1,000, and in the most strongly rural regions, such as the Southern and South-Western. It has risen only in Scotland, in Yorkshire and, very sharply, in Wales. This would seem to suggest that full employment has drawn women out of the agricultural areas, but that some cause (possibly a sharp increase in relative prosperity and improved prospects of alternative local employment) is re-attracting them to the coal-mining areas.

5. CITIES OF OVER 250,000

1931		*1951*	
Glasgow	1,093	Birmingham	1,112
Birmingham	1,003	Glasgow	1,090
Liverpool	856	Liverpool	790
Manchester	766	Manchester	703
Sheffield	518	Sheffield	513
Leeds	482	Leeds	505
Edinburgh	439	Edinburgh	467
Belfast	438*	Belfast	443
Bristol	404	Bristol	442
Hull	314	Nottingham	306
Bradford	299	Hull	299
West Ham	294	Bradford	292
Newcastle-upon-Tyne	286	Newcastle-upon-Tyne	292
Stoke-on-Trent	277	Leicester	285
Nottingham	276	Stoke-on-Trent	275
Leicester	258	Coventry	258
Portsmouth	252		

* 1937

6. CONURBATIONS

Conurbation	Principal City	No. of Authorities	Population ('000) 1931	1939	1951
S.E. Lancashire	Manchester	53	2,427	2,421	2,421
W. Midlands	Birmingham	24	1,933	2,079	2,237
W. Yorkshire	Leeds	33	1,655	1,658	1,692
Merseyside	Liverpool	12	1,347	1,357	1,382
Tyneside	Newcastle	13	827	825	835

NOTES OF THE WEEK

A Deal with Franco

The emotions of British and European Socialists about Spain must not be allowed to have the same effects on Anglo-American relations as Republican emotions about China. The criticism that has been heard in London about Admiral Sherman's visit to Madrid on behalf of the American Joint Chiefs of Staff shows there is danger of this happening. It can be averted if attention is given strictly to the known facts. They are that the United States is about to conclude a bilateral agreement with Spain, which would give it the use of Spanish naval and air bases in return for American aid; whether this would be military or economic, or both, is not clear. The reasoning behind this policy is in no way sinister or complicated. Because a majority of the members of Nato feel strongly opposed to any direct association of General Franco with their military and economic planning and will not allow the strategic arguments in favour of it to overrule the political sentiment against it, Americans like General Bradley, who do accept the strategic arguments, feel impelled to see what separate deal they can make with Madrid. It is not necessary to see in this matter a hidden plan to defend Europe at the Pyrenees, for General Eisenhower is the last man to base his plans on a defeatist appreciation.

Admirals who want, in case of war, to command the entrance to the Mediterranean and to have access to European ports as far as possible from enemy bomber bases are bound to argue that something should be done to ensure such facilities in advance. Likewise, those who point out that Nato is intended to defend freedom and democracy have good grounds for insisting that General Franco's representatives shall not sit in the North Atlantic Council. It would, therefore, appear reasonable to avoid the difficulty by getting the bases without bringing Spain into Nato; that is precisely what Admiral Sherman is trying to do.

An argument about the right of the Americans to conclude military arrangements for European defence without the approval of Nato will lead nowhere; for Nato is still too young to have or enforce anything like a common foreign policy. It is wiser to concentrate attention on two points. First, it should be asked whether the Spanish people will benefit. If Americans intend to see that any aid given is efficiently and honestly used, then it is probable that some change in the corrupt and tyrannical habits of the Franco regime will follow. Secondly, it should be ascertained that aid to Spain will not reduce the military supplies available to carry out the agreed rearmament plans of Nato members. If it does, those governments have a right to express their concern to Washington. What is questionable is the right of the British Government, whose policy towards Spain goes little further than impotent moral indignation, to criticise the American action without offering any constructive alternative. Does Mr Morrison really believe that the Spanish worker will not welcome American infiltration of the Franco system, or that dictatorship in Spain is in some way more immoral than dictatorship in China or Jugoslavia?

* * *

Peace Treaty for Japan

The draft of the Japanese peace treaty published last week is, as is pointed out in an article from our Washington correspondent on page 156, regarded in America as the final version, not now liable to revision except on minor points of detail. In substance, it represents a triumph for American policy, and in particular for the views of Mr Dulles himself, who has travelled widely and worked indefatigably to get a generally agreed draft. Serious misgivings have been felt in this and other countries about the lack of restrictions on either the trade expansion or the rearmament of Japan, but a strong case can be made for the view of Mr Dulles (with his special past experience of the application of the Treaty of Versailles) that there is no sense in treaties which impose humiliating deprivations of sovereignty on a defeated nation without providing the means or the conditions for their permanent enforcement. In any case, the fact that the United States alone is in a position in the Pacific to afford security either for or against Japan and to sustain Japan's economy with essential dollar aid has meant that the Americans must have the last word on the treaty as far as other western nations are concerned.

Alarm about Japanese rearmament is not well founded, for it is not intended that Japan should again become a major naval power—which it could not afford to become in its weakened economic condition without American backing—and Japan, unlike Germany, cannot be an aggressor without crossing the sea. British fears about renewed Japanese commercial competition, on the other hand, are far from groundless; for American policy might require Japan virtually to cut off trade with Communist China on the grounds that the capital goods which China most wants to buy from Japan are essentially strategic and that dependence of Japanese industry on Chinese supplies would give Peking an economic stranglehold on Japan. Whatever the pros and cons of Japanese trade with China, the restriction of it must divert Japan into other areas in an intensive drive for markets and raw materials, and the effects of this are bound to be felt by Britain.

The way to safeguard British interests against this threat is not, however, to try to subject Japan to formal treaty restrictions on its foreign trade, but to bring about sufficient Anglo-American co-operation on policy towards Japan to ensure that American aid is used to steer Japanese commercial activity into channels not too harmful to the British economy. Since the American Government, as part of its general policy of building up the defences of the free world, wishes to maintain the economic viability of both Britain and Japan, it is in its interest to achieve as far as possible a harmonious adjustment of these two aims. A great deal of thought and skill, and some faith, will be needed.

* * *

Australia and a Pacific Pact

The publication during the past few days of the text of the Japanese peace treaty has been accompanied by news that the United States' defence pact with Australia and New Zealand is nearing completion. The intention is that it should be signed at the same time as the Japanese peace treaty. Indeed, this was virtually one of the conditions on which the Australians and New Zealanders agreed to the present terms of the Japanese treaty at all. This pact is likely to be one of three separate defence agreements made by the United States. The other two are a somewhat similar bilateral accord with the Philippines, and a defence agreement with Japan—outside the treaty—for which the Japanese themselves asked.

In Australia the terms of the Japanese treaty have evoked plenty of last minute doubts, in spite of the American security guarantee which the country is now going to obtain for the first time. There is, however, no realistic alternative to the present arrangements, as the Australian cabinet knows. What is perhaps more likely than the liberal Japanese treaty to worry Australians in the long run is their own commitment to the United States. For their pact is to be a mutual security arrangement. By involving Australia in commitments to help American forces if they are attacked anywhere in the Pacific area, it may have a long-term effect on Australian foreign policy which cannot at present be fully foreseen. If, however, this means that Australia is pushed into taking a more positive role in the nearby territories of South East Asia, this will do no more than fit the facts of its growing stature and responsibilities.

There has been some confusion about the British attitude to the US-Australian-New Zealand pact. The British rightly welcome it, as Mr Morrison tried to say when he mishandled his statement at the time that the agreement was announced. So long as it was a local and regional arrangement there would be no special point in the British joining it themselves, considering the very close ties which now bind them to all the parties in the pact. But what many people in London would doubtless like to see is a Pacific Pact proper, embracing all the countries in the area and of which Britain should be a signatory. This would, however, defeat its own ends so long as anyone—say, Hongkong—was conspicuously left out. It is clear that it is not practical politics to try to bring about such an arrangement.

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Nam Il has the Nerve

The truce talks at Kaesong have made some progress, but they appear to have come up against a serious obstacle in the Communist demand for a withdrawal of all foreign troops from Korea as part of a cease-fire agreement. Moscow radio has declared that "a peaceful settlement of the Korean question is impossible without the withdrawal of foreign troops," but that the Americans are opposing it; and General Nam Il, the North Korean delegate, has stated that foreign troops must be withdrawn as "a guarantee against the resumption of hostilities in Korea." It is clear that the Communists, even though they are now by the verdict of battle the defeated party in Korea, are back at their old game of trying to gain their political objectives as conditions of agreeing to desist from hostilities.

The issue is one on which General Ridgway cannot give way without abandoning the position of strength which his troops have obtained by hard fighting. The object of cease-fire talks is to arrange an armistice while negotiations for a

political settlement proceed. The forces of the United Nations have been sent to Korea to defend South Korea against North Korean aggression and to withdraw them before any political settlement is reached would be simply to give away without military compulsion a cause in which many thousands of American, British and other soldiers have sacrificed their lives.

* * *

Labour Loyalties

The Labour party meets in conference at Scarborough in October, but the struggle for domination of the conference has already begun in the relative privacy of the party's national executive. Mr Morrison has realised that it is not enough to spurn Mr Bevan's arguments ; in order to keep the party from the "One Way Only", the moderates have to sign-post some alternative route. To this end, they have hurried forward a policy statement that Transport House has had in draft for some time. It amounts to little more than last year's "Labour and the New Society," plus a passage or two reaffirming support for the present rearmament programme. Last Monday it came before the policy sub-committee, on which Mr Bevan sits with Mr Morrison and a few other members of the executive. Mr Bevan apparently took a stand against the passage on rearmament and will continue this fight when the draft comes before the full executive this week. There he can count on three supporters, but he is unlikely to win any fresh adherents.

This meeting will be as decisive in shaping party policy as any public clash at Scarborough. Mr Bevan finds himself suddenly faced on the national executive committee with a situation remarkably similar to that which forced him to resign from the Cabinet three months ago. He is confronted with a statement of general policy which has the support of the bulk of his colleagues but against which he has committed himself publicly and in the strongest terms. His prestige is at stake again. To resign again would, however, be a rash tactic. Mr Bevan has already swallowed one rebuff, when the executive in May endorsed the Government's budget policy, and the doctrine of collective responsibility cannot apply to the executive—whose members are elected by the party conference—in the same way as to the Cabinet. There are opposite opinions about whether Mr Bevan would be free at Scarborough to leave the platform and attack an item of executive policy. In 1948 Professor Laski was prevailed on only at the last minute not to step down from the platform to attack Mr Bevin's foreign policy. Mr Bevan's position seems stronger as the rebel within the executive than as a rebel on the floor.

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There is evidence that Mr Bevan commands much support in the constituency Labour parties, and some ministers are greatly worried about the conference. But Mr Attlee and Mr Morrison appear to be remarkably confident that they can smother the revolt—at any rate for this year—without great difficulty. This confidence is presumably based chiefly on the belief that the main bulk of the trade unions will line up on their side. It is also important that Mr Bevan's supporters seem to be strongest in the constituencies that Labour does not hold in Parliament ; there opinion generally tends to be more extreme—and also less influential.

For these reasons Mr Bevan is unlikely to be able to shake the present control of the party at Scarborough, and he therefore may not try. But this is only half the issue. Without an open conflict, there may still be enough appearance of dissension to make it psychologically difficult for Mr Attlee to stick to power without an autumn election. On the other hand, Labour's defeat at an election would not help Mr Bevan as certainly or easily as his supporters seem to assume. The safer Labour constituencies, whose members can hope to return even if the tide goes strongly against the Government, are for the most part held by older men well to the centre and right of the party ; the ultimate decision as to who shall lead them in Parliament rests in their hands, not those of the annual conference. It is true that in opposition Mr Bevan's powers of invective and denunciation might enable him to go some way towards assuming the role even though he was not elected to it. But on present evidence his chances of leading the party are still much slighter—in opposition as well as in power—than either his friends or some of his enemies believe.

* * *

Money and Trade

In a Parliamentary debate next Thursday the Chancellor of the Exchequer is to speak on the changes in the economic situation and what the Government proposes to do about them. The greatly increased trade deficit that has developed in recent months will not be temporary. At the same time, though there are reports of a new buyers' resistance here and there, the evidence is on the whole increasing that the Chancellor's estimate last April of the internal inflationary gap was too low. Employment is even more "full" than at any other time since the war, and too much money is chasing too few goods in spite of the relief to the home market afforded by an unexpectedly large deficit in the balance of payments. Wages, naturally enough, appear to be rising faster than the Government hoped.

In this situation, it is a pity that the House of Lords did not take the opportunity provided for it by Tuesday's debate on the second reading of the Finance Bill. It is, admittedly, difficult to assess the seriousness of the crisis that may be approaching. Mr Gaitskell, with some knowledge of the way invisible payments have been going, should be able to give a clearer indication. But it is a poor principle that discussion must wait on a Government statement, and some things are clear enough for a useful purpose to have been served by a debate less partisan than can be expected in the House of Commons. In fact, the Lords said almost perfunctorily things that might equally well have been said in April.

After Mr Gaitskell's statement the Commons debate will no doubt be more relevant, but whether it will be more constructive is another matter. Everyone recognises that the state of the parties makes it impossible to think of an autumn budge. The danger is that the Government will take this either as a reason for doing nothing—except, perhaps, to make a fresh attack on profits—or as an encouragement to rely on physical controls (with exhortation), which may possibly slow down the progress of the disease but certainly cannot help to cure it. In fact the planners are not without weapons if the politicians will let them be used. Neither a stiffer monetary policy nor a reduction in many branches of Government spending has to wait on a new budget. It is hard to believe that a diversion of effort from production for the home market to production for export, which is the first immediate need, can take place without such measures.

* * *

The Biennial Crisis

The ominous trade figures for the first half of 1951, and particularly last month's "record" gap between imports and exports, bear an unpleasantly close family resemblance to those heralding the crises of 1947 and 1949. For the British economy, there appears to be ill luck in odd numbers. The crisis now threatening differs in several obvious respects from its predecessors. That of 1947 was unmistakably a crisis of postwar dislocation, staved off by the Washington loan and then precipitated by premature convertibility. That of 1949 was a crisis of inadequate exports, of an over-valued currency in a falling world market. That of 1951, on the contrary, is associated with booming export trade and a world

sellers' market. In every case it has been easy to identify an external cause for which British policy could not be blamed. In 1947 American prices, setting the pace for the rest of the world, were too high ; Mr David Low drew an excellent cartoon showing President Truman riding in full armour to the aid of a distressed Europa but much hampered by the fact that his steed was rising in the air like a balloon. In 1949 American prices were too low ; and Mr Low's pictorial comment showed a diving switchback car, loaded with apprehensive American tycoons, over the caption "Here we go again."

In 1951 American prices are once again too high ; it is true that this time the sterling area, and consequently London's gold and dollar reserves, have benefited, but the effect on the United Kingdom's own balance of payments is as bad as ever. One must wonder whether there exists any happy mean between boom and recession, between an undervalued and an overvalued pound sterling, any relation between internal and external prices, indeed any conceivable world economic climate, in which Britain would be reliably solvent, or whether crises of adverse terms of trade and crises of inadequate foreign demand are to succeed each other like day and night.

The principal moral remains very simple. No adjustment of the sterling exchange rate, upwards or downwards, will make up for a fundamental failure to produce the right things in the right quantities. Britain's improvement in total productivity is highly creditable, but it does not mean much when too little of the product is what is most needed. The real remedy for the biennial crisis is a grim business of producing what the customer wants—notably that uncongenial commodity, coal—and of living on what he pays rather than at the standard prompted by internal inflation.

* * *

Mr Harriman Tests the Ground

Mr Averell Harriman has had, in his first four days of discussion with Persian politicians, experiences familiar to all who know Teheran. He has met with charm, and with expressions of understanding of the individual points he has put, but also with complete unreadiness to see objectively or as a whole the consequences of the plan for executing the nationalisation of oil. He has found no readiness to settle the dispute with Britain except on Persia's "unshakable" terms.

The best that can be said of such a situation is that it is better than one in which Dr Mossadegh might go through the motions of making concessions. At one moment, it seemed possible that he might do so in order to secure the aid with Persia's Seven Year Plan which is now essential to financial stability and which is still on offer from the United States. No such agreement would be of any value unless it were accompanied by some proof of capacity to make a few fundamental changes in Persia's domestic structure—notably, to tax big incomes in order to help pay for social reforms, and to prune an administration which is overloaded to a point of high inefficiency.

It would be tempting to believe that a Harriman failure might be better than a partial Harriman success, were it not for the fact that the hysterical state of mind now prevailing among the Middle Eastern nationalist leaders plays into Russian hands, even though the minds in question hate and fear Russia. Though some of Dr Mossadegh's lieutenants now appear to be taking Russian money, he himself, it should be remembered, introduced the law against foreign oil concessions that resulted in the defeat of the Russo-Persian oil agreement in 1947. Egyptian minds, too, are in the same hysterical state. How is it possible, for instance, to reconcile successive statements by Azzam Pasha, Secretary General of the Arab League? At the end of a visit to Turkey this month he told reporters that he had formed with his Turkish hosts a "spiritual pact" that would be the preliminary to "written pacts." Upon return to the headier atmosphere of Cairo, he has this week proclaimed that the only alternative to a victory for Arab nationalism is that of international Communism.

The Turks, confronted with such inconsequence on their eastern flank, very naturally want to join the more solid and sober ranks of the North Atlantic Treaty Organisation. Their desire to do so and their staunchness as allies have now, happily, been welcomed by Mr Morrison in the House of Commons.

* * *

Italian Government Resigns

It had been hoped that Signor De Gasperi, the Italian Prime Minister, could put off a cabinet reshuffle until the autumn ; but there was little question that it would be necessary fairly soon, since the government coalition had been on a temporary basis for several months. Criticism within the Christian Democrat party of the man who has inherited the mantle of President Einaudi at the Treasury, Signor Pella, has now brought down the government. When Signor Pella resigned on Sunday, the Prime Minister decided, after waiting a day, to clear the decks by bringing to an end his sixth government since 1945.

At present it seems probable—though it is by no means certain—that the President will call on Signor De Gasperi to form another government. This remarkable man still dominates the Christian Democrats, and their moderate loss of popularity in the recent regional elections has done nothing to reduce their position as the biggest group in the central legislature. But there can be little doubt that, if Signor De Gasperi succeeds in forming a new government, he should include some fresh faces in his cabinet. It must be hoped, first, that a new Christian Democrat coalition could now again include Republicans, right-wing Socialists—newly united as the *Partito Socialista*—and perhaps the Liberals who withdrew in January, 1950. Secondly, a new prime minister would be well advised to give more representation to the Christian Democrat left wing.

Signor Pella resigned because he was criticised from both left and right for pursuing a hard money policy. Yet, after several years of violent inflation, his strict defence of the lira was justified both in its timing and conduct. Criticism from the right has naturally come from disgruntled business interests which seek easier terms ; but it has been greatly exceeded by that of ardent younger men on the party's left. They are led by Professor Dossetti—a somewhat sacerdotal Aneurin Bevan—and Signor Fanfani, who believe that the Christian Democrats, if they relapse into the conservatism induced by internal division and inertia, will lose a great deal of ground at the general elections two years hence. Although significant inflationary pressures are bound to be present at a time of rising import costs, anyone now assuming power ought undoubtedly to slacken off a notch or two in the present tight financial policy. Neither Italy nor its allies in Western Europe can afford measures which, by restricting employment, may add needlessly to the excessive and conspicuous contrasts between its rich and poor.

* * *

German Protestants Demonstrate for Unity

The seventy special trains provided by the Soviet German administration for visitors to the German Evangelical rally in Berlin last week were a measure of Russian hopes of the German Protestants. General Chuikov, the head of the Soviet Control Commission, also gave a friendly reception to the president of the rally, Dr von Thadden-Trieglaff, but Soviet smiles in a period of appeasement such as the present are not so useful or unusual as special trains.

General Chuikov must, however, have subsequently wondered whether pastors are worth so many expresses. The huge attendance at the rally certainly demonstrated the attachment to unity which is so particularly evident among Germans in the Soviet Zone and Protestant refugees in the West. But the organisers prevented the Communists from using the occasion to support the Russian-sponsored campaign for their brand of unity and peace. Such political implications as there were in the discussions proved, indeed, to be directed against Communism. Two of the study groups were organised under the headings "To whom do our children belong?" and "Does power corrupt?" Speakers from the Soviet Zone took this rare opportunity of criticising the regime in the Soviet Zone, and an apologist was constantly interrupted by the audience. Moreover, the heads of Government in the Federal Republic and Western Berlin declined to take part in the religious service which President Pieck ostentatiously attended, on the very reasonable grounds that their presence might be misconstrued for political ends. Leading Western German Protestants holding official positions did, however, join in the rally, and the chief organiser himself came from the West.

Though the results doubtless fell far short of Communist hopes, they should not lead the west to feel complacent about the part which the Evangelical Church will play in deciding the fateful question—how and when will German unity be re-established? From the purely political standpoint, it is evident that a strongly nationalistic church, with a tradition of obedience to the head of the state, and its greatest strength in the Soviet Zone (and among refugees from beyond the Oder-Neisse) is likely to prove more amenable to Russian offers than the Catholic Church and the anti-Prussian Rhinelander, Dr Adenauer. It is of great potential value to the common Christian cause of the west that the Federal Chancellor takes Rome and Paris into his immediate purview as well as Berlin, and sees that Western Germany must be firmly linked with Western Europe before the day of reunification arrives. With this in mind, the British and American Governments should show themselves at least as helpful to Dr Adenauer as General Chuikov has been to Dr von Thadden-Trieglaff.

* * *

Storm over Broadcasting

The Government was certainly not looking for trouble when it drafted its White Paper on broadcasting policy. On the contrary, the argument that leaving things pretty much as they are was the easiest course probably weighed as heavily with Ministers as any deeply considered principles. They must therefore be surprised at the storm that has blown up—particularly the unfortunate Mr Gordon-Walker, who was already burdened with the Bamangwato case and on Thursday, as the Minister appointed by the Prime Minister to look after broadcasting and information matters generally, found himself with another hostile debate on his hands.

Two provisions in the White Paper have given widespread offence. One is that national councils are to be appointed for Scotland, Wales and Northern Ireland, with complete powers over the composition of the Home programmes in those regions, and that they are to consist largely of members of county councils. It is this latter provision that has raised the storm. The Governors of the BBC have taken the unusual course of making an open protest against it, and the cry of "no political interference with broadcasting" has been widely echoed. This is, indeed, a valid ground of protest, but concentration on the absurdity of local councillors deciding programmes may divert attention from the more general defects of the proposal to appoint national councils with something more than advisory powers. Any such bodies, however constituted, will inevitably take it as their mandate to foster nationalism in the programmes for which they are responsible. But, politicians and *literati* apart, there is really very little evidence that the great body of listeners want "national" programmes. Indeed, if nationalism meant a decline in the general quality and popular appeal of the programmes, as it very probably would, it would be highly unwelcome. The object lesson is Eire, where the programmes are wholly national—and everyone who can listens to the alien BBC. The case against the BBC's present monopoly of broadcasting has often been argued in *The Economist;* but nationalist atomisation is not the answer. It is not yet clear whether the Government will run before the storm or show once again who is master. In Thursday's debate Mr Gordon-Walker defended the proposal but also confessed that the Government would be very happy to listen to alternative suggestions.

The other proposal in the White Paper to which objection has been taken is the ruling that the BBC is to receive only 85 per cent of the net revenue from wireless licences. It is true, as the White Paper argued, that there is no reason to suppose that the needs of the BBC are exactly met, neither more nor less, by the sum of money that a licence fee of £1, plus a further £1 for television, happens to bring in. It is also true that the BBC might properly borrow for capital purposes. But if the present revenue is too large, the remedy is to reduce the licence fee. To turn the wireless licence into a petty head tax, bringing in a sum of money that is wholly insignificant in relation to the national budget, is merely another example of the small-mindedness with which the Treasury from time to time ruins its own reputation.

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Mr Horner's Big Stick

The syndicalist flavour often detectable in the pronouncements of Mr Arthur Horner came out more strongly than usual in his speech to the Northumberland miners' rally at Morpeth last Saturday. A Conservative government putting into effect its declared policy for the coal industry would be met, he said, by a national coal strike. Taken alone, this prediction might be regarded as no more than a legitimate warning—it is the policy, not the hypothetical future government, against which strike action is threatened. But Mr Horner followed this warning with another, considerably more far-reaching. He explained that it was only the miners' loyalty to Labour, their solidarity with fellow Socialists, that had induced them hitherto to refrain from using their bargaining power to the full; no such forbearance, his audience and readers were to understand, would be expected after a change of government. Notice is in fact served on the electorate in general that if it dares exercise its democratic free choice in favour of a party that Mr Horner really dislikes, the National Union of Mineworkers will make it pay for its freedom either in hard cash or in cold hearths and furnaces.

Beside this piece of thinly veiled blackmail, Mr Horner's complaint that the trade unions are not allowed to apply their funds for political purposes at the unlimited discretion of the majority appears almost inoffensive. It is not likely to be met. On the contrary, an unmistakably political coal strike such as Mr Horner envisages would be, given the existence of a Conservative government, the likeliest means of bringing about a recasting of trade union law compared with which the Act of 1927 would appear innocuous. That would be a pity; and the incidental damage to the economy and strength of the country, in which the miners themselves—if not their Communist secretary—may be expected to feel a certain interest, would be a bigger pity still.

* * *

More Trouble in Bechuanaland

The Tshekedi case is dragging the Government into increasingly deep water. The debates in Parliament two weeks ago drew forth the concession that a further *kgotla* should be held, with Tshekedi present and an MP from each party as an observer. It was supposed that the question of his return to the Bamangwato reserve could then be openly decided by the tribe. Labour members accepted this arrangement with hesitation; Liberals and Conservatives objected to an issue of this kind being put to what they regarded as a mob decision, and the MPs invited to fly out to Bechuanaland rejected the invitation. Three individuals from outside Parliament have therefore gone instead.

In the meantime, there has been trouble in Bechuanaland. As soon as the news was received that Tshekedi would attend a special *kgotla* several of his friends were assaulted and seized; police reinforcements were sent to Serowe amid rioting and considerable excitement. The Bamangwato tribesmen have now rejected Mr Gordon-Walker's proposal, saying that they have repeatedly decided that Tshekedi could not return and that, in any case, they would not hold a *kgotla* unless their chief Seretse was present. Tshekedi himself immediately expressed willingness to submit the decision to a *kgotla* if he were allowed a month in the country to explain his position first. Now he is claiming that the whole thing is an "unbelievable farce." The story is further confused by the position of Seretse. He has offered to go back to restore order, allowing Tshekedi to return as a private citizen. His offer has been refused by Mr Gordon-Walker.

The Government now has to try to keep its head in face of a mass of local intrigue. Two points, however, stand out clearly. No one has yet explained why both Seretse and Tshekedi were banished in the first place; the reasons which might apply to the one man clearly do not apply to the other. Secondly, Tshekedi has still had no opportunity to answer all the allegations against him to his countrymen on the spot. Through it all he continues to ask for a public inquiry. His willingness to submit to this is surely the strongest argument in his favour. What way out of this unhappy imbroglio is now open, except to consent to the inquiry for which so many people have asked?

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The Free Trade Unions

A year and a half ago the International Confederation of Free Trade Unions was formed in London, after a split from the Communist-dominated World Federation of Trade Unions. ICFTU has now just completed its second congress in Milan with an impressive attendance from 47 countries representing a total affiliated membership of over 50 million workers. The presence for the first time of an observer from the Finnish trades unions, which have just broken from the WFTU, was not the least interesting indication of the considerable success which has so far attended the work of the free confederation. Another, more significant, indication was the receipt by the Congress of a request from the WFTU for a joint meeting to discuss "workers' vital interests." This was refused with the challenge:—

> As long as you remain the faithful agents of the Cominform, carrying out the foreign policy of the Kremlin, there can be no joint action. For there can be no unity of action where there is no unity of purpose.

The greatest achievement of the ICFTU has been its promotion of free trade unionism in the underdeveloped areas of the world. To carry this struggle yet further an appeal for £250,000 was launched last February, to which the British unions are contributing about £120,000. But difficulties have now arisen with the Americans. The American Federation of Labour, which has its own regional offices in Asia and Europe, has so far not agreed to contribute to the fund, and—perhaps in support—the second big American organisation, the CIO (which, too, has an office of its own in Europe), also remains uncommitted. The divergence between the Americans and the rest is that the former see the work of the ICFTU too exclusively in terms of the fight against Communism. There is some resentment in Asia against the separate offices of the AFL there, and a general suspicion of these "lone wolf" tactics.

The undercurrent of friction revealed itself in an impassioned debate about a resolution on totalitarianism devised by an American group of delegates. The original resolution had taken eleven paragraphs to denounce the evils of Soviet totalitarianism, but only two sentences to condemn the dictatorships of the right—Spain, Argentina, Portugal, Venezuela and some others. This was quite unacceptable to representatives from Asia and Latin America, and also from some European countries. A revised resolution condemning equally all "agents of totalitarianism under whatever guise they may appear" was eventually adopted. There is obviously some distance to travel before American workers are likely to see eye to eye with their fellow trade unionists in Europe and Asia. There is a risk of the cold war becoming an obsession which will distract attention from constructive work among people who are not ready to take sides against the Soviet Union.

* * *

Czech Food Troubles

Last week three Czechoslovak citizens were sentenced to death for forging ration cards; five others were sent to prison for terms ranging from eighteen years to life. (For espionage and treason, the so-called accomplices of Mr Oatis, the AP correspondent, got 16 to 20 years.) These fantastic punishments imposed on offenders against the rationing laws are a measure of the government's anxiety over the country's food supplies. So also was the meeting of the central committee of the Czechoslovak Communist party summoned at the end of June especially to discuss the food shortage. As a result of this meeting the government abandoned its policy of bringing down food prices, for which it has taken much credit, and raised the prices of the scarcest foods, especially meat and fats, on the free market.

The scapegoats that have been found for the present food difficulties range from organised gangs of forgers and lax and irresponsible local officials to "bourgeois ladies of leisure," who have plenty of time to stand in queues. To some extent no doubt all these are to blame; human frailty and bureaucratic inefficiency can play havoc with the best contrived rationing system. But Mr Krajcir, the Minister of Internal Trade, probably touched on the basic trouble when he bluntly told a Cabinet meeting that the bulk buying plans for meat, eggs and fats had failed.

Some of the blame for this failure can be placed on administrative inefficiency, but Mr Krajcir admitted that the main responsibility lay with the village kulaks, who had failed to deliver their quotas of meat and dairy products. In other words, they are reacting in the traditional way to the renewed drive for collectivisation, and as there is more livestock in private hands than on the collective farms, they are in a good position to make their disapproval felt. Opposition to collectivisation was one of the chief reasons for the recent downfall of Otto Sling, Mme. Svermova and their

British Insurance

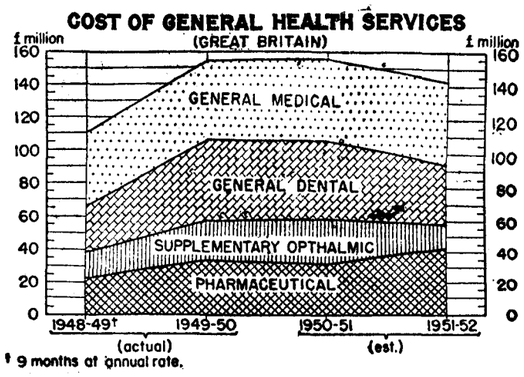
The annual survey of British Insurance will be published next week. Special articles will appear in *The Economist* while the *Records and Statistics* Supplement will contain comprehensive tables on all aspects of insurance business.

associates. Those who have survived these latest purges, which are described in an article on page 166, are now presumably more than ever committed to carrying out Moscow's demand for further collectivisation.

* * * *

Drugs and Chemists

Last week's debate on payments to chemists coincided with the publication of revised estimates for the cost of the health service in 1951-52. The purpose of the debate was to call attention to the long delay before the Ministry of Health finally settles its accounts with chemists working in the health service. The procedure of payment is, briefly, as follows. At the end of each month the chemists divide the prescriptions they have dispensed into two bundles, those worth over 5s. and those under 5s. They are then sent off to Government pricing offices, where the dearer prescriptions are priced completely and the average of the cheaper prescriptions is calculated from a 20 per cent sample. The arrears of payments have arisen because the Ministry of Health was not fully prepared for the enormous increase in prescribing that followed the introduction of the health service. As a result the pricing offices were swamped ; they are now about a year behind in their work, although, thanks to an increase in the number of pricing clerks, arrears are no longer accumulating.



To meet the hardship that would otherwise have arisen, the Ministry instituted a system of payments on account. Chemists are paid each month 90 per cent of an amount calculated on the latest pricings actually done for each shop ; since prices have risen meanwhile, supplementary payments on account have to be made. The result, it was stated in the debate, is that each chemist is giving the Ministry, on the average, about six weeks' credit, amounting to about £300.

Probably more would be heard about this were it not that most chemists have benefited from the big rise in the cost of the pharmaceutical service. Before the health service was introduced, private and health insurance prescriptions together amounted to 90 million a year. Now more than 200 million prescriptions a year are dispensed. The accompanying diagram shows the effect this has had on the cost of the health service. Of the medical services provided outside the hospitals, the cost of the pharmaceutical service is now 30 per cent of the total, compared with 21 per cent in 1948-49. Thanks to reductions in practitioners' fees, the new charges and a falling off in demand, the cost of the dental and ophthalmic services is declining. But the cost of the pharmaceutical service goes steadily upward. And so long as the pricing system is inefficient, there can be no effective check on excessive prescribing.

The Disappearing Balance

The memorandum to the revised estimates for the health service states that when the original estimates were presented, it was known that charges would be made for certain services, but not exactly which services. The effect of the economies to be achieved by the charges was therefore spread over the three services—dental, ophthalmic and pharmaceutical—where they were likely to be imposed. Since they are to apply only to false teeth and spectacles, the revised estimates make the necessary adjustments, showing a higher estimate for the pharmaceutical service and lower estimates for the dental and ophthalmic services than appeared in the original estimates for 1951-52.

But the revised estimates do more than this. They also provide £200,000 for the cost of treating some tuberculous patients abroad, a provision arising from the new National Health Service Act. They also provide £800,000 to give effect to an arbitration award in favour of Scottish chemists. The result of all these and other adjustments is to increase the total estimate for the health service from £398,083,000 to £399,183,000. The balance available before the limit of £400 million is reached has thus fallen from £2,000,000 to less than £1,000,000. Moreover, in last week's debate on chemists' payments, Mr Marquand, the Minister of Health, said that the estimates do not allow for any repercussions that the arbitration award to Scottish chemists may have on the pharmaceutical service in England and Wales.

Mr Marquand is thus getting perilously near his limit. How would he now propose to find the £2,000,000 which, a month ago, he said was the maximum amount of new money that could be made available to general practitioners —let alone the much higher sum that they themselves are claiming ?

* * *

The Factory School

Opposition to the theory of comprehensive schools seems to be hardening within the London County Council, and it will be interesting to see what happens to the present development plan if at the elections next year the Labour Party loses its very small majority on the council. Four proposals for comprehensive schools came before the LCC this week. All met with opposition ; two were passed by a majority of only nine, and the other two were withdrawn for further consideration.

Even if it is fully agreed that a few large comprehensive schools should be built as an experiment, only one of these four proposals would appear to be at all acceptable. This is for a new mixed school of 2,210 boys and girls at Putney, where the LCC is developing a housing estate and the new population, which will not have loyalties to older local schools, may be able to give the experiment a fair run. There are grave objections to the other proposals. The LCC decided to carry on with the scheme for a comprehensive school, again of 2,210 pupils, at Upper Tulse Hill. It is to be built on the playing fields of an existing school which will in due course be absorbed into the new one. Not only will the playing fields have disappeared, but the size of the new school will necessitate a building of nine storeys. The amenities of an existing school are spoiled and a factory takes its place. Admittedly, sites for school building are scarce, but the LCC only increases its difficulties by insisting on large schools.

The fate of the two other schemes remains undecided. In both cases, the existing schools have playing fields, and it is by building on these that the LCC threatens to increase each school from 500 to 1,350 pupils ; they would thus become comprehensive schools at a cost of £440 per extra place, and by suppressing amenities which had given their pupils something better than the average. It is hard to see how the most wholehearted advocate of comprehensive schools can detect progress in their establishment by these methods.

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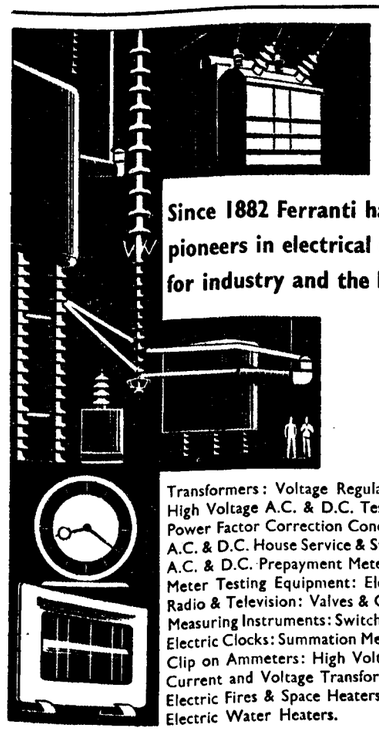

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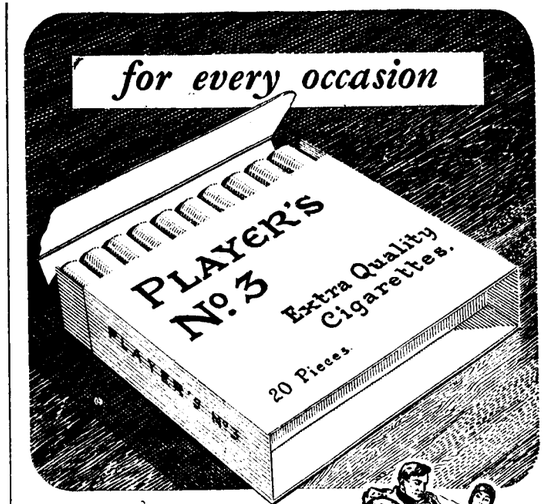


PLAYER'S No. 3

The Quality Cigarette

13P 1050

Letters to the Editor

New 'Rifles for Old

Sir,—I do not wish to quarrel with the insistence of the Note in your issue of July 14th that supply considerations, and therefore the advantages of standardisation, should weigh very heavily in any final decision on the new rifle—though I think that in some of your comments you carry the argument further than it can be sustained. But your readers will not have gathered from your Note how very strong the "military" advantages of the new rifle are. May I make a quite unofficial attempt to describe some of them?

I think it is common ground that the British Army should be equipped with an automatic rifle. The Russians have one, and in any future war the probability is that the British infantryman will be facing superior numbers. Fire power is all-important, and the new rifle will fire four or five times as many aimed rounds per minute as the present rifle. The real question is whether the British Army should not be equipped with the same automatic rifle as the American Army, or at least with one that can use the same ammunition.

There is no doubt in my mind that the new British rifle is a great deal better in accuracy, speed and ease of aimed fire than the American Garand. But its particular advantage to the British Army lies in the substantially lighter manload of rifle and ammunition. American tactical doctrine has relied very heavily on jeeps, lorries and other transport for the infantry; the British infantryman is expected to be mobile on his feet. It is a technical fact that a small reduction in calibre of bullet allows a substantial reduction in the weight of weapon. Furthermore, with automatic weapons and their high rate of fire, the weight of ammunition becomes of very great importance. A division will be able to carry about a million and a quarter more rounds of the new .280 inch ammunition than they could of .300 inch ammunition for Garands without any additional lorries.

Could this rifle be designed to take .300 inch ammunition? Apart from the dominating question of weight, there are two points to be made here. First, if the new rifle is of .280 inch calibre, the Bren gun can be very easily adapted to take the same ammunition. If the rifle is to be of .300 inch calibre, because of the length of .300 round, all the Brens will have to be almost wholly redesigned—in effect, scrapped. Secondly, there is a very fair chance of the Americans coming round to .280 inch calibre in time. Some, at least, of their experts prefer it to their present .300 inch and think the new British rifle superior to the Garand. The higher command in the United States, however, is naturally unwilling, for production and other reasons, to contemplate any change of calibre now. The British rifle will not be ready for general issue for several years. Meanwhile proper care will, we assume, be taken to ensure a full supply of existing weapons and bullets of which there must be large stocks.

The new .280 inch ammunition is of such a character that American weapons could be easily converted to use it. This will be important when the Americans are ready to take a more favourable view of it than they do today.

I agree with you that production considerations must not be forgotten and that the decision in the last analysis must be a layman's. I agree further that it should long ago have been discussed at ministerial level. But I also think that the layman's decision, when he has all the facts, will be in favour of the change to the new rifle.—Yours faithfully,

ZIVILIAN

Sir,—I agree with the emphasis that your Note of July 14th lays on the value of standardisation and the importance of production considerations in small arms. But one of your comments seems to me to be unfair. After describing the way in which American insistence in 1917 on the calibre of .300 inch prevented the British-financed factories in America from making their intended contribution in the first war, you go on to say that in 1940 "it was the British War Office that missed the opportunity for standardisation by insisting on .303 inch." But all the rifles and ammunition available in Britain in 1940 were of .303 inch calibre, including all the Enfields that had been turned out by the American factories in 1916-17 before their production was interrupted for the change of calibre, and which had never been used (except at Bisley). It would surely have been very foolish to choose that moment to change calibre. This does not, of course, weaken the argument for standardising at an earlier or later date.—Yours faithfully,

London, S.W.1. LAYTON

Targetology

Sir,—A number of us here have for some time amused ourselves by collecting "targets." We should like to thank you for the valuable contributions on page 1421 of your issue of June 16th. In one paragraph it is stated that, but for rearmament, the 1948 targets would be "attained" by 1952-53, that production of some agricultural products is "above the target," while that of others is "within striking distance" and that the output of textiles and sawn softwood has "exceeded" the 1952-53 target.—Yours faithfully, N. W. GOODDEN

Control Commission for Germany

[Bull's eye.—EDITOR.]

Books and Publications

Passage for Asia

Asia and the West. By Maurice Zinkin. *Chatto and Windus* (under the auspices of the International Secretariat, Institute of Pacific Relations). 300 pages. 15s.

In this ambitious but successful book Mr Zinkin sets out to analyse the differences between Asian and western countries and to suggest the road along which the Asian revolution should now be helped to travel. His approach is that of the economist as well as the politician and historian. He takes the map of Asia, unfolds it across his knee, and explains to his reader, with the patient aid of many figures and much research, just how these lands and peoples have come to be what they are and wherein they differ from those of the West. In some ways, therefore, this is a work of reference. It has all the facts and they will undoubtedly stand the test of time. But the book is also a topical, authoritative and readable attempt to discover the truth about the underdeveloped territories of Asia; and as such it deserves to be widely read. For it is not only challenging in tone; Mr Zinkin also expresses here the ideas that he has accumulated over several years of service in the East, first as a member of the Indian Civil Service and now in commerce.

The book is divided into three parts. In the first, the author has developed two main themes—on the one hand, the essentially peasant life of Asia compared with the balance between town and country already maintained in Europe for several hundred years; and, on the other hand, how it is that overpopulation and the impact of the West have made the twentieth century a turning-point in Asian history, by dislocating the old order through bankruptcy and revolution. In the second part, Mr Zinkin drives home his point with the comparison that, after the revelation of American wealth and power in the war, the years since 1945 "have . . . re-enacted in miniature in Europe what has been happening over all the last century in Asia." To the East the shock of the discovery of its own weakness, however, has been greater because the disparity in strength between East and West is even more profound than the difference between Europe and America. This theme is developed by taking in turn the dominant facets of western influence and of population pressure on the history and economy of India, Burma, Java, Manchukuo, Malaya, the Philippines, Siam and Japan.

In part three Mr Zinkin lays down some of the developments that are essential if Asia is to catch up with the West. This can be attempted, he says, either in the liberal way of India or the totalitarian way of China. But the system that is the first to show signs of raising the standard of living will have immense attractions to others. And if it is to be the China of Mao Tse-tung, coming after the harsh but legendary success of Soviet Russia, then the chances of stopping Communism in Asia will be very slender indeed. The essential developments include the application of far more capital to the countryside—if it cannot be supplied at home it must come from outside—and the acquisition of skill. Farming must be "a means of making money as well as a way of life"; there must be "commercialisation of the countryside." In this and in the industrialisation of Asia, the state must inevitably play a major part, as it did in Japan. The role is not, however, an unaccustomed one, since Asia already has a long history of effective and helpful state action. Unfortunately the new start has recently had to be made at a moment of political disillusion in the aftermath of political independence and following a cruel loss of capital equipment in the war. Ceylon is the only country in Asia better off now than in 1939.

Mr Zinkin pays tribute to a large body of helpers in preparing his book, including his virtual co-author, Mr Guy Wint. Everyone in Asia, and who is concerned with Asia, certainly owes them a debt of gratitude, for within these pages are the essential facts, and, however great the task of applying the right remedy, no one can now say that they did not know what the problem was.

Josiah Wedgwood

The Last of the Radicals. By C. V. Wedgwood. *Jonathan Cape.* 252 pages. 16s.

Josiah Wedgwood died in 1943, after a life that is the answer to a biographer's prayer; and if his biography had been bungled in the writing it would have been a tragedy. But, by a rare chance, his niece, who knew him from her childhood, is Miss C. V. Wedgwood, the distinguished historian and writer, and when she undertook his biography she was certain to do it well. She has in fact done it very well. She has drawn a brilliant picture of her uncle—a picture to make old men cry with shame at their wasted lives and to fire young men with a hatred of oppression and a passion for freedom, justice and courage. "The first thing in every political leader," said Wedgwood, "is not brains but courage."

Brought up in an evangelical family which set a high value on education in the home, Wedgwood went to Clifton with a knowledge of history and letters that was probably as rare among schoolboys then as it is today, and he delighted his dying father by winning the school gold medal for history. He never went to a university, but learnt engineering in Armstrong's shipyards. In his adult life he was naval architect, soldier in the Boer War, resident magistrate, MP, historian of Parliament, Zionist and friend of Gandhi, one of the pioneers of armoured warfare in the 1914 war, a gallant leader at Gallipoli and defender of conscientious objectors in England. Though a Fabian and a member of the Labour party, he was also an individualist and a relentless foe of regimentation, an ardent Protestant, a passionate believer in the taxation of land values, and a champion and helper of anyone anywhere whom he knew to be unpopular and believed to be oppressed.

It was his feeling for the underdog that made him join the Labour party, and it was his innate liberalism that irked him when he got there and prevented him from ever getting high office in a Labour government. Wedgwood in the Labour party was rather like Newman in the Catholic Church. "He was," says Miss Wedgwood, "distrusted by many, more especially by the trade unionists, to whom his ideas seemed dangerously liberal." As he hated the planned state and was doubtful even of the desirability of compulsory education, and as he never hid his opinions either from want of courage or from lack of words, the comrades must often have found him queer company. In 1940 he wrote a book "to teach freedom to English children," and in it he said this—

> Dependence on the State ever grows. A new master replaces the old masters. The mountain top is obscured, and those who have no vision tend to become willing clogs in the new bureaucratic machine. This machine, the scaffolding of life, becomes a God whom it is blasphemy to criticise and criminal to obstruct.

If he thought that in 1940, what would he say in 1951?

The Triangle

Communism, Democracy and Catholic Power. By Paul Blanshard. *The Beacon Press,* Boston. 340 pages. $3.50.

This book appropriately comes from America, where the position of the Roman Catholic Church remains a live political issue. In this country attacks on Catholicism, whether Protestant or rationalist, appear to belong to a past age. In the United States a large part of the population is derived by immigration from Catholic countries. Mr Blanshard's book is primarily a criticism of the activities of the Catholic Church in American public life, but he extends his survey to American foreign policy, arguing that the United States should keep clear of all entanglements with political Catholicism in Europe, and particularly with Franco Spain.

The author develops the theme of a parallelism, in spite of their mortal enmity, between Catholicism and Communism as "two great systems of authoritarian control over men's minds," and he speaks of "the three-way struggle between the Vatican, the Kremlin and democracy." He has chapters on "thought control," "discipline and devotion," "the management of truth," and "the strategy of penetration" as exemplified in the two systems of organisation. He effectively points out some close analogies, and indeed much of the persistent failure in Anglo-Saxon countries to understand the nature and methods of Communism has come from the habit of thinking of it as just another political movement instead of as a *Weltanschauung* affording a complete substitute for dogmatic religion. It is not entirely an accident that Communism has gained its greatest following in countries that are Catholic or Orthodox by traditional faith, and has made least impression where Protestant individualism has been at its strongest; nor is it accidental that ex-Communists so frequently become converts to Catholicism. It is easier for a mind accustomed to authority in matters of belief and conscience to switch from one authoritarian creed to another than to develop a free critical outlook.

Mr Blanshard, however, tends in stressing his analogies to overlook the fundamental difference between Catholicism and Communism in relation to democracy. The aims of Communism can only be achieved through exclusive state power, and a Communist party in a democratic society can have no other function than to work for its violent overthrow. On the other hand, the Catholic distinction between spiritual and temporal powers implies that the essential purposes of the Catholic Church as a religious body can be adequately fulfilled in any society which concedes it genuine religious toleration, even without Catholic control of the state, and there are many Catholics today who consider that in this imperfect world their religion cannot be better off than it is in the great liberal democracies. Among Catholics who take this view there has been much criticism of certain recent policies of the Vatican. Mr Blanshard's book is too much of a direct attack on the Catholic religion as such to have any influence among Catholics, but an analysis confined to the definitely political activities of the hierarchy would disclose considerable differences of opinion about them within the Roman Catholic Church itself.

Elderly Workers

Skill and Age. An Experimental Approach. By A. T. Welford. *Geoffrey Cumberlege. Oxford University Press,* (for the Nuffield Foundation). 161 pages. 8s. 6d.

The emphasis being laid at the present time on the importance of keeping old people at work gives this book particular interest. It is generally agreed that there are two main factors in determining whether elderly people will postpone their retirement: how strong is the financial incentive of continuing at work, and what is the attitude of their employers and fellow-workers. The attitude of employers will be influenced by their opinions and prejudices about the capabilities of their elderly workers. So much is said about the economic burden of an ageing population that it is time that someone tried to find out whether elderly people are a handicap to industry or not.

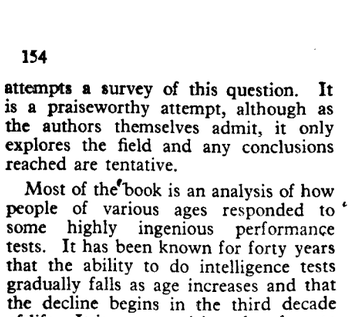
This book, the fruits of research sponsored by the Nuffield Foundation,

attempts a survey of this question. It is a praiseworthy attempt, although as the authors themselves admit, it only explores the field and any conclusions reached are tentative.

Most of the book is an analysis of how people of various ages responded to some highly ingenious performance tests. It has been known for forty years that the ability to do intelligence tests gradually falls as age increases and that the decline begins in the third decade of life. It is not surprising, therefore, to find that, according to these performance tests, the capacity to acquire fresh skills falls off from the age of thirty onwards. The elderly appear to be slow to learn, but once they have acquired a skill their performance can equal that of younger men. Whenever they come up against a problem needing an effort of comprehension and the organisation of fresh data they tend to fail and to rely more and more upon experience and methods that have served them well in the past.

In visits to a number of factories and workshops, the authors also analysed the kinds of work at which the elderly were employed. Only rarely did they find anyone over fifty employed on jobs where they had to work against time; on the other hand, they found that in jobs needing patience and accuracy the elderly have a positive advantage over younger workers.

This first piece of research should encourage others, particularly large employers of labour, to look into the causes of lack of skill among their ageing workers and examine the types of employment most suitable for them, together with methods of training. It should not be regarded as a welfare service for the old, but rather as a means of making the best use of the whole labour force, for it is clear from this book that elderly workers possess many virtues which younger workers lack.



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V. S. PRITCHETT in *The Bookman.*

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JONATHAN CAPE

Polar Strife

The Antarctic Problem. An Historical and Political Study. By E. W. Hunter Christie. *Allen and Unwin.* 336 pages. 25s.

Few people are aware to what extent the austere regions of the South Pole have been and are a cause of international dispute. Two decades ago, there was bitter controversy between Denmark and Norway over the sovereignty of East Greenland. The dispute between Great Britain on the one hand and Argentina and Chile on the other over the sovereignty of the Falkland Island Dependencies has been smouldering for a long time. Why cannot Britain and the two South American Republics settle this issue, comparatively minor when compared with those confronting the world today?

This is the problem which Mr Hunter Christie has set out to answer. He is well qualified, as he was on the British Embassy staff in Buenos Aires in 1946 and 1947 and was charged to make a study of the past history of the Falkland Islands and the Dependencies; the present book is largely the result of that study. Fifteen chapters out of nineteen are devoted to a very complete history of the discovery, exploration and exploitation of the disputed areas. The result is a most readable book in which the author has skilfully extracted the meat from earlier accounts. The first chapters are really exciting and the many footnotes are of considerable interest. Nor does he fail to mention former incidents demonstrating South American co-operation.

Anyone who has attempted a book of this kind will know the difficulty of attaining complete accuracy, and there are some minor faults. The book also deserves much better maps. All in all, however, Mr Hunter Christie has done a fine piece of work. He leaves the final judgment on the rights and wrongs of the disputed territories to his readers, with only the reminder that willingness to resort to arms is still the only real guarantee of the territorial integrity of any nation.

Text and Reference Books

Dictionary of Business Terms. Spanish-English and English-Spanish. By L. A. Robb. *Chapman and Hall.* 219 pages. 32s.

Equivalents of business terms in the two languages are given in this dictionary rather than literal translations, which often do not exist. Most important terms have equivalents but where they have none, possibly because of differences in commercial systems, brief definitions are given.

Analysis of Marine and Other Insurance Clauses. By Victor Dover. *H. F. and G. Witherby, Limited.* 618 pages. 25s.

This is a revised edition of a standard reference work last published before the war. It gives a view of the interpretation which may reaonably be placed on the clauses, but not an official interpretation. The "York-Antwerp Rules, 1950," which are to be submitted for approval to the International Law Association, are included in the book.

Methods of Labour Productivity Statistics *International Labour Office Geneva and London.* 136 pages. 4s. 6d.

This report, prepared for the Seventh International Conference of Labour Statisticians at Geneva in the autumn of 1949 (with some subsequent revisions before printing), is concerned with the problems of measurement and interpretation of labour productivity data. Its object is to expose the complexities of the problems rather than to prescribe in any detail. Since there are many different conceptions of labour productivity, stress is laid on the need for any measurement to be clearly defined.

The dangers of using overall figures such as those obtained from the simple division of current production indices by current employment indices are discussed. Because of the many difficulties of adapting the ordinary collection of data, the undertaking of special direct enquiries into productivity is recommended, and methods used in the United States are outlined.

United Nations Statistical Year Book, 1949-50. *HMSO.* 556 pages. £2.

The second annual issue of the United Nations Statistical Yearbook continues all but four of the tables first published last year and in most cases gives annual figures up to 1949. Many of the tables have been expanded. Among the new tables are figures of gross and net reproduction rates, land use, installed electrical capacity, world railway traffic and international shipping freight handled. The national income section includes for the first time a table showing the industrial origin of national income in 22 countries.

In its short life the Statistical Yearbook has established itself as a major source of economic information, and the difficulties of comparing figures from many different countries are minimised by many and clear footnotes.

Secretarial Practice (Sixth Edition) *W. Heffer and Sons, Cambridge* 1010 pages. Cloth 21s. Rexine 25s.

The Manual of the Chartered Institute of Secretaries of Joint Stock Companies and Other Public Bodies was first published in 1912. This edition has been completely revised and includes changes necessitated by the Companies Act, 1948, in addition to new chapters concerned with secretarial practice.

The Mercantile Year Book and Directory of Exporters, 1951. *Lindley-Jones and Brother.* 1324 pages. 26s.

Lists of export merchants, and the classes of goods and markets in which they deal, in London, the provinces and overseas, are published for the sixty-first time. A section listing changes since the last issue is no doubt very helpful to its regular users.

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÷ DIVIDES

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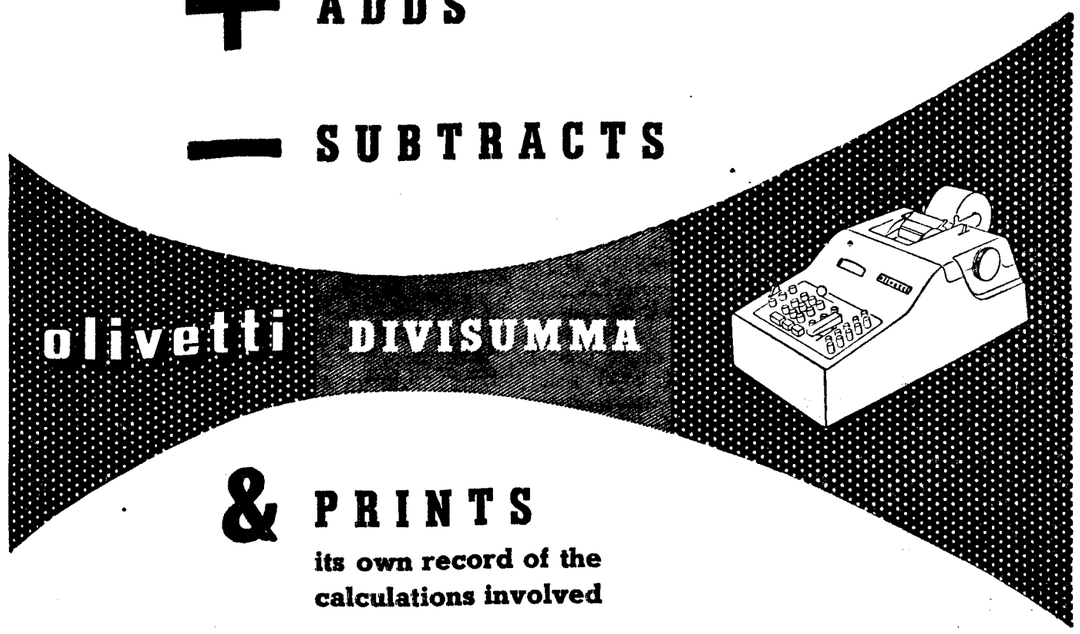

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AMERICAN SURVEY

Pacific *Pax Americana*

Washington, D.C.

THE United States, supported somewhat uneasily by Great Britain, unveiled last week its plans for a *Pax Americana* in the Pacific under tre aegis of the United Nations. These plans—the Japanese Peace Treaty, a tripartite defence alliance linking the United States, Australia and New Zealand and a bilateral American-Japanese "security arrangement"—will become formal and more or less final in September. Although it is said that countries still not entirely happy about the terms of the Japanese "treaty of reconciliation" have still a few weeks left in which to suggest changes in the text, it is known that the United States is not prepared to make any substantial changes in the present draft. And the changes that numerous nations would like to make, even though most of them have now given up hope of achieving their wishes, are all substantial.

Early in September, the United States will be host to some 50 other nations at San Francisco for the ceremonial signing of the treaty which restores Japan, minus its empire, to the role of an equal and sovereign member of the free world six years after the island empire was crushed in its brutal and determined effort to conquer Asia and the south-west Pacific. The conference at San Francisco will be limited to speeches and the actual signing of the peace treaty. The alliance between the United States and Australia and New Zealand will probably be signed about the same time—it already has been initialled—but not at San Francisco. It is thought that too direct a linking of a military alliance with the signing of a peace treaty would seem crude at best, rather, as has been said in Washington, like a hostess getting tipsy at her own cocktail party.

The treaty, even when it has been signed, will not, of course, come into force until it has been ratified by the United States Senate and a majority of the 15 nations particularly mentioned in it. As a result of the prolonged squabbling in the Senate over the Administration's policy in the Far East, the Senate probably will not have time to take up the treaty until next January. No difficulty is expected then, however. Despite all the wrangling over Far Eastern policy as a whole, the Japanese treaty has been handled in a skilful and generous bi-partisan fashion by the Administration.

Mr John Foster Dulles, a Republican whom many of the anti-Acheson forces would like to see at the desk of the Secretary of State, has been President Truman's special representative in charge of the treaty negotiations for more than a year. Mr Dulles has been meticulous in avoiding the political booby-traps which are strewn along the path of practically all Administration officials. He has kept Congressional leaders in close and constant touch with the progress of his negotiations. He has not tried to hide from them his difficulties, which on some recent occasions seemed likely to force the United States to "go it alone" if necessary. In addition, Mr Dulles has maintained intimate contact with General MacArthur, even since the latter's controversial removal from Tokyo.

The General, incidentally, poses a ticklish problem for the Administration as it plans the San Francisco conference. In many ways, his role in the treaty, or at least in preparing Japan for such a gentle settlement, is probably equal in importance to that of Mr Dulles. The question that is bothering many officials here is whether the General should be invited to participate in the 50-nation conference to wind up the war he led and inaugurate the era he helped to open in the Pacific. But the thought of General MacArthur appearing on the same platform with Mr Truman, who almost certainly will address the conference, is scarcely calculated to make Administration politicians happy. This is particularly so because no one has yet figured out a way to ask the General to be non-political in his public utterances about the Far East. Nor has any Administration leader dared to hope that the General would mute the aggressive anti-Truman policy which he has been developing since his return to the United States. There seems no prospect of a truce in that battle.

★

Mr Dulles, on the occasion of revealing the text of what is substantially the final draft of the treaty, acknowledged that no one would be 100 per cent satisfied with it. But he did say that "almost everyone should be about 95 per cent satisfied." His optimism was somewhat misplaced, though hardly misguided. In a matter of hours, President Quirino of the Philippines issued a statement emphasising that the treaty "practically sidesteps" his country's demands for reparations and warning the United States that "those who refuse to respect" his country's claims "misread the temper of our people." From Canberra, Mr Casey, the Minister of External Affairs, was reported as saying that Australia is considerably worried about the treaty's calculated omission of any restrictions on Japan's right to rearm. From Paris, French officials complained that no provision had been made for the three associated states of Indo-China to sign the treaty. From London, there were murmurings in Parliament which indicated something more than "five per cent" disagreement, particularly on the lack of economic restrictions in the treaty and the failure to give Communist China an opportunity to participate in the settlement.

But all these misgivings were well known to Mr Dulles. He had argued them in London, Paris, Manila and Canberra, and he had won his way. His technique was simple. It was founded on the arguments that the United States played much the largest part in winning the war against Japan, that since the war the United States had paid out $2 billion to sustain Japan's economy, and that, besides, the United States is the only nation powerful enough to meet aggression in the Pacific. Therefore, he argued, the American views on the treaty must prevail, with or without the support of America's allies. Mr Dulles made some minor concessions along the way, but none of any substance.

Mr Dulles's approach to the treaty was, as he has said, "unique." As a long-time treaty maker—Mr Dulles helped President Wilson at Versailles—he felt that the traditional punitive type of peace treaty had been proven wrong so many times and with such catastrophic results that a new policy of "reconciliation" was called for. In this he has been supported by Mr Acheson and Mr Truman, who on one or two occasions have overruled the Joint Chiefs of Staff. Even American officials admit there is a certain degree of calculated risk in this policy. But if it does not work, the United States is ready to meet the consequences from the outset.

★

The interlocked questions of Formosa and Chinese participation in the settlement came closer than is generally realised to provoking a major split in Anglo-American policy. And the compromise worked out by Mr Dulles in his talks in London with Mr Attlee and Mr Morrison probably did little more than freeze their fundamental differences in a state of suspended animation. The compromise, which lets Japan decide whether to seek a similar treaty with Communist or Nationalist China, and leaves the future of Formosa open to later discussion, undoubtedly goes further to meet American wishes, if not American interests, than British wishes and interests.

Given this compromise, which was once rejected and later accepted rather resignedly by the British Cabinet, the United States is abundantly confident that Japan will not, at any rate, elect to seek a settlement with Peking. American officials find it "unthinkable" that Japan would do such a thing when it is dependent on the United States and the non-Communist world, not only for its industrial raw materials, but for its security, as long as American armed forces are stationed in and about Japan, as they will be for some time under the bilateral American-Japanese "security arrangement." Yet, some officials and observers in Washington wonder how long Japan will forgo at least an attempt to revive its traditional economic ties with China. Equally, it is sometimes suggested, though usually in whispers, that perhaps General MacArthur was not as successful as is generally made out in converting the Japanese people into a nation of "little Rotarian baseball players." The shrewdest observers are still somewhat sceptical that Japan is now the democracy that it is officially said to be.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

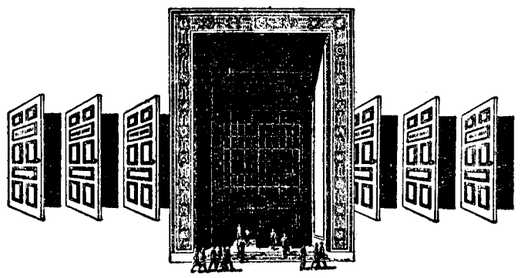
American Notes

Caesar's Wives

For the unprejudiced, the MacArthur hearings may have exploded the Republican legend that the State Department's policy, particularly its Chinese policy, was controlled by Communist sympathisers. But elsewhere doubts, which the State Department cannot afford, linger on. Senator McCarran is airing charges of a "red slant" in the Voice of America's broadcasts. In the House, considerable support remains for the "get Acheson" amendment, though some Republicans now believe that Mr Acheson is a greater asset to them in office than out, and the party has been taken aback by the realisation that, if funds are withheld from any official who within the past five years has worked for a firm doing business for a foreign government, not only will Mr Acheson be cut off, but 37 other officials as well, some of them Republican and some of the eminence of Mr John Foster Dulles, Mr Walter Gifford, Mr Charles Spofford, and Mr Thomas Cabot. If it were ever put into effect, which is unlikely, the formula would clear the State Department, not of Communist sympathisers, but of its most notable, and most conservative, servants.

But like Caesar's wife, State Department officials must be above suspicion. In a new security check, two high-ranking career diplomats have been suspended until charges against them have been heard. They are both linked with Chinese policy, but, the Department insists, it is not their loyalty but their "security" which is involved—a term covering personal conduct, associations, and indiscretions. A number of unnamed others have also been suspended, as a result of the revival of the severer wartime standards of loyalty announced by the President in April. A "reasonable doubt" now suffices for discharges, while formerly there had to be "reasonable grounds" for believing in an employee's present disloyalty. Doubts, that is, are resolved against the accused and past associations taken into account. Unfortunately, even if a civil servant is cleared, Senator McCarthy, Senator McCarran, or the House Un-American Activities Committee are very likely to revive the charges. And even federal clearance itself need not be final. Under the new loyalty standards, the Loyalty Review Board has reopened 846 borderline cases and instructed department heads to look again at doubtful ones among the eight thousand or so decided since 1947.

This double jeopardy underlines the fact that however fair the new loyalty procedure may be in practice, civil servants are deprived of a number of the safeguards of a court trial, safeguards which judges have been meticulous in assuring even to admitted Communists. Judge Ryan, for example, has refused the government's request for greatly



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increased bail for the 15 Communist leaders who had not forfeited their sureties. The need for the report of the Nimitz Commission on ways in which the national security can be protected without violating individual rights, becomes more and more urgent. But in assigning one aspect of the Commission's task, an investigation of procedures and safeguards in discharges on security grounds, to the National Security Council, the President appears to have abandoned hope that Senator McCarran will relent and let the Commission get to work.

* * *

Bases for Containment

The report that Admiral Sherman has been discussing with General Franco an arrangement which would permit the use of Spanish air and naval bases, in exchange for American arms, is in accordance with the feeling, strongly held both in Congress and the Defence Department, that ideological differences and allied qualms should not stand in the way of developing Spain's military resources for the west. It also is the conviction of the Defence Department that the expanding services and the job they may be called upon to do have far outstripped the available bases. This belief is particularly strong in the Air Force, which is to get more than half of the $6.6 billion for construction which General Marshall is urging Congress to authorise as quickly as possible, and is not altogether content with that. Mr Finletter, the Secretary of the Air Force, told the House Armed Services Committee that the $3.5 billion he was asking for the two year programme would take care of the projected 95-group Air Force on only an "austerity basis."

The number of major Air Force bases is to be increased from 232 to 309 and, although approximately $1 billion of the Air Force's projects are secret, and the maps and charts in the committee room were guarded by members of the Air Force, it is believed that about half of the new 77 are to be built in countries that are members of Nato and in the Far East—where they will most effectively discourage Communist aggression. Construction is already being rushed on the seven air fields in Moroccco made available by the French. The urgency with which the bases are being pressed is explained, at least in part, by the admission wrung from a witness before the committee that there were in readiness only 80 B-36 bombers, the intercontinental aircraft which theoretically can dispense with bases outside the United States. Another 60 are being modernised, but only two or three of these expensive and complex giants are being produced each month. Some of the new air fields will be for tactical purposes, for use with General Eisenhower's army; others will be larger, to accommodate the strategic bombers of the Air Force. Still others, both at home and abroad, will be enlarged to take the bigger jet aircraft now being delivered.

* * *

Because the Joint Chiefs of Staff believe the emergency may last for years, construction is to be of a permanent or semi-permanent nature; the temporary bases constructed during the last war are already proving costly to rehabilitate. Among projects already tentatively approved by the committe are $40 million to be spent in the Philippines and Guam; $346 million for the three services in Alaska; and $128 million for the Army and Air Force in Okinawa. The committee is under great pressure to economise, and indeed claims to have made dramatic savings, but these amount to no more than refusing to authorise projects which will not be put in hand until next year. Even this subterfuge may be abandoned in the case of the Air Force, which is the apple of most Congressmen's eyes

All Change on the Farm

The July crop reports are the most important of the year, for they contain the first estimates for cotton and maize and are made after the wheat harvest has begun. This month they showed a complete and welcome change from the ominous forecasts of last spring. Then the farmers, fearful of possible shortages of labour and equipment, and tired of being urged one year to grow all they could, and the next to grow as little as possible, seemed to be hardening their hearts against the government's exhortations to increase their output of practically all crops. But in the end they have planted more land (371,500,000 acres) than in any year since 1933. The weather, too, was looking brighter, at least until the Kansas floods, and yields promise to be well above recent averages. When the harvest is finally added up the total figure is likely to top all previous records.

Prospects for all the grain crops are good, so there will be plenty of feed for this year's bumper crop of livestock. There are more little pigs than in any year since 1943; there are thought to be more little steers as well, but whether they go to market and how much beef there will be on their ribs depends on the outcome of the Congressional battle between the cattlemen and the price stabilisers. Cotton, such a failure last year, is the most promising crop of all. It is being carried on an acreage nearly 60 per cent larger than last year, and a very high proportion is in the western states where yields are much higher than in the old southern cotton belt—770 pounds an acre on an average in California and Arizona compared with about 220 pounds in Georgia and Alabama.

* * *

This westward movement of cotton is only part of the general post that is taking place amongst American crops. Wheat is coming back to its old home on the eastern seaboard; yields there bear comparison with those of Europe, while those obtained from the dry and often exhausted soil of the great plains do not. Dairy cows are coming south from Wisconsin and Iowa and beef cattle from the mountain grasslands, to fill the gap left by cotton and to restore the fertility of the soil. This has been made possible by the development of new types of forage crops and new breeds of cattle, cows that can sweat and steers that will graze under the hottest sun. New strains of maize are also bringing that crop into the southward trek. Beef, milk and maize production per acre is said to compare favourably with that in the north and west, partly because rainfall is more reliable and partly because southern farmers, trained on cotton and tobacco, give their crops more individual attention and can draw on a plentiful supply of cheap labour.

These changes fit both the short and long-term goals of the Department of Agriculture. Such increased efficiency in the use of land is almost the only way in which any substantial rise in farm output can now be obtained, for there is little or no room left for expansion in the old agricultural pattern. And the changes are also an important advance along the road to sound conservation practices and greater diversification of crops in the future.

* * *

Under the Judicial Robe

In appointing Mr Luther Youngdahl, the Republican Governor of Minnesota, to the US District Court in the capital, President Truman has secured a judge generally agreed to be eminently well qualified—something not always the case in appointments of federal and state judges, in whose selection politics often plays an unabashed part. This has not made the pill any sweeter for Minnesota Republicans, who have lost their best vote-getter, or for Mr Harold Stassen, who counted upon the liberal Mr Youngdahl to see that Republicans of his native state, when they make their choices in Minnesota's first presidential primary next spring, line up behind Mr Stassen and not behind Senator Taft.

Mr Youngdahl, who, after sixteen years as a judge, was induced by Mr Stassen in 1946 to run for Governor, has been twice re-elected; in 1948, though Mr Truman and Mr Hubert Humphrey, the Democratic candidate for the Senate, swept the state, he was returned by a 100,000 majority.

By persuading Mr Youngdahl to exchange the opportunities and risks of a political career for the serenity and life security of a federal judgeship, the President has cleared out of the Democrats' path the man who had been expected to win a fourth term as governor next year, and to knock Mr Humphrey out of the Senate in 1954. Mr Bowles, when Democratic Governor of Connecticut, executed a similar manœuvre when he offered Senator Baldwin, one of the state's leading Republicans, a place on the state bench. Republicans draw what consolation they can from the fact that this did not save Mr Bowles. The practice of eliminating political rivals by elevating them to the bench is, however, comparatively rare. Such plums are usually rewards for the faithful; since the Democrats came into power in 1933, Republicans have received only 19 of 330 lifetime appointments to the federal bench.

Appointments can be withheld, as well as made, for political motives. Thus Senator Douglas, an ardent Fair Dealer, but one who, unlike Senator Humphrey, has incurred a certain Presidential coldness, has not yet been able to obtain Mr Truman's nod for three judicial appointments in his state, which by ancient Senatorial custom he is privileged to control. In New York, it has been noticed that while Judge Medina, who tried the eleven Communist leaders, has been made Judge Hand's successor, and Mr Murphy, who prosecuted Mr Alger Hiss, has secured the federal judgeship he has long coveted, Mr Lloyd Paul Stryker, who defended Mr Hiss, and was expected to receive advancement, has been passed over. The choice of both Judge Medina and Mr Murphy has been endorsed by the local Bar Association. However, Miss Frieda Hennock, a third Presidential choice, has been found by both the American and the New York Bar Associations to be completely unqualified, and the suspicion is that her political activities, rather than her legal gifts, account for her preferment.

But the federal judiciary offers no such spectacle as does Connecticut, where 67 Republican judges appointed by a Republican Governor are trying, so far unsuccessfully, to oust 67 Democrats appointed by his Democratic predecessor. At that, Connecticut is one of only nine states where the supposedly superior method of appointing state judges, rather than electing them, prevails. Only two states, Missouri and California, have adopted the American Bar Association's suggestion of having judges appointed by the governor from a list submitted by an eminent commission.

* * *

Freedom in the Air

It has long been alleged in Washington that the Civil Aeronautics Board, the agency which regulates air transport, is the slave of the country's sixteen major air carriers, the certified airlines which handle the mail and fly on regular schedules between important centres. A valuable piece of evidence in support of this assertion was provided by the board itself last spring, when it reduced the weekly ration of flights allowed to non-scheduled airlines so drastically that it left them little hope of keeping alive; this was the climax of a policy of slow starvation which it had been pursuing towards them by means of its regulations for the last three years. Hundreds of these small lines were started after the war by ex-Army pilots, using surplus government aircraft, ready to carry freight or passengers whenever and wherever they could find a cargo. A great number naturally failed, but the hard core of about fifty that remains is a painful thorn in the flesh of the scheduled airlines.

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RESOURCES

Cash and Due from Banks	$116,119,195.23
United States Government Obligations	109,992,334.08
State and Municipal Securities	1,785,891.44
Stock of Federal Reserve Bank	600,000.00
Other Securities	2,393,825.70
Loans and Discounts	152,424,772.43
Mortgages	1,356,439.31
Customers' Liability on Acceptances	2,329,986.68
Accrued Interest Receivable	650,109.75
Other Resources	303,035.88
TOTAL RESOURCES	$387,955,590.50

LIABILITIES

Capital	$ 5,000,000.00
Surplus	15,000,000.00
Undivided Profits	4,009,980.44
Provision for Taxes, Interest, etc.	2,058,416.92
Liability on Acceptances	2,414,202.30
Other Liabilities	873,104.46
Deposits	358,599,886.38
TOTAL LIABILITIES	$387,995,590.50

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Cash and Due From Banks	$ 274,426,263.37
Cash with Marine Midland Banks	12,397,137.91
United States Government Obligations	414,620,250.78
State and Municipal Securities	53,411,634.69
Stock of Federal Reserve Bank	1,965,750.00
Other Securities	14,628,398.39
Loans and Discounts	354,320,888.39
Mortgages	93,930,976.48
Bank Buildings	7,522,612.11
Customers' Liability on Acceptances	2,367,731.79
Accrued Interest Receivable	2,655,975.93
Other Resources	1,844,346.17
TOTAL RESOURCES	$1,234,091,966.01

LIABILITIES

Capital Stock	$ 29,024,000.00
Surplus	42,800,000.00
Undivided Profits	13,010,742.28
Reserves	*805,000.00
Provision for Taxes, Interest, etc.	8,219,029.72
Liability on Acceptances	2,451,947.41
Other Liabilities	2,306,865.25
Deposits	1,135,474,381.35
Demand $851,057,757.03	
Time 270,970,677.60	
Inter-Group 13,445,946.72	
TOTAL LIABILITIES	$1,234,091,966.01

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A court injunction, however, postponed the CAB's death sentence and the Senate Small Business Committee at once investigated this threat to free enterprise in the air. Its report has not yet been officially released, but it apparently contains a fierce condemnation of the CAB's whole approach to the question of expanding air services. The non-scheduled lines are accused of "skimming the cream off the air travel market," but it seems truer to say that they found a use for the skim milk that no one else wanted. It was they who began the enormous postwar extension of air freight shipment and the cheap flights without frills that have been copied by the major airlines. These "air coach" services brought into the air a whole new class of passengers who would otherwise have stayed at home.

In the opinion of the Senate committee, this mass market still has vast potentialities which may never be tapped if the CAB persists in the restrictive policy under which it approves and subsidises only what is in practice luxury flying. The subsidies, which are not available to the small lines since they are not certified airlines, are intended to make it possible for small communities as well as large to have air services. Before long it should be clear how much the subsidies actually amount to, for at last the payments for carrying air mails are to be treated separately. The CAB is not entirely unjustified in arguing that it ought not to encourage competition which would undermine the financial position of the scheduled airlines and therefore add to the subsidy needed to keep them flying. The board's duty to the public as taxpayers certainly seems to conflict with its duty to them as passengers, and it may well be that the fault lies in the Civil Aeronautics Act of 1938, designed to protect an adolescent industry which has now clearly reached its majority.

Shorter Notes

The House Foreign Affairs Committee has approved the Battle Bill unanimously, and its prospects in the House itself are good. This Bill, designed to replace the unsatisfactory Kem amendment which would have cut America's allies off from Marshall dollars, is also designed to stop the free world sending goods of strategic significance to the countries behind the iron curtain. But the Battle Bill is both more specific and more flexible than its predecessor and should at least be workable. Should peace be concluded in Korea, the Kem amendment will, however, become a dead letter, for it applies only so long as the United States is engaged in hostilities.

*

The cosmetic trade expects to become a billion-dollar industry this year. Sales of "toiletries" last year amounted to nearly $850 million, to men as well as women, for the term includes shaving soap as well as the lipsticks which 99 out of every 100 American women use.

The United States Secret Service is eighty-six years old, but only this week was it finally given permanent status. A department of the Treasury, its official duties are to protect both the currency and the President, the one from counterfeiters, the other from assassins. But, in addition to this odd combination of tasks, it justifies its name by having others, the nature of which is not disclosed.

*

President Truman has signed the Bill, described in *The Economist* last week, which authorises the recruitment of farm workers in Mexico, on the understanding that further legislation to improve the working conditions and living standards of all migratory farm workers will follow. The additional measures that are most urgently needed would deal with illegal immigration from Mexico; as long as this goes on on the present scale, the new law has little meaning. But the President is also hopeful that Congress will implement at least some of the recommendations in the constructive report of his special commission, which suggested various new ways of handling migratory labour.

*

Air taxis will before long be quite common in the United States. The helicopters which have been transporting mail in Los Angeles are now to be allowed to carry passengers as well, and it is proposed to deliver them from the airport practically to their own doors. Similar services are being provided in Chicago between the airport and the city's suburbs.

*

Spare tyres are about to reappear as part of the standard equipment of new cars. Since last April purchasers have had to buy them separately and pay extra for them, but now improved supplies of rubber and reductions in the number of cars being produced have made it possible to remove the ban.

*

The provision of a new bus service between Chinatown and Wall Street suggested to one Wall Street bank that the time had come to open a special Chinese department. This enterprise has been justified by a notable increase in the transactions handled by the bank for the Chinese business community in New York.

*

There were 6,677,000 Americans in the public service in April, nearly as many as in 1945, the wartime peak; of these 2,385,000 were civilian employees of the federal government and the rest were working for state and local governments.

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THE WORLD OVERSEAS

Right-Wing Parties in Italy

(From Our Rome Correspondent)

IF Signor De Gasperi is asked to try to form a new Government and is successful, he will have to solve problems of extreme difficulty during the two years which presumably remain before the next general election. Perhaps half the Christian Democratic Party wants to halt agrarian reform at its present stage of merely initial realisation; some would even go back on that. A highly contentious governmental Trade Union Reform Bill now, at last, lies before Parliament. Its application as law would cut profoundly into current trade union routine and would clearly challenge the position of existing trade union leaders. To these specific problems must be added the need for a greater and more convincing skill in combining the exigencies of confidence in the currency and of fuller employment, and in compromising between the need to concentrate rearmament production where it is economically likely to be efficient and the social and political need to place it where it will help in the rehabilitation of depressed and backward regions.

All these are questions which would continue to be pressing even if the Italian political spectrum stopped short at the centre and conservative segments of Christian Democracy. The Chamber, however, includes a good fifty members further to the right, of whom a couple of dozen could be counted as extreme right. It may be exaggeratedly gloomy to recall that the Fascists got into power in 1922 without finding it necessary to have more than 33 members, but certainly the extreme right in Italy has a traditional tendency to serve as a tail wagging a portly and moderate dog. In the municipal elections of this summer, according to the calculations of Togliatti—in this case a fairly detached observer—the Christian Democrats have already lost half a million votes to the MSI, the specifically Fascist party, though the final batch of these elections, including Fascist strongpoints in Rome, Naples, and elsewhere in the south, have still to be held. The recent sufferings of the De Gasperi administration had as their background an undoubted exuberance, in the country, of right extremism.

Youth and Dynamism

The MSI, like early Mussolinian Fascism, offers itself as the final goal of the pilgrim moving rightwards, though, as is the case with Communist leftness, these designations have become partly paradoxical. The comparative "moderates," agrarian Liberals, Monarchists, and the deviationists of Christian Democracy known as the "Wasps"—responsible for recent near-defeats of De Gasperi in the Chamber—have much more of a traditional rightish appearance. The MSI fully perpetuates the Mussolinian mythology of youth and dynamism, and is prepared in its domestic programme to out-socialise Socialism—on paper. An MSI demonstration in a large town will almost always prove to have a nucleus of university students, a far more numerous class than in Britain. This youthfulness, however, by all precedents, means that financing, and probably more than mere financing, comes from outside sources. The immense pageantry and oceanic pamphleteering produced by the MSI this summer in Sicily must have been financed from very imposing sources. From North Italy, it is said locally. In fact the present political struggle behind the scenes doubtless includes fierce tussles between the organisers of the late government and the extreme right for the moneybags of industrialists seeking safety from Communism.

The MSI as it emerged from its feeble showing at the 1948 general elections failed to throw up a political leader of consequence. It is now rumoured, however, that Prince Valerio Borghese, a much decorated naval hero in his forties who followed Mussolini in his last adventures in North Italy, and who was soon amnestied after getting a twelve year sentence for treason in postwar Italy, is meditating in a castle, and preparing himself for the role. The Roman Prince has a magnetic presence, heady and resourceful eloquence, and the strand of foreignness commonly found in very ardent nationalists (he is partly Levantine-Dutch and has a Slav wife). Another last-ditcher old Fascist who openly led the recent MSI campaign in Sicily is ex-Ambassador Anfuse. These names at once bring out the difficulties of the extreme right movement in Italy today and its involvement in historical complications unknown to proto-Fascism. The old Fascist party fell asunder in 1943 when those who followed Mussolini to the north regarded the faction of Ciano and Grandi as traitors. The later faction, in fact, as yet lives only on the margin or outside the MSI but it has money, talents, and experience.

A similar or greater difficulty besets efforts to bring the MSI together with the Monarchists, despite their equally inflamed nationalism. The two regard each other as smirched with the brush of treason in the events of 1943. The Monarchists were stronger than the MSI at the 1948 general elections but appear now to be losing their appeal. There must be mentioned also a third (or fourth) extreme right, lacking a party description but possessing a dynamic leader, Dr Luigi Gedda, the clerical-nationalist, and close friend of the Pope. Dr Gedda has in recent years created and led the "Civic Committees," a financially potent and extremely active anti-Communist propaganda institute which has become progressively detached from the Christian Democrats and especially from Signor De Gasperi. It represents a pole of attraction for Catholic right wingers, and has recently been courted, but in vain, by the MSI whose "pagan" tendencies no clerical can hide from himself. The Monarchists, meanwhile, sometimes revive the tradition of 19th century liberal anti-clericalism.

The complexities of right-wing affiliations have come strongly into the picture in Sicily. The island enjoys an autonomy on similar lines to Northern Ireland, and has just elected a new local Parliament. Of its 90 members one third are Christian Democrats, one third extreme left, a handful are of the left centre and the rest are split between Monarchists and Fascists. The Christian Democrats could form a centre-ish Government with Monarchists and left centre, and this the local Monarchists wished to do, apparently with the approval of ex-King Humbert. But they have been ordered by their Rome headquarters, for higher reasons, to act in combination with the MSI. Some of the leaders have therefore split away; no government has been formed in Sicily six weeks after the elections. The crystallisation needed to give consistency to the mounting forces of the Italian extreme right has thus not yet been realised; but that is a process which, if things began to go really badly in this hotly imaginative country, might happen pretty quickly.

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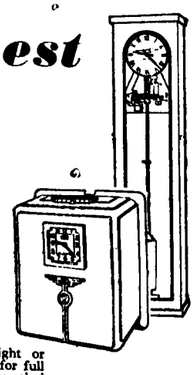

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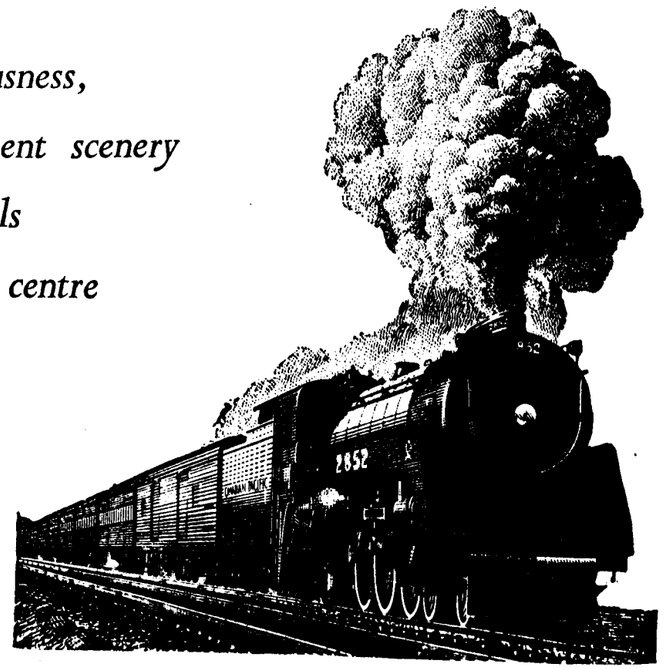

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The Return of the Purged

[FROM OUR TOKYO CORRESPONDENT]

KEEN political observers in Japan have recently been intrigued by a 40 per cent increase in the price of *tai*, the succulent Japanese fish which is traditionally eaten at banquets celebrating a joyful occasion such as a marriage or divorce. They attributed this sharp and unexpected price leap to a run on *tai* for the widespread celebrations attending the release of 68,900 top-level "purgees" from the shadow of the Potsdam purge provision. (This stated that "the authority and influence of those who have deceived and misled the people of Japan into embarking on world conquest" should be eliminated for all time.) Whether or not the demand for *tai* was in fact due to these celebrations alone, there is no doubt about Tokyo's present popy-scented mood of exhilaration and rejoicing.

The shriven penitents have been greeted with such unrestrained and universal congratulations, good will and even veneration that one or two newspapers have been constrained diffidently to point out that technically they are not national heroes but paroled rogues. Most of them are returning to public life in urbanity and silence, others with hypocritical gratitude, not a few, alas, in scorn and arrogance. The "depurged" politicians hastily called a conference, formed a sort of unofficial society and gave all indications of striking a medal to be proudly worn after the peace treaty is signed.

Ichiro Hatoyama, titular head of Prime Minister Yoshida's Liberal party, genially allowed it to be known that, having been "depurged," he would be available for Yoshida-san's position, if the party so desired. However he then suffered a mysterious cerebral attack. This does not prevent him from playing "go" (Japanese chess) in his green-roofed Tokyo mansion, but it delays his challenge to his old but ambitious friend Yoshida-san, who is thereby confronted with the suicidal honour of leading the Japanese delegation to the peace conference at San Francisco.

Tanzan Ishibashi, former Treasurer, who was unfairly purged by General Courtney Whitney, MacArthur's closest adviser, returned gaily and immediately to politics and was promptly placed on the government committee now "reviewing," which is to say abolishing or emasculating, such unpopular Occupation "reforms" as those guaranteeing improved working conditions or divorcing banking from government control. Sadao Iguchi, a former career diplomat, who as Counsellor at the Japanese Embassy in Washington was strongly suspected of having played for time until Pearl Harbour was perpetrated, has gone back to the Foreign Office as Vice-Minister and will probably be first Japanese Ambassador to Washington. Joji Matsumoto, former intellectual and the industrial leader of prewar imperialsit policy, as well as vice-president of the South Manchurian Railway, has been appointed chairman of the Public Enterprise Committee, where he has control over the selection of executive staff for government undertakings.

Koichi Kawakami, former president of the Nippon Kogyo Bank, who was purged for his association with the Zaibatsu monopolies, is back as president of the Export Bank and member of the Public Enterprise Committee, where he is evidently marking time before succeeding to the position of Governor of the Bank of Japan. The Mitsui, Mitsubishi and Sumitomo families have all been cleared also—generally in an atmosphere of courageous penury, with hardly a castle to call their own. There has even been an astonishing but confident demand this week for the "depurging" of 3,660 former members of the Japanese Gestapo, the dangerous "thought police" who, it is considered, should now be returned, chastened and reformed, to the new police force.

In retrospect, the "Great Purge" was a great idea doomed to failure. It did not—it could not—operate equitably. It punished some Japanese who, through patriotism or pressure, helped their country once the war began. It passed over others who had plotted for war but removed from Japanese political, industrial, government and public life some of the best brains at a time when they were most urgently needed to help reconstruct the broken nation. For the future, these "depurged" Japanese will re-establish themselves in public life according to merit, industry and other democratic qualities—plus, however, one new, important and unfortunate advantage. The years they have spent in disgrace must, on the evidence of the public welcome for them on their return, ensure them preferment in reward for their patriotic punishment.

Which President for Portugal?

[FROM A CORRESPONDENT RECENTLY IN LISBON]

THE Portugese elections, which take place on Sunday, are far more important than they look on the surface. The three candidates (General Craveiro Lopes representing the Government Nationalist party, Admiral Quintano Meireles of the Republican Opposition, and Dr Ruy Luis Gomez) illustrate the political divisions within the country—on the one hand, the armed forces, and on the other, the permitted Left wing, opposition. There is some feeling within the country that as a general held the presidential post for twenty-five years, it is now an admiral's turn. Few people argue seriously that it is time to put the Left in power.

Dr Salazar's policies are not openly on trial, but unless he is to go (and he has already suggested that he is too tired to continue) the first problem is to elect a man with whom he can work as successfully as he did with General Carmona. The legend of his power has grown so great as to obscure the basis on which it rests. Economic skill he has indeed shown for twenty-five difficult years ; but during that time he had behind him a President who kept political fences mended, held the loyalty of the armed forces, the intellectuals, and the aristocracy, dedicated monuments, and, in short, performed for Portugal most of the functions of a modern king. Relations between the two were deep, subtle and mutually respectful. Before General Carmona came to power in 1926 Portugal had had sixteen years of chaos and disintegration. The twenty-five years which followed saw the rebuilding of the country's structure of government, its physical plant and its economic pattern. The amount of work done is little short of spectacular. The question now is whether the new structures are strongly enough built to stand a change in the head of government. The new constitutional framework is criticised as too rigid ; but it is not at all certain that Portugal is as yet so used to working within it as to make safe a greater degree of flexibility.

The new President must have Dr Salazar's complete confidence. He must perform his honorary and political duties well, and be so content with them that he is not tempted to reach for the power in the hands of the Prime Minister. He must accept the complex corporative state and be determined to continue its functioning without drastic changes—Portugal has too lately regained order, prosperity and self-respect to risk losing them by any new attempt at "reforming" what has been so hardly won. He must be willing to leave economic decisions in Dr Salazar's hands ; since 1928 that ecenomic genius has weathered many storms, and new ones are in the making.

To these strictures, which are difficult enough, must be added a fourth set arising out of Portugal's relations with other nations. Its traditional dependence on England has

latterly been lessened by its cultural affinity for France and by the new financial support which the United States is giving under ECA. Its relations with Spain are nominally good, but actually far from comfortable. Its international position has the lack of ease inevitable in an authoritarian government. It would like to play with the western democracies, but the Soviet Union puts every possible barrier in the way, and it has very little leeway for bargaining. These problems the new President must face, and he must also be prepared for financial difficulties as Portugal begins to feel the pinch of higher prices on the raw materials it needs from the outside.

Relations between the Army and the Navy are, of course, strained by the race, but the struggle between them for power is endemic and hence the candidacy of a general and an admiral presents less danger than one might imagine. The real test will come after the election, as the new man experiments with the straps and braces which General Carmona wore with such apparent ease.

Britain's Island Colonies—I

Mauritius and the Seychelles

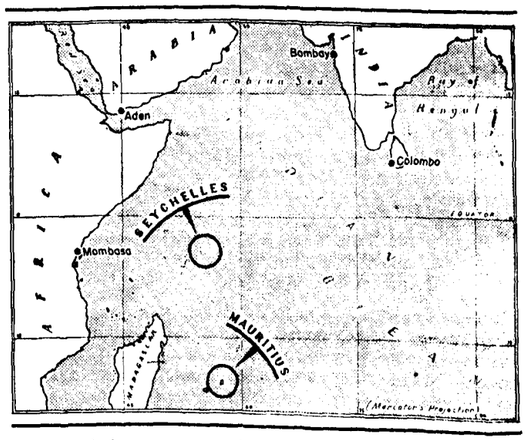
FOR Britain's major colonies—in Africa, Asia and the Caribbean—the future, however beset with difficulties, is at least defined. Through economic development they will one day become viable modern states ; through constitutional advance, responsibility will be gradually transferred until they reach independent status as Dominions, it is hoped, within the British Commonwealth. But what of the seven weak and scattered island groups in the Southern Hemisphere, for which Britain continues to hold responsibility, and which can hardly hope to be sufficiently prosperous and populous to stand on their own feet? Even without dreaming of such ultimate goals as independence, how is a reasonable level—on British standards—of administration and social welfare to be assured them? These are not least among the headaches of a paternal Colonial Office which has published a special report* on Mauritius and the Seychelles ; Fiji and the Western Pacific High Commission ; the Falkland Islands, St. Helena and Tristan da Cunha—all unknown islands which the average Englishman, in spite of his ultimate responsibility for them, would scarcely know how to locate on the map.

Mauritius and the ninety-two islands of the Seychelles lie in the middle of the Indian Ocean. The former has a population of 475,000, the latter only 35,000. They were both French colonies until they were ceded to Britain in 1814, and the majority of the European inhabitants have remained French with ideas not notably advanced since pre-French Revolution days. They both depended on slave labour until the Emancipation ; Mauritius then introduced indentured Indians. Today they have a common legacy of conflict between the descendants of white landowners and black slaves (complicated by the energetic Indians of Mauritius) and a further clash of ideas and customs between French settlers long removed from Europe, and modern British administrators. Epidemics, cyclones, bad sanitary and moral habits have induced the most wretched social conditions, and the islands, until recently, have been too poor to pay for a decent education or hospital system, or anything like reasonable housing.

Fortunately, since the war a new era of prosperity has come to these territories, more through good luck than good management. Mauritius is almost entirely dependent on sugar which earns 97 per cent of the value of its exports ; out of 190,000 acres of land under cultivation, 163,000 are under sugar, and all but 48,000 of these are in the hands of big estates. Attempts to produce foodstuffs have not been successful, and milk and meat are scarce and expensive. Copra accounts for 80 per cent of the Seychelles' exports ; cinnamon leaf oil is also exported, but the people again depend largely on imported food. This is a dangerous position and much thought has been given to growing more foodstuffs and developing certain local industries, but its results are not yet impressive.

In the meantime both sugar and copra are booming in price, with markets guaranteed by Britain, and trade and revenue figures are hitting new high levels. Mauritius's imports and exports together increased from £6,750,000 in 1945 to £24,000,000 in 1949 ; its revenue has multiplied threefold since before the war ; so also has that of the Seychelles. In addition Mauritius is receiving an allocation of about £2,000,000 from Colonial Development and Welfare funds for its 10-year development plan, and the Seychelles about £250,800.

With these new resources, education and health schemes are progressing, and a first onslaught is being made on the deplorable housing conditions. Mauritius has done extremely well in eliminating malaria: hospital admissions for malaria were 1,576 in 1948 and only 196 in 1950 ; school meals are now given to combat malnutrition. Town planners have been at work ; sewage and water supplies are being overhauled. The education programme is ambitious, yet the first Government Secondary School for girls was due to open only in



1951, and there are no technical schools at all in Mauritius. Income tax was only due to be introduced in 1951. In the Seychelles a piped water supply is being installed, for the first time, in the capital.

In the meantime, the traditional pattern of constitutional advance is being followed. Mauritius had its first general election under a new constitution in 1948. Under this constitution a Legislative Council with an elected majority was created ; there is also an unofficial majority on the Executive Council, though the Ministerial system has not yet been initiated. The Seychelles are more backward—the elective principle was introduced only in 1948. There is a more restricted electoral roll than in Mauritius ; there is no elected majority on the Legislative Council, and no elected member has yet been appointed to the Executive. Mauritius has also done well in encouraging trade unions and co-operatives, which are still rudimentary in the Seychelles.

All this—on paper—is perhaps as good as might have been hoped for. In practice these isolated islands, ingrown in population and ideas, are toughly resistant to any real advance. White plantation owners fiercely resent the rising tide of coloured political power, jib against taxation, and are not too friendly to organised labour. The Legislative Councils work inefficiently, and politics are riddled with intrigue. Mauritius has been the scene of many labour disturbances over the years, and the new trade unions tend to be irresponsible and a prey to demagogy. Whitehall is half a world away, and hesitates to intervene in a tricky local situation ; Westminster receives too little information to speak with confidence. The policy is to help as far as one can, to build up local responsibility, and to hope for the best.

It is, indeed, difficult to suggest any other policy, but it might well be asked if the present approach is applied with sufficient imagination. New constitutions which give so much in the way of representation, yet fail to introduce a Ministerial system, putting responsibility squarely on the shoulders of elected representatives, have scarcely ever—if ever—been successful, and Mauritius is suffering through being just a halfway house. Economic planning has had a most confused history, again with no clear responsibility attaching to any one person or committee, and with no really purposeful plan round which enthusiasm could be focussed. Trade unions have been encouraged, but then allowed to run wild.

Local government, until recently, has been woefully neglected. Good intentions abound, but to put them forcefully into effect requires a political and administrative system which neither of these islands has yet attained.

(To be continued)

* British Islands in the Southern Hemisphere 1945-51. Cmd.8230. Price 3s. 6d.

Feuds of Czech Communists

[FROM OUR VIENNA CORRESPONDENT]

IT is at last possible to get a fairly comprehensive picture of the purge which began in Czechoslovakia with the spectacular arrests last winter of such prominent Communists as Marie Svermova, widow of Jan Sverma, a Communist wartime "martyr," and herself a deputy Secretary General of the party, Otto Sling, Secretary of the Brno Communist party and Dr Vlado Clementis, who had "resigned" from the post of Foreign Minister in March, 1950. These three were followed into jail or disgrace by the deputy Minister for Defence, General Reicin ; a number of other high officers of the Army ; General Pavel, head of the Security Police ; Milan Reiman, the head of the Prime Minister's Office ; Artur London, and Vavro Hajdu, leading officials of the Foreign Office ; André Simon and Karel Winter, two leading columnists of *Rude Pravo ;* the editors of *Prace* and *Mlada Frônta ;* the Ambassadors in London, Paris and Washington and many others.

Drastic measures were also taken in the country districts. Twelve chairmen and at least five secretaries of the Communist party organisations in Czechoslovakia's 19 counties have already been purged. Nor was the purge by any means confined to the Upper Ten. It would probably not be too wide off the mark to assume that of the pre-revolution members of the party, two out of every three have been either reduced to the rank of "candidate" or ignominiously expelled. Some of those who have gone fell by the wayside in previous "verifications." But the last—or rather, the latest—verification has been much the most severe so far. Its extent in fact suggests that it was touch and go as to who should purge whom.

The shadow of the scourge to come began to show itself publicly when the Cominform journal published its now famous attack on *Rude Pravo* last December. The Cominform's charges included not simply negative sins like insufficient or misplaced enthusiasm, but also the far more serious one of publishing theoretical inexactitudes. *Rude Pravo,* besides being the official party newspaper, was known to represent the views of the leaders of the party, including President Gottwald. Criticism of *Rude Pravo* in such circumstances was, therefore, tantamount to calling the President himself to order. However, reluctantly, he at once obeyed the whistle from Moscow, even though this involved throwing over a policy which he had at least winked at and friends whom he had at least not tried to restrain.

At the time of their arrest, Dr Clementis and the other so-called ringleaders were as usual accused of being imperialist spies. Dr Clementis himself was said to have been in French pay since before the end of the war—a charge which anyone who knew his relations with the French during the war can only regard as absurd. The charge of spying simply proves that the Government did not care, or dare, to admit that there was a serious split within the Communist party itself and still less that if there had been a free vote among the rank and file the dissentients would almost certainly have had a majority. Indeed, there is plenty of circumstantial evidence that the government itself, and the party bosses, halted for a time between the two opinions.

The exact nature of the differences between the two groups has naturally not been disclosed. It is clear, however, that though there was not actually a Moscow and an anti-Moscow section in the party, there was at least strong support for the view that Russian methods were unsuitable for Czechoslovakia in both agriculture and industry. Many—probably most—perfectly good Czech Communists thought that practical politics made it necessary to go slow on Marxist theory in order to keep up production both in the fields and in the factories. They held that both in agriculture and in industry, the Czechs were more advanced than the Russians and that it would be going backwards rather than forwards to adopt measures and systems which were abhorrent to Czech common sense and experience. Many of them went further and failed to see why, as the popular Czech riddle aptly puts it, their cows should be the longest in the world because they are fed in Czechoslovakia and milked in Moscow. These views were common knowledge, and appear to have been seriously debated in the party, especially in the provincial branches, during most of 1950. They only became heretical when the Cominform intervened and forced the Government's hand.

In the six months that have elapsed since President Gott-

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wald finally decided not to be a Tito, the party has been trying to round up and extirpate the heretics. Some 800,000 former party members have been expelled. Nevertheless, the present membership of the party is believed to be about 2,000,000 and the hierarchy has sent out an S.O.S. for more recruits. It certainly needs all the stooges it can get. But whether the newcomers will have the necessary drive and capacity for leadership that Premier Zapotocky says he wants is another question.

Slovakia's Wings Clipped

What has been said hitherto concerns the Czech-speaking provinces. The purge that has been going on in Slovakia is on a rather different basis. Its nature is well illustrated by the fact that there is a Slovak Communist party as well as a Czechoslovak one. The former is considered in Prague to be an anachronism and redundant. This, of course, is a view which the Slovak Communists by no means share. The Slovak Communist party is scarcely less anti-Czech than the war-time Hlinka Guard. The Czechoslovak Communist party is naturally dominated by the more numerous Czechs, and all Slovaks, Communists and otherwise, like far less to be in that position than even the most rabid Englishman disliked being under Eisenhower. Indeed, during the war, Drs Husak and Smidke, two of the leading Slovak Communists (and personal friends of Dr Clementis), urged Moscow on behalf of their party to admit Slovakia to the Soviet Union simply because they wanted to be rid of the Czechs. Their request was turned down but not before it had been duly noted in Prague.

Until the 1948 *Coup*, the existence of a separate Slovak Communist party enabled the Communists to get more than their rightful share of posts in the Czech government. After the *Coup* it helped Slovakia to slow down the tempo of the policies of collectivisation, industrialisation and subjection of the Church. Moves to clip Slovakia's wings were accordingly begun nearly 18 months ago and, by May, 1950, nearly all the prominent Slovak Communists had been ousted from their posts on the Slovak Board of Trustees. At first, they were simply ousted. Later, when the widely held Sling-Svermova creed was adjudged heretical in the Czech provinces, it was considered expedient to lump the two sets of "deviators" together and charge them all with espionage and treason. Dr Clementis seems to have been warned in advance and there is reason to believe that he was caught at Brno while trying to get out of the country.

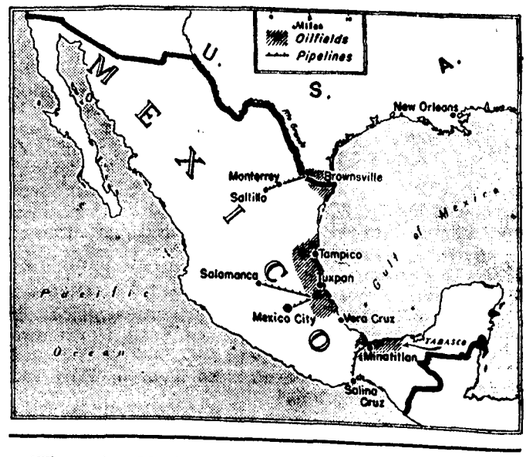
At the time of their arrest it was at least semi-officially stated that the ringleaders of both groups would have to face a public trial. Latterly, this idea seems to have receded. It may still be revived. But the heretics have a very strong following in the country. Publicity, therefore, may be considered inexpedient as it was in the case of Archbishop Beran, especially as there is not the slightest doubt that many Communist leaders who are still members of the government and hierarchy knew perfectly well throughout what was going on and only left the fence when the wind got strong enough to blow them off.

Mexican Petroleum Since Expropriation

[BY A CORRESPONDENT]

IN March, 1938, the Mexican Government expropriated the rich petroleum fields which had been discovered there by foreign geologists and developed with foreign capital. Only the enthusiasm and hard work of a team of Mexican technicians, who had been trained by the foreign companies in Mexico and abroad, averted a breakdown in production after the experienced British and American companies had been expropriated. Today, after thirteen years of effort, the Mexicans admit that their company, Pemex, which was set up by the Government to take over the assets of the foreign companies, is severely handicapped by lack of highly skilled staff. Production since expropriation has been maintained primarily by concentration on the large Poza Rica field which was discovered and developed by the Mexican Eagle Company in the years just before expropriation. Pemex even now is not administered as economically or as efficiently as were the former foreign companies.

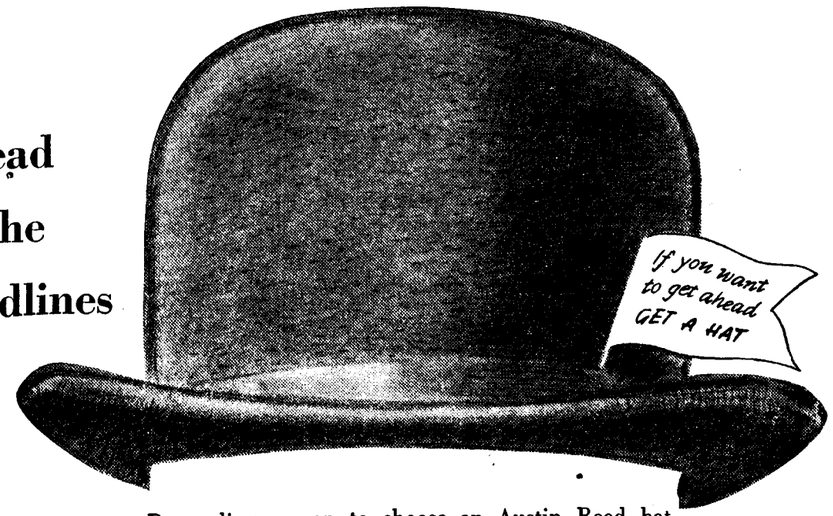
Mexican production figures are interesting. From a peak of 193 million barrels of crude oil in 1921 production fell to 38 million barrels in the year of expropriation, 1938. But production had previously dropped as low as 32 million barrels in 1932. The steep decline between 1922 and 1932 was due to some extent to the unexpected presence of salt water in wells. But the main reason for the drop in production was persistent political interference. The Mexican Government appeared deliberately to attempt to throttle the oil companies by restrictive legislation, by heavy taxation and by giving the trade union leaders unrestricted liberty and support in a series of strikes which brought operations almost to a standstill. Under such conditions it was virtually impossible to convince the Mexican people of the benefits the oil companies were bringing to their employees or to the country.



When the Mexican Government took over the properties of the foreign companies and expelled foreign workers it was immediately faced with a series of crises. With a fall in the value of the peso and the rising cost of living the oil field employees were much worse off than they had been under the companies. This gave rise to labour troubles during the early years of the war, when there was a constant threat of a general strike and sabotage occurred in the fields. Pemex publishes no detailed accounts, but it is understood that it has contributed little to the Mexican Exchequer. The then director admitted losing £5,000,000 in 1939 because of unfavourable sales in the United States and the closure of European markets.

During the period immediately after expropriation Mexico was unable to find markets for its oil, despite its proximity to the United States. World stocks at the time were high and fed competitively by American, Venezuelan, Persian and Rumanian oils. Moreover Pemex had great difficulty in its attempts to charter oil tankers because four-fifths of these were owned by the petroleum companies and the remaining fifth were not easy to charter. Fortunately for Pemex these two major problems were solved when Germany invaded Poland in 1939. Since that time Mexico has been able to sell all the oil Pemex could produce. In 1950 it exported crude fuel oil, petrol or gas-oil to eleven countries.

Ahead of the headlines



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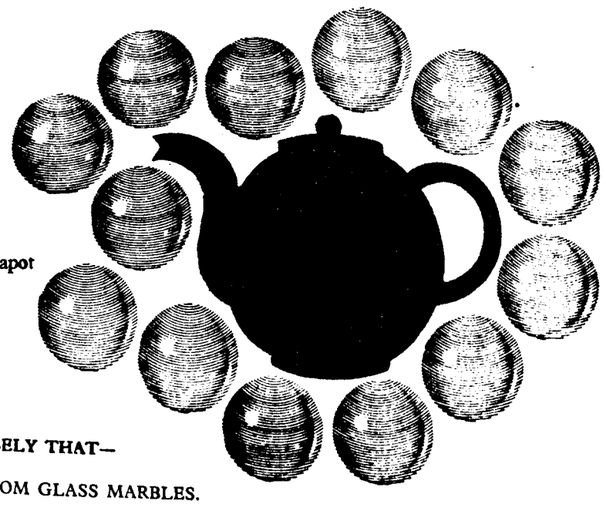

If you wrapped an imaginary teapot in a hypothetical overcoat of symbolical marbles, would it keep the suppositional tea warm! *NO!* Well, if it wasn't a teapot at all, but a hot-water tank, and the marbles weren't *round* any longer . . . would that do the trick? *YES!* How so? BECAUSE THE VERY BEST INSULATING MATERIAL IN THE WORLD CONSISTS OF PRECISELY THAT— MILLIONS OF FINE GLASS FILAMENTS SPUN FROM GLASS MARBLES.

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Whilst production declined in Mexico, it was rising at a most sensational rate in Venezuela, where between 1927 and 1949 output has increased by 720 per cent. In 1921 Mexico supplied one-quarter of the world's oil and in 1937 it supplied only one-fortieth. In the three years after expropriation production was (in thousands of barrels):

1937	46,907
1938	38,506
1939	42,898
1940	44,036

A comparison of petroleum production over two decades gives the following figures:—

•1927	64,121
1937	46,907
•1949	60,736

Mexicans suggest with pride that their production figures since expropriation are satisfactory. They claim that production would be far higher if the disgruntled foreign companies had undertaken more exploratory drilling between 1930 and 1938. Pemex also believes that the foreign companies left the country with full knowledge of the exact location of further large petroleum deposits.

As a result of poor administration and too few high-grade technicians the refineries and other equipment quickly deteriorated; at the same time foreign sales were too low for replacement machinery to be bought and transport renewed. In 1948 Mexico was unsuccessful in raising foreign capital for the purpose of oil field developments, although it did obtain a loan of $150 million from the Export-Import Bank for development projects other than petroleum.

Pemex has succeeded in making trading contracts with various American contractors to undertake further drilling. Their terms do not appear to be attractive as the American contractors assume all hazards and agree to receive no compensation for dry holes. But if they strike oil they hand over operations to Pemex which pays—out of production proceeds—the contractors' expenses plus what in effect amounts to a royalty for 25 years. So far the foreign contractors have not been lucky, though intensive exploratory work continues, encouraged by a recent important discovery in the state of Tabasco which appears to have promising initial prospects. If this discovery is proven it will do something to compensate for the long years of overproduction on the Poza Rica field and will be of invaluable help in maintaining production at its present level.

Pemex has suffered from operating in a country where high mountain ranges, lack of surfaced roads and an obsolete railway system make internal distribution difficult. In order to supply the domestic market on the Pacific coast areas and in some northern districts petroleum is imported from the United States. The directors of Pemex hoped to reduce imports very considerably when the proposed pipe line across the isthmus is completed. Mexican experts have accomplished far more than the world expected of them but the industry still lags badly behind that of all the Middle Eastern countries and Venezuela. Until present legislation is modified to enable petroleum companies with wide experience and adequate "risk-funds" to work there, the future of the petroleum industry in Mexico must remain essentially problematical. There are lessons here for Persia.

Indian Income Tax

[BY A CORRESPONDENT]

WHEN taxation is unavoidably high, as in India today, it is important that reasonable tax payers should be convinced that it is based on fair and sound principles. It is unlikely that the recent Bill to amend the Indian Income Tax Act will produce this conviction, for in a number of important respects the proper desire of the Indian Finance Minister to deal with tax dodgers has led him to introduce clauses which in their present form will hamper legitimate business activity.

The first objection to the Bill is that legislation which involves new charges to tax and extends existing liabilities should not have retrospective effect. There may indeed be exceptional cases where a notorious piece of tax dodging justifies such back dating but, in general, business becomes impossible if individuals incur penalties for actions which when taken were perfectly innocent.

A second ground of criticism of the Bill concerns its definition and treatment of private companies. It is notorious that, in India, such companies have often been devices for the evasion of taxation and it is therefore right that they should be strictly defined and rigidly controlled. It is not right, however, to apply to *bona fide* business concerns a blanket provision compelling distribution of 60 per cent of the profits. Under the difficult financial conditions now prevailing the building up of adequate reserves is of vital importance; moreover, the distribution of excessive dividends must be inflationary in its effect. It would be better if the relevant clause were confined in its operation to what may be described as "phoney" private companies. This was no doubt the intention of the Finance Minister, but as the clause is at present drafted it will hit a *bona fide* subsidiary of a British company. This objection is not academic but is based on the fact that a considerable number of the most important jute, tea and coal companies of Bengal will be compelled by this clause to pay dividends far higher than can be justified by their economic position. Except where tax dodging devices are being utilised, the wise policy would surely be to minimise rather than maximise dividends and it seems strange that the Indian Finance Minister should appear to try in this section to undo the effect of his anti-inflationary policy.

Having it Both Ways

A further criticism of the Bill is that its definition of income actually arising in India is far too wide. As the Bill now stands, a foreign company selling goods directly in India will be liable to Indian tax, not only on the merchanting profit—which would be in accord with general international practice—but also on the whole profit of the sale of the goods, just as though their manufacture and sale had both taken place in India. It seems quite clear that here India is trying to have it both ways. There are two policies which could reasonably be followed. The first would be to follow some logical principle, rather along the lines of Section 42 of the Indian Income Tax Act, of deciding what proportion of the profits of a business operation is reasonably attributable to that part of the operations carried out in India. Another satisfactory alternative in all these international transactions would be to regard the profit as arising in the place of sale only. In its present forms the clause will strike most British business people as being unfair and will not encourage them to specialise in exports to India.

Linked with this criticism is the objection which must arise to a sub-paragraph of Clause 3 of the Bill. Under this sub-paragraph if a British bank or individual, having no connection whatsoever with India, lends money to a sterling company for use in India, the lender will be liable to tax in India on the interest to his loan. Many companies today though perfectly solvent, are finding the problem of liquid finance difficult and a provision of this nature, which must discourage banks and others from lending to companies operating in India will do great disservice to the development of Indian industry. If India were in a state of boom and if foreign capitalists were vying with each other in their endeavours to develop new industry in India, the Government of India could perhaps afford to adopt a high tone with regard to these overseas loans. Under present conditions, however, India is not a very attractive country to foreign capital and its government might find that a more conciliatory policy would be worth while.

THE BUSINESS WORLD

Return to Deficit

THE United Kingdom's balance of payments seems to be going from bad to worse. The overseas trade figures for June reveal an ominous deterioration. The excess of imports over exports reached the all-time record of £151.2 million, compared with £96.8 million in May and £70.3 million in April. The increase in the deficit compared with the two previous months is partly explained by the fact that exports in April were swollen by shipments that had been held up by shipping difficulties earlier in the year, while the export total in May was inflated by abnormally heavy exports of ships. Although these factors may explain last month's deterioration, they do not suggest that the June figures were themselves abnormally and adversely distorted. If these figures provide any indication of what is to come in the second half of the year, a new balance of payments crisis would seem to be well under way.

There are, of course, some mitigating factors. In the first place, the terms of trade must surely soon begin to turn in Britain's favour. Despite the fall in raw material prices, the import price index has so far steadily gone on rising; it was 25 per cent above the average 1950 level in February and 42 per cent above it in May. It may have been on the basis of the latter figure that Lord Pakenham estimated this week that Britain's imports in the next twelve months might cost £950 million more than in 1950 on account of price increases alone. But even though the fall in many raw material prices seems to be taking a long time to work its way through to a fall in British import prices, it seems reasonable to suppose that these prices will now tend to flatten out, relatively to the upward adjustment of British export prices to meet the preceding rise in the cost of imported raw materials; the export price index had risen from only 9 per cent above the average 1950 level in February to 18 per cent above it in May. In the second place, it will be disappointing if the volume of exports does not rise relatively to the volume of imports in the second half of this year. Between January and May, the volume of imports was 9 per cent above the average 1950 level and the volume of exports was only 4 per cent above it. This disturbing outturn may have been partly due to the pre-emption of potential exports and the increased demand for imports generated by the 5 per cent rise in domestic consumption to which Mr Gaitskell alluded a fortnight ago. Britain seems to have been experiencing a boom in "anticipatory" buying by consumers at the very moment when consumers in other countries, who stepped up their purchases immediately after war started in Korea, are going slow. Britain's balance of payments deficit now is thus, to some extent, the counterpart of its exceptional balance of payments surplus last autumn. The Government is now sounding the bell for a new export drive, which will involve setting new targets for exports of textiles and other consumer goods. This drive may have real difficulty in forcing its way through consumer resistance abroad—sales of domestic consumer goods in the United States and some Continental countries are still surprisingly low—but it may possibly tend to meet progressively less competition from consumer pre-emption at home.

Whatever the prospects for the second half of the year, however, the trend shown by the figures for the first half remains disquieting. The excess of imports over exports in this period amounted to £554.7 million, compared with £219.7 million in the first half of 1950 and only £347.9 million in the whole of last year. If the c.i.f. import total shown in the trade returns is adjusted to an f.o.b. basis by the customary deduction of 11 per cent (representing insurance and freight almost exclusively paid to British companies) the visible trade gap for the first half of the year can be estimated at just over £350 million. If invisible earnings in the first half of the year were equal to those that accrued in the second half of 1950 (£219 million), this would leave an overall deficit of £131 million for the first half of this year—that is, an annual rate of deficit of rather over £260 million, compared with a favourable balance of £229 million in 1950.

The performance of the past six months may not, however, have in fact been quite so depressing as this arithmetic might suggest. Invisible receipts will have gained the full benefit of high profit remittances from overseas commodity producers, and of a still expanding overseas trade in sterling oil. Even so, it now seems that Mr Gaitskell's recent estimate that "there was little doubt that the overall balance of payments would show a deficit for the first half of 1951 when imports for stockpiling were taken into account" was probably an understatement. Moreover, even if there is some slow relief—as compared with the present position—in the second half of the year, it must be remembered that that recovery will have to begin from the very low ebb revealed in the June figures. In addition an allowance will have to be made for the as yet incalculable effects on invisible receipts of the Anglo-Iranian oil stoppage. Taking these factors into consideration, there seems to be no doubt that the Economic Survey estimates of the balance of payments for 1951 will prove to have been much too optimistic.

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It is not only the "overall" balance of payments that has deteriorated: a steady contraction is proceeding in the surplus on the sterling area's dollar account. In the second quarter of this year, as reported in *The Economist* of July 7th, this surplus amounted to $54 million compared with $360 million in the previous quarter and $398 million in the fourth quarter of 1950. This week news has come of the result of the European Payments Union "compensations" for June. These not only add to the depressing testimony of the gold and dollar figures for the second quarter; they also suggest that the position has been progressively and seriously deteriorating. In April this year the United Kingdom still succeeded in achieving a surplus of $52 million in its payments with other EPU members. In May, this was converted into a deficit of $27.2 million, and in June the deficit grew to $51.8 million.

Although the United Kingdom appears in the EPU returns as the member incurring this deficit, the transaction that have led to it are in fact those between EPU countries and the whole sterling area. One reason for the sudden emergence of the United Kingdom as a debtor in the EPU compensations lies in reduced sales of sterling area commodities to Europe; these reduced sales are partly due to lower prices and are partly a seasonal phenomenon. But the United Kingdom's relapse to debtor status also reflects the emergence of Germany as a creditor in intra-European trade. Germany's recent performance within EPU has shown a remarkable response to the measures introduced earlier this year to arrest its seemingly chronic deficit. Germany has been a creditor in each of the monthly EPU compensations since March and it has already been able to repay the whole of the exceptional credit of $120 million put at its disposal by EPU; it has also recovered some of the gold lost to the Union as a result of the substantial deficits incurred in the second half of 1950 and the first two months of 1951. Germany is becoming an increasingly active competitor in a number of Continental markets and succeeded some time ago in ousting British car manufacturers from first place in such export markets as Switzerland.

As a result of the $51.8 million deficit incurred with other EPU countries in June, Britain has had to repay $25.9 million of gold and has had another $25.9 million deducted from its credit balance with EPU. The loss of gold, though incurred in respect of June transactions, did not become effective until July and was not, therefore, reflected in the gold and dollar figures for June 30th; it is a loss that will be accounted in the current quarter and will affect the total to be announced early in October. On balance, the United Kingdom is still a substantial creditor with EPU, which began its operations on July 1, 1950. Twelve months' payments have now been cleared through this machinery. In this period the United Kingdom, acting for its own account and as banker for the sterling area, accumulated a net surplus equivalent to $604.1 million with other EPU countries. Of this, the equivalent of $150 million was set off against the "initial debit position" with which the United Kingdom was saddled at the outset. A further $85.7 million was financed by the debtor countries by drafts on their existing sterling balances. Of the remainder, $292 million was accumulated as a credit balance with EPU and, in accordance with EPU rules, the residual of about $80 million has been paid to Britain in gold. On balance, therefore, the United Kingdom remains a substantial beneficiary from the first year of operation of EPU though, at the rate at which deficits are now being incurred, the gold derived from that source is fast flowing back to the Union.

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In spite of the recent evidence of the deterioration in the gold and dollar balance of the whole sterling area, the gathering difficulties of the United Kingdom on its balance of payments constitute a sterling rather than a dollar problem. When the White Paper on the balance of payments for the first half of 1951 is published, it seems certain to reveal a growth in Britain's sterling liabilities—mainly to the rest of the sterling area—considerably in excess of the concurrent increase in gold and dollar reserves. The banker of the sterling area has again been failing in his job of striking even a bare balance between the growth of his assets and that of his liabilities. This is another way of saying that for the first half of the year the United Kingdom will have run a substantial "overall" deficit, though—unlike the experience of previous periods of heavy deficit in the postwar years—the critical problem will be that of Britain's payments *vis-à-vis* the overseas sterling area and not those *vis-à-vis* the dollar area.

There need be no balance of payments crisis on this score—provided that the overseas sterling area countries are willing to play the sterling area game and to allow their sterling balances to go on mounting. No fear need be entertained that they will fail in this respect in the near future. Many of the largest accumulators are colonial territories whose policy in this matter is determined in London. Others, such as the Australasian dominions, can be relied upon not to rock the boat unduly, though it should be added that, ever since Australia became a net dollar earner, it has shown increasing signs of appetite for dollar goods and for some widening in the mesh of "essentiality" through which import licensing for such goods must pass. It would, however, be dangerous in the extreme for Britain to continue living in this way on banking traditions and on goodwill built up in past decades. To do so will provide a sure way of undermining the strength and cohesion of the sterling area system. For this reason the dangers inherent in

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present trends in the balance of payments are perhaps greater than those in periods when the dollar gap yawned wider. In these earlier crises immediate remedial action was called for; and through such desperate means or expedients as import cuts, the suspension of convertibility and devaluation—buttressed by a moderate exercise in disinflation — the call was answered. On this occasion there is still a chance to postpone the harsh decisions. The momentum of past habits will still make it possible for the welfare state and cosseted economy of Britain to be maintained on the backs of other, and in many cases poorer, countries. The damage that will be done if the period of grace is so used will, however, be just as great as that which would have been caused by inaction when the gold and dollar reserve was ebbing away in the bleak summers of 1947 and 1949.

Oil in Emergency

IN normal times, no industry is more adept in meeting the infinitely variable needs of consumers throughout the world than the oil industry. Planning, as that word is ordinarily understood in this country, does not come naturally to it. But the Persian crisis has forced upon the industry an exercise in co-operative action that holds out the one chance of mitigating its worst effects.

The effects of the cutting off of Persian oil have been measured. It is believed that a plan of action has been proposed by the American oil companies and submitted to the Petroleum Administration for Defence for approval by the appropriate American authorities, including the Department of Justice.

Nothing is more calculated to frighten the American oil industry in normal circumstances than the mere suggestion of co-operative action. Its sensitiveness is natural, for it has suffered more than most from the penalties of American anti-trust legislation. Even when war itself demanded the pooling of supplies and transport and the arbitrary division of markets, the industry was always conscious that the Department of Justice was looking over its shoulder. It is able to approach the Department in the present circumstances of cold war only by virtue of the Defence Production Act of last year; its recommendations are intended to mitigate the shortages of oil supplies to friendly foreign nations whose defence measures would otherwise be jeopardised. The Foreign Petroleum Supply Committee, which consists of representatives of the American oil companies engaged in operations overseas, is appointed by the Petroleum Administrator for Defence and assists him by making recommendations; it is the first plan of the FPSC, to meet the stoppage of Persian supplies, that is now under consideration in Washington.

The details of the plan have not been disclosed, but its broad drift can be gauged from the problems that it has to meet. It is no secret that the plan owes much to a study of the oil situation carried out by the British Overseas Petroleum Supply Committee which comprises representatives from the Shell, Anglo-Iranian and Trinidad Leaseholds companies. This committee, formed at the request of the British Government, and free of the inhibitions to informal discussions that affected American companies, had a correspondingly good start in measuring the effects of the Persian oil crisis on consumers in Europe, the Indian Ocean and the Far East. The fact that its work was of immediate service to the American FPSC does not mean that a "British" plan has been under discussion in Washington or that "British" demands are being made on the American oil industry or American oil consumers. It reflects the fact, rather, that problems of petroleum supplies are of world-wide importance, and that their successful solution can best come about from the widest area of discussion and agreement.

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The loss of Persian oil has produced a critical situation, but it is a crisis which varies in intensity in different products and different markets. As an article in *The Economist* of May 26th showed, the loss of Persian crude oil is of less moment than the loss of refined products from Abadan. According to American reports of the British presentation of the facts to the FPSC, the western world has lost about 150,000 barrels a day of crude oil as a result of the cessation of exports from Persia, but the loss of refined products, ranging from aviation gasoline to heavy fuel oil, amounts to the equivalent of no less than 485,000 barrels of crude a day. (The barrel equals 35 Imperial gallons or 42 American gallons, and about 7½ barrels of Persian crude weigh a ton.) The whole of the Persian crude oil shipped as such could be made good from Kuwait and Saudi Arabia, apart, perhaps, from 20,000 barrels a day. It is thought that spare refining capacity controlled by British oil companies in Europe is of the order of 115,000 barrels a day, for which further supplies of crude would be needed. All told, about 135,000 barrels of crude have to be found—and more as further refinery capacity can be found from new plants or by running existing plants more intensively. The provision of this extra crude oil can, it seems, best be found by retaining in the Eastern Hemisphere shipments from the Persian Gulf and other Middle East sources which in normal times move to the United States and Canada. These are running at present at nearly 270,000 barrels a day—twice the volume that is needed by Western Europe. The obvious source for replacing this Middle East crude, if it were diverted from the Western Hemisphere to Europe, would be from Texas, where an increase in output is technically easy.

The loss of refined products from Abadan is equal to 485,000 barrels a day in terms of crude, or by an odd symmetry in the figures, 458,000 barrels of refined products. To replace these refined products, perhaps 100,000 to 150,000 barrels a day could be obtained from European refineries; to find the rest would involve a more complicated operation. For example, about 280,000 barrels of refined products are being exported by American companies from the Persian Gulf, of which perhaps half is shipped from Ras Tanura and Bahrein to consumers outside the Indian Ocean area. Unless a fairly high proportion of these products that now go to destinations west of Suez and in the Far East can be retained in the Indian Ocean area, it will be impossible to meet the needs of consumers in this area—and it would seem that both London and Washington attach importance to meeting them as far as possible. It would follow, even so, that some 250,000 barrels of refined products would be needed to close the gap, and there is little prospect of filling it, at least in the short run, except from the United States.

Whether these figures and the diversions that they appear to entail have been adopted in the American oil companies' plan is not known. They are an exercise in what might be done, and not necessarily a forecast of what will be done. But the analysis seems realistic; the American companies have a commercial interest in keeping open their established markets; it happens that stocks of oil products in the United States are at a high level and are still increasing; and the highest interests of western economic co-operation and preparedness in defence are involved. That is not to say that the process of rearranging cargoes will be simple, or that each market will get oil in the quantities and qualities to which it has been accustomed. The most deft rearrangement of crude oil shipments to avoid cross hauls will not get rid of the brute fact that the closing of the Abadan refinery means an extreme shortage of heavy fuel oil, which formed half of its output and is of profound importance for ships' bunkers in Indian and Eastern waters. It will be impossible to replace immediately the output of aviation gasolene hitherto produced by the Abadan refinery at the rate of 18,000 barrels a day, for there is no other source in the Middle East.

Something depends, too, on the outcome of the negotiations for a truce in Korea. The Korean war has involved demands on aviation and heavy fuels that are large enough in absolute terms, but would go only a modest distance in making good the losses from Abadan. In general terms, therefore, the prospect is for a distinctly awkward shortage of certain fuels, but of a bare sufficiency of oil products as a whole provided that American production remains high and therefore capable of filling most, if not the whole, of the remaining deficit after taking into account what the British companies can do for themselves. So far as this country is concerned, it will involve a heavy dollar expenditure, estimated by the Chancellor of the Exchequer at $350 million a year, and it would not be surprising if dollar expenditure had not already been incurred in buying cargoes for near delivery. This dollar expenditure is only part of the cost of the loss of Abadan to the British balance of payments, for the refinery was both a dollar saver and a sterling earner. The present British preoccupation with a new balance of payments problem is thus seriously complicated by the loss of Persian oil. It is bound to lead to a re-examination of all the devices dear to the Treasury mind which depend on the drawing of arbitrary distinctions between dollar and sterling oil.

It is indeed fortunate in these circumstances that such good progress has been made with the major new refineries in this country. The second distillation unit at the new Shell refinery at Stanlow came into operation at the end of last month, trebling the capacity of the plant to 3,000,000 tons, with a catalytic cracker approaching completion. The completion of the project early next year will raise Shell's refinery capacity in this country (including Shell Haven and Heysham) to 8,000,000 tons a year. At Fawley, the first distillation unit of the new Esso refinery is about to come "on stream," only two years after the project was started. Work is well advanced on the other units of the plant, including a "cat cracker" from which further supplies of petrol can be obtained by processing the gas oil produced from the distillation units. The total volume of products will amount to about 6,000,000 tons a year. By the end of next year, when the new refinery at the Isle of Grain is working, Anglo-Iranian's refinery capacity in this country will reach 8.8 million tons. The importance of obtaining crude oil to feed this new refinery capacity is obvious, and fortunately it should present no special difficulty. These plants and others were intended essentially for meeting domestic requirements, and not for supplying export markets on any important scale, but they will make a real contribution towards the solution of present difficulties. The problems of consuming centres in the Indian Ocean and farther east are clearly more critical and will be more difficult to solve. The fact that the world oil industry has been capable of such prodigious expansion in recent years to meet a cumulative increase of 10 per cent annually in demand is an encouragement. It should mean that the present crisis can be solved by ingenuity and resource. The western world is not faced with a disaster in oil, but rather with a temporary spell of difficulty and contrivance.

Business Notes

Abbey Works in Production

The official opening of the hot strip mill at the Abbey Works by the Chancellor of the Exchequer last Tuesday marks a decisive stage—but still only a stage—in the progress of the immense project that the Steel Company of Wales set on foot four years ago. Those who have been privileged to watch the growth of this enterprise from the first surveys of marsh and sand dune to the near-completion of an integrated works extending over 4½ miles have learned something of the problems that have been so skilfully solved by engineers, contractors and workmen on the site. To the lay observer, perhaps, the completion of the hot strip mill is something of an anti-climax as well as an engineering triumph; this plant was intended and now it is running. This impression is perhaps the greatest compliment that could be paid to the engineering skills that have gone into its construction, and to the resource that has given a disarming appearance of simplicity to one of the biggest undertakings in the history of the British steel industry.

The new Abbey Works adjoin and totally dwarf an old steel works at Port Talbot. Every section of the plant is new, or recreated. The iron works has two, and will presently have three, new blast furnaces, together capable of producing 19,000 tons of pig-iron each week. The total capacity of the new open hearth steel furnaces, when completed, will be 29,000 tons a week—a total addition of not much less than 10 per cent to the ingot-producing capacity of the whole British steel industry. The bulk of the ingots will be rolled in the continuous strip mill, which is capable of rolling hot strip to a width of 72 inches—the widest in this country. From the continuous strip mill, the coils will be taken to the finishing plants, of which there are two—a cold reduction mill at the Abbey Works itself, which is nearing completion and from which finished sheet for motor bodies, steel furni-

ture, refrigerators and the like will be produced, and a modern tinplate works at Trostre, about 25 miles from Port Talbot, where the most efficient methods of electrolytic tinning will be in operation. This second plant, too, has yet to be completed, and for the time being hot strip is being rolled at the Abbey Works for shipment to other finishing plants in South Wales.

Within a few months, therefore, the completed project should be showing its paces. It comes into operation at a time of anxiety about raw materials for steel making, but with the clear advantage that no other plant in the country will be able to match its efficiency in converting materials into finished products that are scarcer than any others that the steel industry produces. There are many matters for congratulation in the conception and execution of the project—not least for the architectural distinction of the works and for the contribution of American machinery and knowledge for some vital parts of the plant. It might also be noted that the Steel Company of Wales has kept the promises that appeared in its prospectus in July, 1947. The plant will in fact "be run in and in production within five years" with a margin of many months. The profits estimate of £5,000,000 a year from the new plant when it is in full production and from existing old-style plants is likely to be comfortably assured. And the company is not to be blamed for the fact that its cost has exceeded the original estimate of £60 million for the plant now nearing completion and a third cold reduction plant that was then in mind. If it has kept within 25 per cent of this figure it will have done well in view of the rapid rise in construction costs during the past four years.

* * *

Agreeing to Agree

The joint statement that last week recorded a measure of agreement between the Iron and Steel Corporation of Great Britain and the British Iron and Steel Federation upon the control of the industry's common services said, with grim correctitude and clumsy phraseology, about as little as can easily be conveyed in two hundred and fifty words. This is in the nature of joint statements after protracted and bitter negotiation, but it leaves the public entirely in the dark about the real extent of co-operation between private and state steel set down in the unpublished memorandum agreed upon by the two bodies.

The fact, however unexplained, is welcome. So is the retention—"pending the setting up of the long-term organisation"—of the industry's common services without division or duplication, in particular of the British Iron and Steel Corporation, Ltd., and its subsidiaries, which handle the import of ore, scrap and semi-finished steel for the whole industry. Mr Hardie's share of control of these services will probably be formally limited to representation upon the committees that control them, and the presence of certain of his officers within their organisation. His point that he is ultimately responsible for the provision of these services to the publicly-owned majority of the steel producers has been conceded, and it will presumably give his views due weight in such councils. But the anxiety of Sir Andrew Duncan and Sir Ellis Hunter that in this interim period while the industry's future is shadowed by political uncertainty no radical change should be made in the organisation that still really manages the industry has also been satisfied. Whether this justifies the hopes, held in those quarters of the industry that favour amicable co-operation between the two bodies, that the statement presages a progressive rapprochement between corporation and federation, is hard to judge. It is perhaps not altogether easy to envisage the powerful personalities involved in any very close comradeship. But something has been achieved in giving the state corporation at least some opportunity to share the responsibilities placed upon it by legislation, without disrupting the steel industry's existing structure: time, and political developments, must be allowed to find the final formula.

Who Uses Steel?

One common service of particular value to the industry is the federation's statistical department—not only for the comprehensive series of data it publishes monthly on current steel activity, but also for the special studies it makes from time to time. An example in the current issue of the federation's statistical bulletin is an assessment of the concentration of steel consumption—a subject of considerable importance in relation to the steel allocation scheme that is expected towards the end of this year.

Probably 150,000 or more firms in Britain, the bulletin estimates, buy steel; but most of them buy very little. Counting about 50,000 establishments of any size in the engineering and shipbuilding industries, about 30,000 concerned with the manufacture of vehicles and aircraft, and perhaps 15,000 that manufacture other metal products, there may be about

SIZE DISTRIBUTION OF UK STEEL CONSUMERS*
(FOURTH QUARTER, 1950)

Consumer Group	Number of Users		Steel Consumption			
			'000 Tons		% of Total	
	Actual	Cumulative	Actual	Cumulative	Actual	Cumulative
Public organisations	7	7	310	310	11	11
Private firms using :—						
Over 2,000 tons.....	179	186	853	1,164	31	42
1,001-2,000 tons	188	374	262	1,426	9	51
501-1,000 tons	304	678	214	1,640	8	59
101- 500 tons	1,304	1,982	298	1,937	11	70
26- 100 tons	1,605	3,587	90	2,027	3	73
Firms using under 26 tons and firms not covered by the analysis	...	150,000†	...	2,770‡	...	100

* Excludes tinplate. † Estimated. ‡ Partly estimated.

100,000 metal processing firms. To these the bulletin adds perhaps half of the 100,000 building and contracting firms as users of some finished steel. But the table shows how heavily, within these totals, consumption is concentrated. Public organisations use 11 per cent of steel (and this under-estimates their importance, since steel for a BEA generator, for example, is counted in the consumption of the plant manufacturer); and 179 private firms use another 31 per cent of total consumption. A modest total of 2,000 firms are responsible for more than 70 per cent of the total use of steel in this country. Since 12 per cent of the total tonnage is sheet steel, which is already controlled, and the work of the building and contracting industries is subject to Government licence, while the Government has direct control over the investment programmes of public enterprises, the Government already possesses a considerable influence over the level of steel consumption in the country. Whether it is exerting this influence properly, in the interim period before steel allocation, is another question.

* * *

Record Rise in Bank Advances

Some surprise has been caused this week at the very marked steepening in the rise in bank advances disclosed by the clearing banks' aggregate statement for June 30th last. For some months past, the rise in primary commodity prices and the more general sources of pressure upon industry's working capital have been impelling bank advances rapidly upwards, but the City was scarcely prepared to see them leap by £89 million in the space of six weeks. This is by far the biggest monthly movement ever recorded; it carries the total to £1,882 million, or £238 million above its level at end-1950, and £234 million above the total recorded six months before that. The half-yearly movement also breaks new ground: it compares with an increase of £125 million in the first half of 1950 and one of £70 million in the first half of 1949. On both these occasions, however, the growth

was being restrained by the substantial repayments that were being made out of the proceeds of Electricity and Gas issues.

It should be emphasised that this acceleration of the rise in advances in recent months is not attributable to any change of policy pursued by the banks; on the contrary, they not only appear to be loyally observing the spirit of the official directives but have also been tightening up their own requirements. These qualitative methods of restraint will now tend to be reinforced by the modest rise in interest rates that the banks are now in process of imposing upon their customers; but the momentum behind the pattern of public demand suggests that the whole movement will never be kept within reasonable bounds unless the authorities themselves are prepared to revive the use of orthodox techniques of monetary policy. Meanwhile, there is perhaps some reason to hope that advances totals will rise less sharply in the second half of this year than they did in the first half. In the second half of 1950, it will be recalled, the large repayments made out of the proceeds of new capital issues actually led to a small net decline in outstanding advances. It is too soon to guess whether any comparable boom in capital issues is likely to be experienced this year, but the banking figures for July and August will reflect the repayments of loans out of the proceeds of the recent Gas issue —repayments, however, that will have been substantially financed by increased Governmental borrowings from the banks to finance the "Departments" large participation in the new stock.

The rise in advances, it should be noted, has not involved any corresponding increase in net bank deposits. During the six weeks to end-June, these rose by £72 million, or by £19 million less than in the corresponding period last year, while in the first half of this year they declined by £180 million, compared with a decline of £224 million in the first half of 1950. In other words, during this period in which the external balance of payments has been relapsing into deficit (and in which, therefore, the central Government has been relieved from the strain of providing the sterling required to finance an overall external surplus) repayments of Governmental indebtedness to the banking system have much exceeded the banks' new lendings to industry—including, of course, nationalised industry. It is noteworthy, however, that official policy in these past six months has fallen far short of what would have been needed to redress the credit expansion caused by the heavy Governmental borrowings of the previous six months. Over the whole twelve-month period, net bank deposits have risen by £180 million—though this is fully £100 million short of the simultaneous rise in bank advances and investments combined.

* * *

Peace with Japan

It is not surprising that the draft Treaty of Peace with Japan, which has been circulated to interested countries by the United States, has encouraged a boom in Japanese bonds on the stock markets. Under the draft treaty, Japan affirms its liability for the prewar external debts of the Japanese state and for debts of corporate bodies subsequently declared to be liabilities of the state; it therefore undertakes to negotiate at an early date with its creditors for a resumption of payments on those debts. In view of the comparatively modest size of Japan's external debt and of the rapidity with which Japanese export trade is reviving, there seems to be no reason why resumption of payment should be made at other than the contractual rates. The capacity to meet external debt payments should be enhanced by the Allies' recognition that the imposition of reparations would cripple the Japanese economy. It is true that the draft treaty records "in principle" that Japan should repair damage and suffering caused by it during the war, but it adds that in order to protect the country against undue foreign exchange burdens resulting from such compensation, the Allied powers are to supply raw materials, presumably free of payment, for such reparations work.

Under the commercial policy clauses of the proposed treaty, Japan agrees to enter into stable and friendly trading and maritime relations with all signatories for the first four years of the new state of peace. It will also give most favoured nation treatment to all signatories that grant it reciprocity. Unfortunately, Japan may not receive such reciprocity in the markets of Britain and Colonial territories. This was the unmistakable implication of a statement made by the President of the Board of Trade last week. Sir Hartley Shawcross, after some unexceptionable remarks on the similarity of Japan's economic circumstances with those of the United Kingdom, notably Japan's complete dependence on exports, recalled that "bearing in mind the prewar record of Japanese competition, especially in the textile trade, we have decided not to accord most favoured nation rights to Japan because we feel that we must for the present retain our freedom to protect our economy, if necessary, against abnormal and injurious competition." The President of the Board of Trade went on to hope that as a result of consultation between the industries principally concerned in the two countries "policies and practices may develop which will make it possible for Japan and all other countries participating in world trade, to develop their economic activities on the basis of live-and-let-live." This seems to be a euphemistic way of saying that the Board of Trade, which recently sounded a resounding blast against restrictive practices in the British market, is now openly advocating restrictive practices in world trade. Sir Hartley in effect adjured British industry, and notably the textile industry, to combine with Japanese and other competitors in order to make the export markets of the world, especially those of the Colonial territories, safe for relatively high cost and inefficient producers. That is as good a formula as could be devised for undermining and losing what is left of the Commonwealth.

* * *

Germany's External Debts

The preliminary consultations that were held in London on the question of Germany's external debts ended last Wednesday. The discussions were attended by the Tripartite Commission on German debts that represents the British, United States and French Governments, a delegation of the German Federal Republic and representatives of creditors and debtors, together with observers from other countries with substantial creditor interests. The main purpose of the discussions was exploratory: the culling of full information on the debts involved, discussion of Germany's capacity to bear the weight of an external debt burden and, finally, clarification of the views held by the various parties concerned on the general lines that a solution of this problem should follow. On most of these counts the discussions appear to have been eminently successful. The various classes of creditors certainly learnt a very great deal more about one another's views than they knew before. The German delegation brought considerable new material bearing upon the dimensions of the problem. It was found possible at the end of the consultations to issue and approve a number of written reports setting out the matters on which a large measure of agreement was found to exist. These documents will now be used as basic material for an autumn meeting, also to be held in London, at which it is hoped that a definitive settlement of the German external debt problem can be reached. The head of the German delegation, Herr H. J. Abs, pointed out at the end of the discussion that the German Government will do its best to solve the debt problem "in a manner satisfactory to every side involved and in accordance with our ability."

Courtaulds Re-enter America

Formation of Courtaulds Incorporated, a new wholly owned American subsidiary to produce viscose rayon staple in the United States, is a step of great significance for the British parent company, Courtaulds Ltd. It is just over ten years since the company was forced to surrender its 96 per cent shareholding in American Viscose Corporation to the Treasury, in order to raise dollars to pay for war purchases from America: the hasty transaction raised only £13,611,000 worth of dollars, though after arbitration Courtaulds was awarded £27,125,000 for its shares. Nobody in Britain can look back to that piece of one-sided bargaining with any pleasure. But the re-entry of Courtaulds into the American market is eminently satisfying.

Courtaulds Incorporated is to erect a factory—which, according to American reports, will be at Huntsville, Alabama—to produce initially 50 million lb. of viscose rayon staple fibre a year. This may be compared with a total American staple fibre output of 306 million lb. last year, of which about 189 million lb. was viscose fibre, produced by eight American plants. United States consumption of staple fibre has expanded considerably in recent years; last year staple imports reached 91 million lb., six times those in 1949 and more than twice as large as imports in the more prosperous year of 1948. American producers' viscose staple capacity, now about 200 million lb., was recently estimated as likely to rise to 265 million lb. by the end of 1952: the initial rating of Courtaulds' new American plant will thus represent a sizeable share of total capacity.

In his statement with the parent company's accounts at the beginning of July, Sir John Hanbury-Williams referred to the possibility of large sums being invested in new ventures in Britain and overseas. No figure has been quoted for the American investment, though an American estimate puts it at $10 million. On the question of raising additional capital, he added:

> It is not yet possible to assess with any degree of accuracy the requirements or the timing of such an operation, but the burden of providing for the purposes mentioned above entirely out of the company's undistributed profits and other reserves cannot be borne indefinitely.

Sir John mentioned also the share capital reconstruction of the company, which he said might have to be dealt with before, or simultaneously with, the raising of new capital. He is likely to make a further statement concerning the new American venture at the annual meeting next week: this week's announcement may well mean that the date of both impending capital operations may be brought forward.

* * *

Freer Dollars for Films?

"Freer" rather than full convertibility into dollars of the sterling earned by exhibition of American films in Britain is the practical aim of the delegation from Hollywood that began discussions in Whitehall this week with representatives of the Board of Trade, the Treasury and the Bank of England. The present Anglo-American agreement on films expires on September 29th, and the American industry's negotiators—whose talks in Britain are among a number of similar negotiations with other European countries showing American films—have the task of working out another to follow it. Earlier this year some circles in Hollywood expressed optimism about obtaining full convertibility of these foreign revenues. Owing to stronger competition at home from television, these revenues are assuming a greater weight in th American industry's accounts. Since that time the change in Britain's dollar prospects has apparently convinced Mr McCarthy, leader of the American delegation, that to press for full convertibility would be a waste of time.

Under the present agreement, the American industry can repatriate $17 million of its earnings, plus up to $4,000,000 on account of its production of films in Britain and its purchases of Western Hemisphere rights of British films. The remainder of its earnings—on the current year's operations, perhaps £14 million—remain frozen within the sterling area, but may be invested in a variety of agreed ways. These include the financing of the companies' large branch organisations in London and other British cities, the purchase of "export prints" of American films processed here, and investment in film production on the Continent; some of the other permitted transactions, in effect, enable the transfer of further earnings out of the sterling area. In the current year, it may be that a comparatively small sum of sterling has in fact remained uninvested. But the American companies, who expect larger revenue next year on the assumption that British films will decline in number, are pressing for an increase in the basic limit above $17 million, and an extension of the uses to which the sterling retained can be put. The British Government may seek to make any increase conditional upon an American undertaking to continue financing production in British studios; though the Hollywood negotiators say this will certainly continue, they are unwilling to be tied to any stated level of investment.

* * *

Control of Tungsten

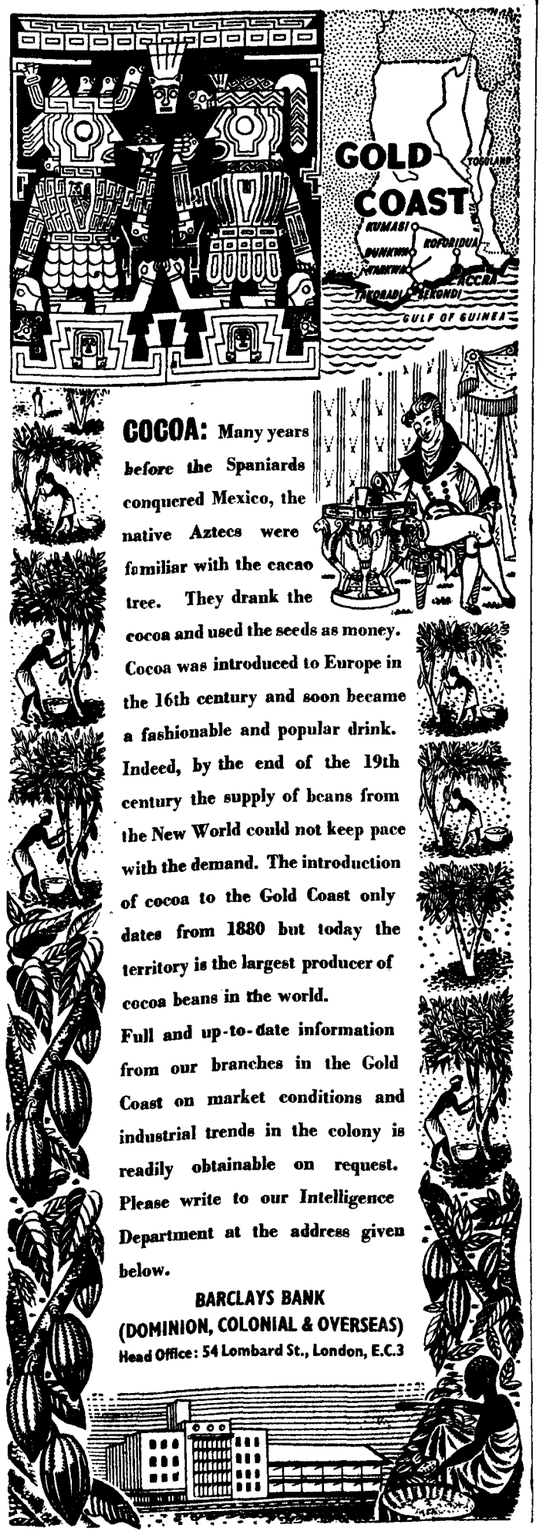
The Ministry of Materials is to become the sole importer and distributor of tungsten ores and concentrates after July 30th. This reimposition of government control of tungsten ores is the natural consequence of the allocation of tungsten ore by the International Materials Conference, which asked member governments both to exercise control of imports and exports of tungsten and to render returns to it. Tungsten is not as easy to control as molybdenum or sulphur, for more than 90 per cent of these commodities comes from the United States. Brazil and Portugal are the largest exporters of tungsten ore at the present time, but together they provide little more than half of world supplies. Spain, Australia, Brazil and a large number of other countries produce the balance. Thus the success of any international allocation of tungsten ore is largely dependent on the full co-operation of producers and consumers with the IMC; it remains to be seen how complete such co-operation will be.

Control in this country is to be exercised through the agency of a few leading firms of merchant importers, who will act according to the Ministry's instructions. It would probably be impossible at the present time to attract experienced men into the civil service as was done during the war in order to exert closer supervision. But apart from that the smaller the interference with the market the easier it should be to return to more normal arrangements if the present strain on supplies should be eased. Meanwhile the market is largely biding time. The price has fallen further during the week to 530s. a unit: buyers are probably holding back until the end of the month to find out what the Ministry's policy on prices will be. The Ministry, however, is unlikely to fix any domestic price since the principal consumer is the partly-nationalised steel industry. The present market price is about equivalent to the maximum price of $65 a short ton (f.o.b.), to which the main exporting countries, except Brazil, have agreed. The 695 metric tons (metal content) of ore that have been allocated to Britain should cover the country's basic needs during the third quarter. The quantity represents about the same rate of imports as during the first five months of the year, though it is about a fifth below the rate of imports of tungsten in 1950.

* * *

Downtrend in Prices

The feature among commodities in the past week was the continued drop in tin, to £848½ per ton, so that it was on



COCOA: Many years before the Spaniards conquered Mexico, the native Aztecs were familiar with the cacao tree. They drank the cocoa and used the seeds as money. Cocoa was introduced to Europe in the 16th century and soon became a fashionable and popular drink. Indeed, by the end of the 19th century the supply of beans from the New World could not keep pace with the demand. The introduction of cocoa to the Gold Coast only dates from 1880 but today the territory is the largest producer of cocoa beans in the world.

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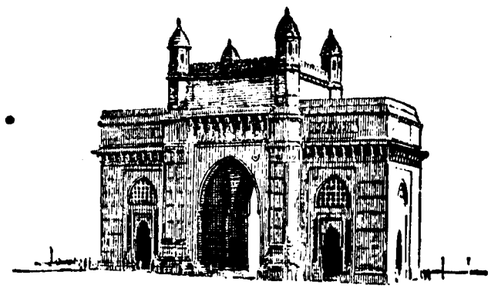

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Tuesday selling for the equivalent of the American Reconstruction Finance Corporation's price of 106 cents per lb. It recovered on Wednesday to £862½, but on Thursday the price was £857½. Offers of Belgian and Dutch tin are expected soon on the London market following the RFC's notification to Belgian, Dutch and Indonesian producers that, in accordance with the escape clause of its agreements, it will not pay more than 103 cents per lb. The possibility of these new supplies found its reflection in the London price early in the week, and another fall is likely if Belgian and Dutch tin is in fact offered. The question is now being raised whether the RFC will lower its selling price for tin in America to 103 cents, which would logically be its next step. The continued decline in jute had been expected because of the prospects of good Indian and Pakistan crops. The signs of increasing tension again between the two Dominions may, however, affect future supplies. Optimistic American crop estimates also explain the further falls in American cotton. The recovery in rubber on Tuesday proved to be temporary. The price fell to 48d. per lb. at the close on Wednesday ; and on Thursday it was 48½d. The

COMMODITY PRICES

	1950	1951					
	June	Feb	Mar	June 27	July 4	July 11	July 18
Wheat (cents per bushel)	216⅛	243⅜	245⅜	234¼	233¼	237½	235⅛
Maize (cents per bushel)	148	178⅝	177½	166⅝	169¾	178	175⅝
Sugar, Cuban (cents per lb.)	4·30	5·25	5·5	7·10	7·0	7·0	6·68
Cocoa, Accra (cents per lb.)	32·25	38·0	38·37	38·12	36·0	35·25	35·0
Coffee, Santos (cents per lb.)	62·5	56·25	56·25	53·75	54·75	54·75	54·5
Cotton, U.S. Middling (cents per lb.)	31·95	closed	46·06	46·06	46·06	44·05	39·27
Jute (£ per ton)	120	165	193	219a	198	183	170
Flax, Courtrai (£ per ton)	335	493	505	492	489	469	460
Copper, electro (£ per ton)	186	202	202	234	234	234	234
Lead, soft for. pig (£ per ton)	92	136	136	160	160	160	180
Zinc, g.o.b. (£ per ton)	127½	151	151	160	160	160	190
Tin, London spot (£ per ton)	601¾	1,422½	1,255	950	905	881½	862½
Wolfram (s. per unit)	126·9	670	550	580	542½	535	530
Antimony 99%, (£ per ton)	160	360	360	390	390	390	390
Tung oil (£ per ton)	218	295	295	300	310	310	310
Shellac (£ per ton)	237½	398½	365½	355	348½	345	347½
Rubber, spot (d. per lb.)	24	72	62½	45½	44	44⅛	50·0
Tallow (cents per lb.)	4½	18½	14½	11⅛	10⅛	9⅛	8⅛

(a) Price at June 24th. This and following quotations are for new crop.

recovery resulted from a drop in shipments from Malaya because of bad weather conditions and also because of labour difficulties on the estates. Natural rubber supplies in the coming months are likely to be good because estimates of world production in 1951 are decidedly higher than in 1950. World production of natural rubber in May was 152,500 long tons. The Rubber Study Group's estimate for the year is 1,870,000 tons, but private estimates have been higher. A surplus of some 300,000 tons is expected. Synthetic production is also up.

British prices of zinc and soft lead were raised by the Ministry of Materials at the end of last week to conform with higher prices of imported supplies. The standard price of zinc is increased from £160 to £190 per ton and of imported lead from £160 to £180 per ton. Continental prices of zinc and lead have for some time been appreciably higher than British or American controlled prices. There has been some discussion in the United States of the adverse effect on supplies of lead that is resulting from price control ; this has produced a large difference between the controlled domestic price and free market prices. It is possible that some attempt may be made to bring domestic lead and zinc prices into closer accord with world prices.

* * *

Dearer Wheat without Agreement?

The Canadian Wheat Board proposed at the end of June to add a 6 cents carrying charge to the price of wheat sold under the International Wheat Agreement during the 1951-52 season. Now the United States Department of Agriculture has followed suit and the Australian Government also intends to add a carrying charge. A similar charge was made under the Anglo-Canadian Wheat Agreement, which lapsed in 1949 upon conclusion of the international agreement, and was imposed by both Australia and Canada during part of the first year of the IWA. The agreement allows this under Article VI: "The basic minimum and maximum prices . . . shall exclude such carrying charges and marketing costs as may be agreed between the buyer and the seller." The Canadian proposal has been noted by the Council of the IWA ; protests have been made by importing countries, but some Canadian wheat with the carrying charge has already been sold.

For the past year wheat farmers in Canada have been chafing at the price they receive for their wheat. American wheat-growers sell their wheat at prices subsidised by the United States Government, but the United States alone pursues this policy. The world price outside the agreement rose as high as $2.58 in February and is now $2.35⅝ ; this is still about 30 per cent above the IWA standard maximum price of $1.80. As a result there has been pressure from producing countries on the International Wheat Council to raise the agreement price ; but at the present time this seems unlikely.

There is a case for the carrying charge apart from any consideration of world prices, if only because under the wheat agreement wheat is shipped more evenly during the year than used to be the case. As a result the cost of storage and of inspection for damage have to be met by the exporters instead of the importers. Further, insurance and loss of interest come into the reckoning. Yet to importing countries it appears like an attempt to obtain a higher price without getting the required agreement of a two-thirds majority, which has to be secured separately by both importers and exporters on the council. The power of the importing countries to oppose the change would depend on world supply and demand. Both the Canadian and the American spring crops promise to be good and free market prices have weakened a little. But it is too soon yet to be sure of what total world supplies will be available during the season ; Canada before now has suffered frost in August and the Kansas floods have affected the crop in that area of the United States.

* * *

Consumers and Coal

The annual report of the Industrial Coal Consumers' Council, published with that of the Domestic Consumers' Council this week, begins by informing the Minister of Fuel and Power that there was a serious coal shortage during last winter, that the National Coal Board has produced a long-term plan for the mines, and that next winter may see another coal crisis, too. The remainder of the report is scarcely more revealing. The Council appears still to conceive its function to be that of explaining the National Coal Board's behaviour and difficulties to the industries using coal ; it suggests that particular questions regarding price and quality can be most usefully dealt with directly between industrial organisations and the NCB, leaving to itself "general consideration of the commercial arrangements and activities of the Board."

This perhaps leaves less undone than might appear. As the Council says, most of the coal consuming industries are well organised to negotiate directly with the NCB. In very general terms, the Council does offer certain guarded opinions on behalf of industry ; it suggests, for example, that any extension to industrial fuel supplies of the principles of the new domestic price structure (which within large areas equalises the costs of transport for coal of specific grades) should be considered with great caution. Its comment that

the advantages enjoyed by industrialists who sited their works near coal might thus be nullified is sound enough. And its table showing the increase in the amount of dirty coal due to the exploitation of dirty seams is informative, if doleful. Even here, however, the emphasis seems mainly to explain the Board's difficulties or deficiencies to industry. It is difficult to believe that the Council represents the best possible contact between the industrial coal consumer and the coal industry. Would any industrial consumer notice if it were abolished?

The Domestic Consumers' Council report, which is written in a rather more sprightly fashion, preserves the form at any rate of a body representing the consumer's interest. It argues that larger supplies of domestic house coal and boiler fuel might relieve much of the pressure upon gas and electricity and would impose less strain on coal supplies than is sometimes assumed. It asks for improvements in the quality of coal—"it cannot be too strongly emphasised that consumers who receive ill-prepared coal have a genuine grievance." It believes that in the summer when coal prices are reduced, domestic consumers should be allowed to buy up their whole annual ration; and it calls for improvement in the distribution of boiler fuels. It concludes, incidentally, that "the scarcity of solid fuel will continue for years." The report is moderate enough, in all conscience, and few of the Council's recommendations appear to have been fully implemented; but it does appear to be attempting to do the job for which it was appointed.

* * *

New Anthracite Mine

Development of the new anthracite colliery in the Gwyndraeth valley of South Wales, near Llanelly, will not need to await the sinking of the two new shafts that form part of the project. One existing shaft of Great Mountain No. 3 Pit, the nearest mine, will be incorporated and used to augment ventilation; while the two main shafts are being sunk, horizon development will begin from this pit.

The mine is situated in a district where an exceptionally rich new anthracite seam was recently reported at 2,550 ft. depth: reserves in the colliery area lie in seven seams and are estimated at more than 100 million tons of workable anthracite. Output from the Gwendraeth colliery is expected to begin in 1956; when it comes into full production in 1962 it will raise a million tons of saleable coal a year.

The Board is spending £7,500,000 on this new project, which will be the first of four mines planned for the South Wales anthracite area. Modernisation here is imperative but will be costly. Most of the anthracite pits are old and dilapidated: labour relations since nationalisation have continued to be worse than in most other areas; and mining costs are the highest in the industry. During the 15-year plan it is proposed to spend £27 million in the area, which should improve its poor technical standards, though costs are expected to remain high. The new mine will offer employment for the men in six surrounding collieries that are nearing exhaustion. Unless it appears to be encouraging better labour relations in the area, this may be one of the development programmes with which the NCB is not certain to continue further.

* * *

Facing the Tail?

Certain recommendations of the Court of Investigation that has just reported on the crash last October of a British European Airways Dakota, revive interest in the bearing of airline seating arrangements on casualties. In this disaster, when all but one of the 29 people on board were killed, all the seats were torn away from the floor by the impact of the crash and piled up in the fore-end of the compartment. In a crash in March, 1950, where 80 people were killed, much the same thing occurred. In the report on the Dakota crash, the Court makes a strong recommendation for the introduction of backward-facing seats, so adding its authority to the growing body of opinion in favour of this kind of seating arrangement, which is already standard practice in RAF transport aircraft.

The Air Registration Board, the body in this country responsible for issuing certificates of airworthiness for aircraft, has accumulated about five years' evidence suggesting that backward seating is safer. Airline operators, however, regard it without enthusiasm, the strongest opposition coming from America. Reversing the seating may also impose a weight penalty on the operator that he can ill afford, and although the unfavourable reaction of passengers has probably been exaggerated, it is still a factor that commercial operators feel compelled to take into account. The Air Registration Board has not, as was widely reported, recommended the universal introduction of backward-facing seats; but it has proposed to the International Civil Aviation Organisation's committee on airworthiness that cabin arrangements in general should be studied and that in aircraft where the seats are close-packed—the "coach type" seating that goes with reduced fares—the seats should without exception face backwards. This suggestion has been rejected, not for technical reasons but on the grounds that it was "not timely." But now the Australian licensing authorities are sending out preliminary notifications that eventually all aircraft built or operated in Australia must, without exception, have backward-facing seats. Such unilateral action could create difficulties.

The Ministry of Supply is now to study the technical considerations involved in applying such a change to existing and future aircraft. Operators and manufacturers contend that it may not be possible to reverse the seats of aircraft now in operation. It would be possible, but not easy, for an aircraft manufacturer to modify the drawings of an existing aircraft if his customer insisted on it being delivered with backward-facing seats. But only when aircraft are designed from the start for this kind of seating arrangement will all the technical difficulties of the change be avoided. It is of great importance to the aircraft industry, therefore, that manufacturers should be given a clear lead in this question by international agreement.

* * *

Plasterboard as Before

The Minister of Works has made no concessions in the new price control orders for plasterboard that he laid before the House last week. These orders still refer to the products of the British Plaster Board group of companies alone, and the only practical result of the Government's defeat on the original orders appears to have been to halve the effective margin which the Ministry proposes to allow the group. Originally this margin seems to have been ½d. a square yard whereas producers who remained within the voluntary agreement (from which British Plaster Board broke away) will obtain an increase in their margin of between 1d. and 1½d. Plasterboard makers are now having to pay considerably more for the paper that they use—the increase is equivalent to nearly 3½d. per square yard on the price of the finished product. The Ministry has allowed all producers a price increase of only 3d. per square yard to cover these higher paper prices. Under the new order, the price of plasterboard made by the British Plaster Board group will be increased by 3½d. a square yard in place of the original increase of ½d., but its net effective increase may be now nearer a farthing a square yard.

The new Minister has missed an opportunity to undo an unhappy piece of discriminatory regulation. The Government's defeat in the House of Commons suggested the

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In addition to using small quantities of the element in making phosphor bronze, an important heavy-duty alloy, I.C.I. uses more than 70,000 tons of phosphate rock every year in producing "Concentrated Complete Fertilizers" for agriculture.

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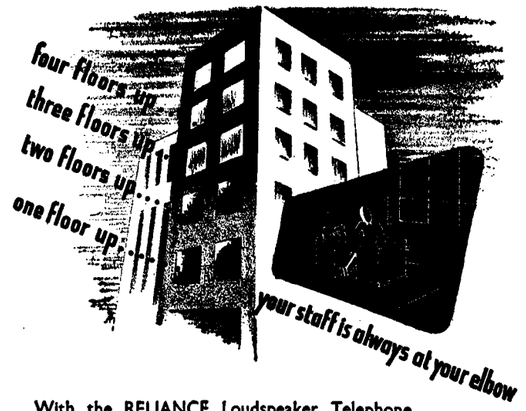

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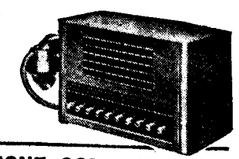

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disquiet that was raised by control orders directed against a single producer. Whether or not, in the six months' discussions before the orders were first made, there had been some clash of personalities, the advent of a Minister new to the dispute might have been expected to promote a voluntary settlement. There is, on practical grounds, some reason to doubt whether the orders will have the desired effect of allowing "high cost" producers to stay in business while preventing the "low cost" producer from making over-large profits. There is probably more capacity to produce plasterboard in the country than is necessary to meet demand. The recent scarcity has been entirely due to paper shortage: supplies are now improving, and board output may be expected to expand again. It would not be surprising if, when deliveries improve, consumers show a preference for the cheaper rather than the dearer board.

The problems raised by existence side by side of high and low cost producers in the same industry are not new to the Ministry. The situation is common to both brick and cement. It is hard to believe that in such circumstances it is desirable to experiment in differential price control to the disadvantage of one producer without pursuing the logic of the Minister's argument to every case with which he is concerned. He may, as he suggested in the recent debate, find grounds in the Palmer Committee's advice for thinking again.

* * *

Science in Brick Production

The London Brick Company has recently opened a new block of laboratory buildings at its brickyard in Bedfordshire. This Stewartby laboratory will serve the company's thirty or more brickworks, which between them have an average output of 30 million bricks a week. It houses long-term research into raw materials, plant design, and the development of clay products, but its facilities are also linked to the day-to-day operation of the kilns. By carrying out continual analysis of clay samples, which can vary widely in composition within a small area, kiln temperatures can be adjusted to allow for these variations and to produce a brick of standard quality. Analysis of this kind, which also covers the gas content of the clay, has assisted the company in reducing its fuel consumption to only one cwt. of coal per ton of bricks, and it may eventually be possible largely to dispense with coal and make the firing process virtually self-sustaining upon the combustible content of the raw clay.

Such scientific control is new in this country and elsewhere. The company probably produces a fifth of all the bricks made in this country, and in a completely free market it is difficult to see how some small yards could for long continue to compete with it. The arguments in favour of the small local brickyard have faded with the growing efficiency of the large works and the relatively lower incidence of transport costs. Today, however, production still needs to be expanded: in December the Minister of Works asked the industry to raise its rate of output from about 6,500 million bricks in 1950 to between 7,000 and 8,000 million this year.

Since he made his appeal the rate of production has been rising, but the improvement is largely seasonal. In May this year 527 million bricks were produced, compared with 517 million twelve months earlier, and stocks, which had improved slightly during the bad weather in February and March, had fallen by May to the uncomfortably low figure of 178 million. The industry is no longer expected to reach the Ministry's target this year, largely through the difficulty experienced by the small brickyards in recruiting labour. One of the rewards for the amount of money that the London Brick Company has spent on research since it first opened a laboratory in 1928 has been the complete mechanisation of Fletton brick production, culminating in the elimination of manual loading and unloading of the kilns. For lack of outside interest, brickyards are driven to design their own machinery, and the unmechanised yards are finding that however high the wages, men will no longer undertake the great physical effort required in brickyard work.

* * *

United Dominions Trust's Record Year

The United Dominions Trust has had another record year, both in volume of business transacted and in profits earned. Its consolidated balance sheet total rose from £16.5 million to £20.4 million in the year to March 31st; within this total its loans and acceptances rose from just over £9,600,000 to just over £12.4 million. These figures include loans made by the specialist finance houses that are wholly owned subsidiaries of the group, such as British Medical Finance, Credit for Industry, Engineering Finance and the recently purchased London Produce Clearing House; they do not, however, include the operations of Ryders Discount Company, which is also a UDT subsidiary but which is separately managed.

The company's gross profits rose from £526,248 to £634,671 last year, and although taxation has absorbed £341,822, compared with £249,471, the directors have decided to step up the year's dividend from 15 per cent to the prewar rate of 17½ per cent; in addition they are recommending a special bonus of 2½ per cent, as a token payment against the dividends that were unpaid in some of the war years. Many of the group's stockholders, the chairman pointed out, are insurance and trust companies that rely on their investment earnings "for the essential and proper purposes of their own companies." The company could have increased its business last year even more markedly than it actually did had it not followed a particularly cautious and selective lending policy. In view of the increased demand for its services, UDT hopes to increase its capital shortly; an application for such an increase is now apparently before the Capital Issues Committee and Mr Gibson Jarvie hopes to announce the results of discussions on this question at the full meeting of stockholders on August 14th.

* * *

Experiments in Self-Service

There are perhaps 900 self-service shops or sections of department stores in this country. "In four years," a representative of the Express Dairy Company was ready to predict in a recent public discussion on the subject, "there may well be ten times that number." There are certainly signs that after some years of rather slow progress—except in the co-operative movement—this form of retailing began to spread more rapidly in 1950, and is now the subject at least of experiment by most of the large multiple grocers.

So far, the movement towards self-service shops in Britain has been largely confined to groceries, though the largest

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ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 30th JUNE, 1951

LIABILITIES

Capital	£1,060,000
Reserve Fund	1,060,000
Current, Deposit and Other Accounts	62,362,458
Liability for Acceptances, Engagements, etc.	8,801,325
	£73,283,783

ASSETS

Cash in hand and Balance at Bank of England		£4,436,030
Balances with, and Cheques in course of Collection on, other Banks in the British Isles.		2,743,003
Money at Call and Short Notice		8,011,000
Bills Discounted		2,411,413
Treasury Deposit Receipts		500,000
Investments :—		
British Government Securities		19,393,209
Other Securities		978,847
Advances to Customers and other Accounts		25,313,956
Bank Premises :—		
Freehold	£620,000	
Leasehold	75,000	
		695,000
Liabilities of Customers for Acceptances, Engagements, etc.		8,801,325
		£73,283,783

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multiple chemist is trying out one such unit and a hardware store is experimenting with another. The retail co-operative societies own about 700 self-service shops, though certain societies are still doubtful of their value and the co-operative movement has recently started a large-scale analysis of its operating experience with self-service. Despite the almost complete conversion of popular catering to self-service, the few large firms that make self-service equipment have found that most assiduous promotion has been needed to sell the idea to even a few British traders. But statistically impressive reports of increased sales by the major firms that have tried out self-service are now attracting considerable interest in the grocery trade; and the small number of independent grocers who have converted their shops appear in most cases to consider it a success.

Most self-service retailers have obtained increased sales with the same number of assistants rather than a constant volume with fewer staff; this fact has at length won guarded approval for the system from the Union of Shop, Distributive and Allied Workers. Many independent grocers still argue that self-service does away with the "personal touch" that is a non-measurable element in their service and turnover. Enthusiasts for self-service argue that the personal touch is often reduced in practice to bestowing encouraging nods upon a queue, and that in the self-service unit most customers can go through at their own pace without congestion while the fussy shopper can receive all the attention she needs from the manager. Housewives, so far as they have been questioned, tend to welcome the new system, though some remark that they find themselves buying more. This is the famous "impulse buying," which according to American marketing consultants follows from the fact that all the goods sold are on display, while three parts of an ordinary grocer's stock may be out of sight or reach.

Since wage costs per sale are considerably lower, and capital charges only slightly higher, self-service should cut the retailer's costs, and probably increase his net rate of profit. The spread of this new method may therefore be hastened, in coming years, by public concern with reduction of distributive costs. So far, self-service operators generally express the same suspicion of measures to abolish resale price maintenance as other grocers. But upon their own evidence, they might be better placed to benefit from increased competition in retailing than conventional shops; and their attraction to the customer cannot for ever be based only upon novelty, speed, and convenience of choice.

Shorter Notes

Lord Alexander's figures of defence contracts already placed, given in the House of Lords this week, were slightly confusing. He said that by now some £900 million worth of orders had been placed with British and foreign industry, and added "This is very nearly 50 per cent of the three-year production programme: it may be more than 50 per cent because the contracts do not include orders given on the naval side." Official statements up to now have usually estimated the three-year expenditure on "production, research and development, and works" at £2,800 million, of which these orders would represent about a third. Whether Lord Alexander was comparing them with some other subdivision of the total expenditure—conceivably the £1,700 million odd to be spent with the metal-using industries?—is uncertain: he once before quoted a figure of "about £2,000 million" for "conversion, refitting, equipment and stores." His latest statement may be recorded as adding one more to the array of figures calculated on a variety of bases and definitions that obscures the real dimensions of the defence programme.

★

F. Perkins Ltd., Diesel engine manufacturers, are making a public offer of £1,500,000 4½ per cent first mortgage debenture stock at par. The proceeds will be used to repay £1,450,000 of indebtedness to the Finance Corporation for Industry, which has largely financed the great expansion of the company in the last few years. In order to finance a further extension to the Peterborough factory, £1,528,732 10s. ordinary shares are being placed, without Stock Exchange quotation, among institutional investors.

★

The International Nickel Company has announced that it is now producing refined nickel at the rate of 21 million lb. a month. This is an increase of about 5 per cent on last year's rate of production. In his annual report in April the chairman of the company suggested that this increase might be achieved by the end of the year. The increase is an early result of the large-scale programme of expansion which the company is undertaking.

★

The phenomenal rise in raw material prices and in overhead expenses since Hulton Press became a public company in February, 1948, has made it essential that reserves and liquid resources should be built up "to meet the difficult trading conditions lying ahead." In these circumstances, in order "to minimise the possibility of a reduction of the rate of dividend," which hitherto has been maintained at 75 per cent, Mr Edward Hulton, who owns 1,071,728 of the two million 2s. 6d. ordinary shares, proposes to convert 750,000 of his shares into deferred shares, on which the dividend will be limited to 5 per cent. Voting rights will not be changed and Mr Hulton reserves the right to reconvert the deferred shares.

Company Notes

Renold and Coventry Chain.—Production by Renold and Coventry Chain rose by 11 per cent in the year to April 1st through the use of additional capacity at Manchester and a general increase in productivity; this growth might well have been greater if supplies of steel and fuel had been more plentiful. Greater production was matched by record sales both in volume and value, so that group trading profits rose from £914,080 to £1,030,686. Some part of this prosperity was passed on to ordinary shareholders, who are to receive a dividend of 17½ per cent, against 15 per cent. The year, however, has not been without difficulties. Demand rose so sharply after the outbreak of the Korean war as to tax production capacity "to the utmost." Higher costs meant that in some cases prices had to be raised. It is a welcome sign, therefore, that the parent company by strict stock control have been able to reduce stocks by £58,951 to £1,191,201 despite a cost increase of some £40,000.

	Years ended April 2, 1950	April 1, 1951
Consolidated earnings:—	£	£
Trading profit	914,080	1,030,686
Total income	949,100	1,091,733
Depreciation	288,541	320,237
Taxation	242,980	400,861
Group earnings for ordinary stock	*262,714*	*213,224*
Ordinary dividends	93,334	104,788
Ordinary dividends (per cent.)	15	17½
Added to group general reserves and carry forward	189,257	122,492
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	1,513,340	2,110,334
Net current assets	1,214,294	1,137,474
Stocks	1,357,846	1,287,584
Cash	100,861	101,446
Reserves	1,535,632	1,710,912
Ordinary capital	1,131,310	1,131,310

£1 ordinary stock at 77s. 6d. yields £4 10s. per cent.

The company have gone one step further than most organisations to meet the problem of replacement. An investigation has shown that the average expectation of life of the company's plant is 25 years and not 16 years which had been previously used in depreciation calculation. Depreciation charges will therefore be adjusted to lower levels in order to reflect current experience more accurately. Full recognition is also given to the effect of inflation upon replacement costs, and the company intend to appropriate such sums to "re-equipment reserves" as with cumulative depreciation will fully cover the cost of replacement; these sums will be set aside before stating the amount freely available for distribution. After applying the new rates of depreciation it was estimated that on April 2, 1950, re-equipment reserves should total £773,000, against an actual book value of £175,000. To make good this shortfall £447,788 has been transferred from general reserves and the balance of £150,212 has been made up by depreciation adjustments. Given adequate steel supplies, further technical developments should ensure a further growth in output this year, but a more substantial increase can only be expected when the company's plans to secure additional capacity have matured.

★

W. H. Smith.—The accounts of W. H. Smith should attract wide interest, for the company's achievements can be taken to be representative of the experience of retail and wholesale book and stationery trade as a whole. A general rise in prices and a greater number of customers combined to produce a substantial increase in sales, and although costs, particularly wages, have been rising, gross profit margins were maintained. Group

	Years to March 31, 1950	1951
Consolidated earnings:—	£	£
Trading profit	1,570,530	1,629,094
Total income	1,587,919	1,645,289
Depreciation	130,736	160,646
Taxation	708,569	819,567
Group earnings for ordinary stock	*241,595*	*527,789*
Ordinary dividends	228,357	283,670
Ordinary dividends (per cent.)	7*	12
Added to group revenue reserves and carry forward	13,238	244,119
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	3,551,893	3,871,221
Net current assets	2,994,208	3,026,888
Stocks	1,748,865	1,910,707
Cash	1,485,286	1,395,034
Reserves	2,959,990	3,236,831
Ordinary capital	1,000,600	1,000,600

* In respect of the period from September 1, 1949, to April 1, 1950; this rate is equivalent to 12 per cent. per annum.

£1 "A" ordinary shares at 48s. 0d. yields £5 per cent.

trading profits have risen from £1,570,530 to £1,629,094, and a dividend of 12 per cent has been declared. Certain expenses are, of course, outside the company's control, and the increases in transport costs, in particular, have given rise to some anxiety.

In view of the difficulties created by rising prices, it is reassuring to note that the company's stocks are described as being "in a healthy condition" and that negotiations for the renewal of bookstall contracts are "proceeding in a friendly atmosphere" with the Railway Executive and London Transport Executive. The chairman is hesitant in forecasting what effect the rise in newspaper prices will have upon profits, especially in conjunction with wage increases granted under a recent award. Whatever difficulties the book trade may encounter, it would be hard to deny a sound future for a business with the traditions and experience of W. H. Smith and Son.

★

Lewis Berger.—The first months of the financial year ending last March are described by the chairman as "a period of intense competition," yet for the year as a whole the Berger group achieved new production and sales records. The most acute problem appears to have been growing raw material shortages and rising costs rather than the transient reappearance of a buyers' market in the paint industry. The group recovered from the 1949-50 setback in earnings, and trading profits advanced from £801,450 to £905,766. This, however, is only half the

	Years to March 31, 1950	1951
Consolidated earnings:—	£	£
Trading profit	801,450	905,766
Total income	816,070	919,019
Depreciation	86,688	108,965
Taxation	275,648	398,000
Group earnings for ordinary stock	*408,100*	*328,702*
Ordinary dividends	95,700	126,019
Ordinary dividends (per cent.)	33	22½
Added to group general reserves and carry forward	312,409	212,683
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	2,489,106	2,697,597
Net current assets	1,930,525	2,929,638
Stocks	2,088,901	2,536,452
Cash	189,094	471,293
Reserves	3,385,137	3,112,915
Ordinary capital	527,275	1,054,550

4s. ordinary stock at 20s. 9d. yields £4 7s. per cent.

story for increased depreciation charges, following the installation of new machinery and plant at a high level of prices, the servicing of the £1,000,000 loan stock and the higher provision for taxation have all contributed to a fall in group net profits from £423,509 to £362,316. Now that the capital development programme, which was partly financed from retained profits in the past, is beginning to bear its first fruits, equity shareholders were entitled to expect a measure of reward. In the previous year a dividend of 33 per cent was paid on the original capital of £527,275; now ordinary shareholders are to receive the equivalent of 22½ per cent on £1,054,550 capital as doubled by the 100 per cent scrip bonus.

The company's capital projects made heavy calls upon liquid resources, but the stringency of liquid funds has now been relieved by the proceeds of the 1950 loan stock issue. Cash has risen from £189,094 to £471,293 and a bank overdraft of £94,506 has been paid off. The successful completion of the loan issue has also enabled the company to make further progress in its capital extension and development programme. Delays in plant deliveries have prevented the new Chadwell Heath factory from coming into full operation. Whether raw material shortages this year will prevent the full utilisation of this new capacity has yet to be seen; and shareholders will also recognise that the provision of adequate working capital is no easy task when "costs of raw materials, overhead expenses and taxation continue their upward spiral."

★

Amalgamated Metal.—The trading fortunes of Amalgamated Metal are in large degree at the mercy of price fluctuations in world commodity markets. The chairman admits that abnormal price fluctuations, particularly in tin and rubber, after the beginning of the Korean war "made trading very difficult." The fall in group trading profits from £578,198 to £403,509 was due to a loss incurred by the subsidiary, Henry Gardner, through the incidence of commodity contracts maturing in 1950; the other subsidiaries earned in the aggregate increased profits for the year. This setback, however, should be only temporary, for commodity contracts maturing in 1951 are expected to show a profit that will more than make good the 1950 loss. Such indeed is the directors' confidence that despite smaller profits the ordinary dividend has been raised from 6 to 7 per cent.

The rise in stocks from £1,384,099 to £1,821,568 is both a reflection of greater activity and more particularly of higher commodity prices; but a large part of merchandise stocks are not a market risk, since they have been sold forward. Much heavier investment in stocks and debtors, which have risen from £2,648,131 to £4,019,329, as well as the expansion of the company's interests in mining and metal enterprises in the Commonwealth, has made some inroads into liquid resources; cash balances have fallen from £1,232,184 to £760,795 and loans and bank overdrafts have risen from £590,952 to £1,107,740. The yield of nearly 6¾ per cent at the current price of 22s. is a reflection of the risks that almost inevitably accompany trading in commodity markets at the present time.

	Years to Dec. 31, 1949	1950
Consolidated earnings:—	£	£
Trading profit	578,198	403,509
Total income	734,326	617,092
Depreciation	21,497	20,428
Taxation	403,438	339,881
Group earnings for ordinary stock	*258,258*	*161,202*
Ordinary dividends	146,381	163,015
Ordinary dividends (per cent.)	6	7
Added to group carry forward	111,877	3,287
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	113,401	170,543
Net current assets	3,502,163	3,743,534
Stocks	1,384,099	1,821,568
Cash	1,232,184	760,795
Reserves	1,082,008	1,123,641
Ordinary capital	4,435,792	4,435,792

£1 ordinary stock at 22s. 0d. yields £6 7s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 11, 1951	Price, July 18, 1951	Net Yield, July 18, 1951 (a)	Gross Yield, July 18, 1951
			£ s. d.	£ s. d.
War Bonds 2½%	101⅛	101⅛	...	0 12 1*e*
Mar. 1, 1951-53			0 6 2	1 15 3*f*
War Bonds 2½%	101⅛	101⅛	...	0 7 1*e*
Mar. 1, 1952-54			0 12 6	1 19 7*f*
Exchequer Stk. 2½%	101⅛	101⅛	0 16 7	1 17 4
Feb. 15, 1955				
War Bonds 2½%	101⅛*	101⅛*	0 13 3	1 16 2*e*
Aug. 15, 1954-56			0 18 3	2 1 5*f*
Funding 2½%	101⅛	101⅛	...	1 4 6*e*
June 15, 1952-57			1 5 8	2 10 0*f*
Nat. Defence 3%	102⅛*	102⅛	0 16 9	2 5 0*f*
July 15, 1954-58			1 5 0	2 13 2*f*
War Loan 3%	102⅜	102⅜	0 19 11	2 9 10*e*
Oct. 15, 1955-59			1 5 4	2 14 6*f*
Savings Bonds 3%	97*	97*	2 6 5	3 14 10*e*
Aug. 15, 1955-65			1 16 2	3 4 11*f*
Funding 2½%	97	97⅛	2 0 10	3 6 0*e*
April 15, 1956-61			1 13 7	3 18 6*f*
Funding 3%	93⅜	94	2 9 10	4 0 7*e*
April 15, 1959-69			2 0 1	3 10 4*f*
Funding 3%	93⅜*	94⅛*	2 0 7	3 10 0*e*
Aug. 1, 1966-68			1 19 8	3 9 1*f*
Funding 4%	103⅛	103⅜	1 15 5	3 13 11*e*
May 1, 1960-90			2 0 0	3 17 9*f*
Savings Bonds 3%	93⅛	93⅜	2 9 7	4 0 10*e*
Sept. 1, 1960-70			2 0 10	3 11 6*f*
Savings Bonds 2½%	90⅛	90½	2 3 11	3 9 7*e*
May 1, 1964-67			2 0 10	3 6 5*f*
Victory Bonds 4%	105	105	1 15 2	3 13 6*s*
Sept. 1, 1920-76				
Savings Bonds 3%	89⅜*	89⅜*	2 8 3	3 18 4*e*
Aug. 15, 1965-75			2 2 1	3 12 4*f*
Consols 4%	97⅜*	97⅜*	2 2 10	4 1 7*f*
(after Feb. 1, 1957)				
Conversion 3½%	89⅜		2 1 6	3 19 6*f*
(after Apr. 1, 1961)				
Treasury Stk. 2½%	65⅜	65⅜	2 0 1	3 16 9*f*
(after Apr. 1, 1975)				
Treasury Stk. 3%	77⅛	77⅛	2 0 9	3 18 1*f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%	95	95⅛	2 1 9	3 16 3*e*
June 15, 1977-80			2 1 4	3 15 11*f*
Redemp. Stk. 3%	84⅜	84⅜	2 4 9	3 17 3*e*
Oct. 1986-96			2 2 8	3 15 3*f*
War Loan 3½%	87⅜	87⅛	2 2 1	4 0 4*f*
(after Dec. 1, 1952)				
Consols 2½%	66	66	1 19 10	3 15 11*f*
Brit. Elect. 3% Gtd.	91⅛	91⅛	2 4 7	3 15 6*e*
April 1, 1968-73			2 2 0	3 12 9*f*
Brit. Elect. 3% Gtd.	90½	90⅛	2 2 11	3 14 1*e*
Mar. 15, 1974-77			2 1 10	3 12 11*f*
Brit. Elect. 3½% Gtd.	96	96½	2 1 0	3 15 6*e*
Nov. 15, 1976-79			2 0 8	3 15 2*f*
Brit. Tpt. 3% Gtd.	84⅛	84⅛	2 7 6	3 19 5*e*
July 1, 1978-88			2 4 2	3 16 2*f*
Brit. Tpt. 3% Gtd.	91⅛	91⅛	2 4 8	3 15 7*e*
April 1, 1968-73			2 2 1	3 12 10*f*
Brit. Gas Gtd. 3%	83⅜	83⅜	2 4 2	3 16 8*e*
May 1, 1990-95			2 3 2	3 15 9*f*
Brit. Gas Gtd. 3½%	...	97⅛	1 19 7	3 13 3*e*
Sept. 10, 1969-71			1 19 4	3 13 0*f*
Brit. Iron & Steel				
3½%	94⅜*	94⅜*	2 1 9	3 16 0*e*
Feb. 15, 1979-81			2 1 6	3 15 10*f*

(e) To earliest date. *(f)* Flat yield. *(l)* To latest date are calculated after allowing for tax at 9s. 6d. in £. *(s)* Assumed average life 13 years 5 months.
* Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, July 11, 1951	Price, July 18, 1951	Yield, July 18, 1951
%	%					£ s. d.
20	*a*	40	*b* Anglo-Am. 10/-	7⅜	7⅜	3 15 7
5	*a*	25	*b* Anglo-Iran £1	5⅜*	5⅜	5 12 11
5	*a*	15	*b* Assoc. Elec. £1	93/9	93/9	4 5 4
22½	*c*	27½	*c* Assoc. P. Cem. £1	106/3	107/6	5 2 3
40	*c*	35	*c* Austin 5/-	34/9	35/-	5 0 0
†20	*b*	†5	*a* Bass £1	150/7½	150/7½	6 7 0
40	*c*	40	*c* Boots 5/-	55/6	27/9	3 12 1*b*
10	*c*	6	*a* Br. Celanese 10/-	37/6	36/9	2 14 5
8	*a*	12	*b* Br. Oxygen £1	99/-	99/6	4 0 6
5	*a*	7½	*b* Coats £1	62/6	61/10½	4 0 8
5	*a*	6½	*b* Courtaulds £1	52/6	53/6	4 4 2
20	*c*	6½	*a* Distillers 4/-	24/-	24/6	3 5 4
15	*c*	17½	*c* Dunlop £1	67/-	67/-	5 4 6
10	*c*	12½	*c* Ford £1	58/1½	58/9	4 5 2
17½	*c*	17½	*c* Gen. Elect. £1	92/6	92/6	3 15 8
11	*a*	21	*b* Guinness £1	152/6	152/6	4 4 0
15	*a*	17½	*b* Hawker Sid. £1	38/1½*	38/4½	5 4 3*a*
3	*a*	9	*b* Imp. Chem. £1	53/1½	53/-	4 10 7
13½	*c*	18½	*b* Imp. Tobacco £1	100/-	100/-	6 8 0
7½	*b*	5	*a* Lancs. Cotton £1	51/3*	51/3	4 17 7
10	*c*	13½	*c* Lever £1	54/4½	54/4½	4 19 4
15	*c*	15	*c* Lon. Brick £1	58/9	58/9	5 2 2
15	*a*	60	*b* Marks & Sp. A 5/-	99/6	99/3	3 15 7
8	*a*	8	*b* P. & O. Def. £1	63/6	63/6	5 0 9
7½	*a*	17½	*b* P. Johnson 10/-	41/-	42/6*	6 2 4
†5	*a*	17½	*b* "Shell" Stk. £1	96/10½	96/10½	4 18 5
12½	*b*	12½	*a* Tube Invst. £1	6¾	6¾	3 14 6
3½	*a*	16½	*b* T. & Newall £1	100/-	100/7½	3 19 6
8	*c*	10	*c* Union Castle £1	37/6	37/6	5 6 8
17½	*c*	50	*c* U. Sia Belong £1	59/4½	64/4½	15 10 8
2½	*a*	10	*b* Vickers £1	51/6	54/6	4 11 9
27½	*b*	15	*a* Woolworth 5/-	48/-	49/-	4 6 9

* Ex dividend. *(a)* Yield basis 10%.
(b) Yield basis 20% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 14, 1951, total ordinary revenue was £36,231,000, against ordinary expenditure of £62,049,000 and issues to sinking funds £50,000. This, including sinking fund allocations of £3,568,000 the surplus accrued since April 1, 1951, is £15,791,000 compared with a surplus of £40,559,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to July 15, 1950	April 1 to July 14, 1951	8 Days ended July 15, 1950	Week ended July 14, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624000	220,530	246,456	19,585	19,273
Sur-tax	128,000	25,200	25,900	600	1,200
Estate, etc., Duties	180,000	57,450	61,400	3,400	4,200
Stamps	55,000	14,415	18,900	900	1,300
Profits Tax	312,650	52,320	71,700	2,950	6,100
E.P.T.		3,900	...	200	...
Other Inland Rev.	500	50	55	...	...
SpecialContributn.	1,500	1,770	1,080	100	90
Total Inland Rev.	2302400	375,635	425,491	27,735	32,163
Customs	930,500	249,278	281,849	14,782	17,313
Excise	720,500	177,500	189,500	4,400	4,700
Total Customs and Excise	1651000	426,778	471,349	19,182	22,015
Motor Duties	62,000	6,616	7,837	622	742
Surplus War Stores	20,000	10,446	8,795	...	...
Surpl's from Tradg.	50,000	25,974	25,000	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	2,450	2,700	...	...
Sundry Loans	27,000	4,628	4,787	3,196	1,954
Miscell. Receipts	105,000	19,760	16,094	167	59
Total Ord. Rev.	4236400	872,287	962,053	50,902	56,931
SELF-BALANCING					
Post Office	179,431	44,900	48,900	2,200	2,500
Income Tax on E.P.T. Refunds	4,900	2,850	1,502	79	126
Total	4420731	920,037	1012455	53,181	59,557

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to July 15, 1950	April 1, 1951 to July 14, 1951	8 Days ended July 15, 1950	Week ended July 14, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	117,746	117,878	5,589	850
Payments to N. Ireland	38,000	9,463	9,644	...	...
Other Cons. Funds	11,000	3,612	3,957	255	490
Total	584,000	130,821	131,479	5,845	1,340
Supply Services	3612921	697,258	813,215	50,050	60,700
Total Ord. Expd.	4196921	828,079	944,694	55,895	62,040
Sinking Funds	...	3,658	3,968	510	60
Total (excl. Self-Bal. Expd.)	4196921	831,737	948,262	56,405	62,100
SELF-BALANCING					
Post Office	179,431	44,900	48,900	2,200	2,500
Income Tax on E.P.T. Refunds	4,900	2,450	1,502	79	126
Total	4381252	879,487	998,664	58,684	64,725

After decreasing Exchequer balances by £405,554 to £2,856,820, the other operations for the week increased the National Debt by £4,928,856 to £26,516 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1931	9
Tithe Act, 1936, s. 26	270
	279
Cotton (Centralized Buying) Act, 1947, s. 21	2,153
Receipts under ECA	9,000
	11,153

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
E.P.T. Refunds	154
Export Guarantees Act, 1949, s. 3(2)	985
Local Authorities Loans Act, 1945, s. 3(2)	6,200
Misc. Financial Provisions Act, 1946, s. 2(1):— War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	280
	11,369

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Nat. Savings Certs	500	Treasury Bills	15,911
3%, Def. Bonds	330	2½%, Def. Bonds	415
Tax Reserve Certs	129	Other Debt:—	
Ways & Means Advances	30,455	Internal	8,932
		External	1,088
	31,414		26,486

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
July 15	3120·0	2046·9	380·9	5·0	366·5	5919·3
1951						
April 14	3200·0	1749·3	436·5	...	363·5	5749·3
,, 21	3220·0	1779·5	450·5	...	344·0	5794·0
,, 28	3230·0	1789·8	434·3	...	319·5	5773·7
May 5	3220·0	2040·3	439·0	...	319·5	6018·8
,, 12	3230·0	2055·2	448·6	...	319·5	6053·3
,, 19	3230·0	2035·1	436·4	...	319·5	6021·0
,, 26	3230·0	2043·5	434·8	...	319·5	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
,, 9	3220·0	2114·4	370·4	...	320·0	6024·8
,, 16	3220·0	2090·9	385·4	...	345·0	6041·2
,, 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
,, 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
,, 14	3230·0	2129·1	373·2	...	344·5	6076·8

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
July 14	240·0	327·1	240·0	10 2·90	63
1951					
April 13	250·0	351·2	250·0	10 2·67	59
,, 20	240·0	354·5	240·0	10 2·60	54
,, 27	250·0	359·0	250·0	10 2·44	48
May 4	240·0	364·8	240·0	10 4·52	15
,, 11	250·0	350·3	250·0	10 2·79	60
,, 18	260·0	350·9	260·0	10 2·80	63
,, 25	250·0	336·6	250·0	10 2·98	63
June 1	250·0	349·5	250·0	10 2·78	60
,, 8	260·0	355·2	260·0	10 2·80	62
,, 15	250·0	344·0	250·0	10 2·88	62
,, 22	250·0	344·0	250·0	10 2·81	62
,, 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
,, 13	250·0	345·2	250·0	10 2·81	61

On July 13th applications for 91 day bills to be paid from July 16 to July 21, 1951, were accepted dated Monday to Saturday, as to about 61 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million are being offered for July 20th. For the week ending July 21st the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 14 Weeks ended July 8, 1950	Totals 14 Weeks ended July 7, 1951	Week ended July 7, 1951
Savings Certificates:—			
Receipts	21,450	58,000	3,300
Repayments	36,000	42,500	3,100
Net Savings	*Dr11,550*	15,500	200
Defence Bonds:—			
Receipts	4,955	13,199	810
Repayments	15,348	13,475	1,035
Net Savings	*Dr10,393*	*Dr 276*	*Dr 225*
P.O. and Trustee Savings Banks:—			
Receipts	176,893	186,993	15,368
Repayments	185,402	232,690	18,123
Net Savings	*Dr8,909*	*Dr45,697*	*Dr 2,755*
Total Net Savings	*Dr30,852*	*Dr80,473*	*Dr 2,780*
Interest on certificates repaid	7,742	10,291	759
Interest accrued	33,533	31,947	2,437
Change in total invested	*5,061*	*6,817*	*1,099*

BANK OF ENGLAND RETURNS

JULY 18, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1367,875,251	Other Govt. Securities	1384,755,776
In Banking Department	32,441,562	Other Secs.	756,415
		Coin (other than gold)	3,512,711
		Amt. of Fid.-Iss.	
		Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	356,687,855
Rest	3,678,257	Other Secs.:	32,921,416
Public Deps.:-	14,545,427	*Discounts and Advances*	*10,801,077*
*Public Accts.**	*13,865,522*	*Securities*	*22,720,339*
H.M. Treas. Special Acct.	*679,905*		
Other Deps.:-	389,881,743		
Bankers	*305,750,221*	Notes	32,481,552
Other Accts.	*84,131,522*	Coin	557,536
	422,658,427		423,658,427

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

COMPARATIVE ANALYSIS

(£ million)

	1950	1951		
	July 19	July 4	July 11	July 18
Issue Dept.:—				
Notes in circulation	1511·4	1358·4	1365·5	1367·9
Notes in banking department	58·9	41·9	34·9	32·5
Government debt and securities*	1349·5	1395·5	1395·8	1395·8
Other securities	0·7	0·7	0·7	0·7
Gold and Coin	0·4	3·9	3·9	3·9
Value at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	12·0	15·9	19·4	15·9
Treasury Special Account	23·7	9·7	0·7	0·7
Bankers	300·1	300·4	292·0	305·8
Others	95·2	88·0	89·6	84·1
Total	430·9	414·0	401·7	404·5
Securities:—				
Government	358·1	349·5	351·2	356·7
Discounts, etc.	1·1	17·5	9·6	10·3
Other	22·9	22·5	22·5	22·7
Total	382·1	389·5	383·4	389·6
Banking dept. reserve	48·9	42·6	35·5	35·0
"Proportion"	7·1	10·2	8·8	8·1

* Government debt is £11,015,100; capital £14,553,000. Fiduciary issue increased from £1,500 to £1,400 millions on January 10, 1951.

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

	June 27, 1950	June 12, 1951	June 26, 1951
Cereals and meat	151·0	165·8	166·8
Other foods	156·0	184·1	184·1
Textiles	230·9	330·2	312·1
Minerals	281·9	337·4	335·6
Miscellaneous	166·1	194·5	191·8
Complete Index	**189·5**	**228·4**	**225·8**
1913 = 100	*280·7*	*314·3*	*310·7*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follow:—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 12	78·5	90·16	197 0	115 14
,, 13	78·5	90·16	198 4	114 5
,, 14	Markets closed		199 8	115 4
,, 16	78·5	90·16	198 13	112 10
,, 17	78·5	90·16	No trading	
,, 18	78·5	90·16	201 9	115 7

COMPANY MEETINGS

GOODLASS WALL AND LEAD INDUSTRIES

ACTIVITY IN ALL DEPARTMENTS

MR J. L. McCONNELL ON THE FINANCIAL POLICY

The twentieth annual general meeting of Goodlass Wall and Lead Industries, Limited, was held on July 17th in London.

Mr J. L. McConnell, chairman and managing director, presided.

The following is an extract from his circulated statement:—

The group profits at £1,230,831, after taxation, show an increase of £146,764 over those for 1949, itself a good year, and the balance sheet discloses once again a position of great strength.

In order that stockholders may be able to view the results in proper perspective, I should explain that of our total profit rather more than 80 per cent. arises from operations conducted within the United Kingdom.

In the United Kingdom the major portion of our earnings comes from the metal side of our business. Two years ago the majority of our old-established lead manufacturing companies were grouped under the name of Associated Lead Manufacturers, Limited, and this company is now looked upon in the non-ferrous metals industry as the pre-eminent manufacturer of lead and antimony products in this country. It has had a successful year's trading. The year began quietly, and in the early months' trading, although very satisfactory, showed some reduction from previous levels. The outbreak of the trouble in Korea reversed the trend in markets, and thereafter all departments became active, and at the end of the year were working at high pressure. The year was one of rising prices and further general inflation, and these factors had some bearing upon the improvement in our earnings. There was particular activity in lead oxides, and the antimony department had a very good year, reaping the benefit of the substantial expenditure on plant in recent years. Our smelting plants were able once again to play a part of national importance in bringing forward for use a substantial tonnage of secondary lead, tin and antimony. Our export deliveries were highly satisfactory, and I am glad to report the disposal of a sizeable tonnage in hard currency markets. The Fry's Metal Foundries Group also had a successful year, and some of their new developments have shown promising expansion. We took the opportunity of disposing during the period of Thomas B. Campbell and Sons, Limited, a merchant business in Glasgow, which we felt was somewhat outside the scope of our normal activities.

Our main paint company at home, Goodlass Wall and Company, Limited, Liverpool, had a good year, carrying out a further measure of concentration in its new factory at Speke. Our other paint companies in the home market improved their position.

OVERSEAS COMPANIES

Lead.—Our lead and zinc companies in India had excellent results, and measures are in hand for increasing their productive capacity. Our new lead manufacturing subsidiary in Durban started production in the spring of 1950. The major problem confronting our companies in these countries is that of obtaining adequate supplies of metal.

Paint.—Our companies in Australia, Eire, India and South Africa again did well, and all of them are extending plant capacity. The results of our Argentine company were also satisfactory, but once again have not been included in our consolidated accounts because, in our opinion, exchange restrictions would make this misleading. I am pleased to say, however, that within the past few weeks they have found it possible to remit to us a dividend declared two years ago.

Trade Investments.—British Titan Products Company, Limited, has more than fulfilled expectations, and the substantial increase in capacity at Grimsby now in train will involve, in early 1952, an addition for us to our already large investment in that company. British Australian Lead Manufacturers Pty., Limited, Australia, in which we have a substantial holding, continues to prosper, and our associated company in Johannesburg, Enthoven Fry, Limited, has again made good progress.

Development.—Our research activities have been fully maintained, and arising from them we have commenced the production of a number of special chemical compounds. Some of these are promising, but it is too early to assess their importance. Good progress has been made with the installation of plant at Newcastle-upon-Tyne for the manufacture of a range of zirconium products under licence from the U.S.A. This plant should be in active operation in the autumn of this year.

Fixed Assets.—As you will observe from the group accounts, the net additions to buildings and plant during the year amount to £467,767.

Depreciation has been provided at our usual rates and we have transferred £200,000 to reserve for replacement of fixed assets, bringing the total of that account to £800,000. This allocation is about the equivalent of doubling our normal charge for depreciation.

RAW MATERIAL SUPPLIES

The volume of our business depends largely upon our ability to obtain adequate supplies of lead, our most important raw material, and the two sources open to us are virgin lead from abroad and metal which we produce from secondary material arising at home. As regards the latter, we are free to exercise our skill in obtaining a reasonable share of what is available, and whilst we shall normally be able to count upon a substantial tonnage in this way from current supplies, the substantial stocks left over after the war have largely been absorbed. Virgin lead remains in the hands of the Ministry of Supply, who control price and distribution. Supplies were fairly free in the early part of the year, but with the outbreak of the Korean trouble and the consequent expansion of U.S.A. demand, the position gradually changed, and in February, 1951, a measure of rationing was introduced by the Ministry. This has severely curtailed our export activities for the time being, but we are still able, I am glad to say, to continue our home trade at a reasonable level. The price of lead rose during the year from £97 a ton to £136 a ton and is now £160 a ton. It will be a relief when circumstances permit the reopening of the London Metal Exchange for lead trading and its facilities again become available for hedging purposes with consequent avoidance of market risk.

FINANCIAL POLICY

Over the short period of two years to December 31st last the amount required to finance our stocks and debtors has gone up by about £1,500,000, the dominant factor being the rise in price of metals: lead on the one hand and antimony and tin on the other, at the end of 1950 were respectively nine times and five times the prewar prices. There is also the oppressive burden of taxation, which last year required the provision by us of no less a sum than £1,525,956. The increase imposed by the recent Budget in the rates of income tax and profits tax on distributed profits and the abolition of initial allowances next year will make it more difficult than ever for a company such as yours to continue as it has done for so many years to meet from its own resources all the demands upon it.

With the above in mind, your board are compelled to exercise restraint in dividend policy, but at the same time they no longer feel under obligation to limit dividends rigidly to a rate paid in an earlier year. The capital employed by the company has substantially increased in recent years and it would be unreasonable that shareholders should be asked to accept a steadily reducing rate of return upon it. Your directors have, therefore, decided to recommend that a final dividend upon the ordinary stock of 12½ per cent., less tax, be declared, making a total of 20 per cent., less tax, for the year, as compared with 15 per cent., less tax, for the previous year.

The capital employed in the business is now quite out of line with the issued capital, and your directors consider that now is an appropriate time to get these into a more rational relationship. Application has, therefore, been made to the Capital Issues Committee for permission to capitalise reserves to the extent necessary to allot to our ordinary stockholders one fully paid share of 10s. for every stock unit held, bringing the total issued ordinary capital up to £2,409,355.

Prospects.—So far this year we have been busy and I anticipate a steady demand for all of our products in 1951.

The report and accounts were adopted.

FORSTER'S GLASS COMPANY, LIMITED

DEMAND AT HIGH LEVEL

The thirty-second annual general meeting of Forster's Glass Company, Limited, was held on July 13th in London, Col. Charles E. Ponsonby, T.D., D.L., the chairman, presiding.

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

The profit for the year, before charging taxation, amounts to £80,521, an increase of £7,549 over last year after charging £33,459 for depreciation, against £32,054 last year. The recent increases in the rates of distributed profits tax and income tax call for increased provisions, and the estimated amounts charged in the accounts—£32,569, against £24,958 last year—offset the increase in profits. After deducting the preference dividend, the net profit is £34,827. Out of this the directors recommend a dividend of 16¼ per cent. on the ordinary shares. In the opinion of your directors the trading results can be considered satisfactory, having regard to the difficulties encountered.

The demand for your company's products during the year has been very heavy and we regret that we have found it impossible to meet all requirements.

I referred last year to the heavy burden of taxation, which makes it more and more difficult to retain sufficient liquid resources for the replacement and modernisation of plant and equipment. The recent increase in the tax on distributed profits from 30 per cent. to 50 per cent. has had a further penalising effect.

As far as the present year is concerned the demand for your company's products still continues at a very high level.

The report was adopted.

NU-SWIFT LIMITED

WORLD-WIDE RECOGNITION OF PRESSURE-OPERATED FIRE EXTINGUISHERS

NECESSITY FOR UP-TO-DATE FIRE PROTECTION

The eighteenth general meeting of Nu-Swift Limited, was held on June 29, 1951, at the Nu-Swift Factory, Elland, Yorkshire. Mr A. Harland, the chairman, who presided said:—

Never in the history of the company have so many fires been put out by Nu-Swift pressure-operated extinguishers as during the last year. Output, sales, and profits all reached fresh high levels. We rejoice at the signal honour graciously conferred by His Majesty the King upon our contracts and factory manager, Mr E. E. C. Cawood.

The merits of our products were strikingly acknowledged during the year by the decision of the Royal Swedish Navy to standardise Nu-Swift pressure-operated extinguishers in the same way as our extinguishers are already on guard in "Every Ship of the Royal Navy." The Swedish Navy is the 11th navy to standardise Nu-Swift.

LARGE INCREASE IN EXPORT SALES

Thanks to our policy of pressing on with research and development, Nu-Swift extinguishers continue to find a large and growing market abroad. Our standard products are specified and operate with efficiency all over the world. Under arctic conditions they are used in the Spitzbergen collieries near the North Pole. In tropical countries Nu-Swift is giving equal satisfaction in Africa, Asia, America and Australia under trying and exacting climatic conditions. The name of Nu-Swift is now registered as our trade mark in 62 countries. Export sales last year exceeded the total of our home sales in the last prewar year by 33.2 per cent.

"FIRE! WHERE'S YOUR NU-SWIFT?"

To the civilian user in the home market we continue to give the closest attention. Through our extensive advertising campaign in 146 papers and trade publications in Britain, we ask the simple question: "Fire! Where's your Nu-Swift?" More and more people have come to realise the immense advantages of standardising for every risk, pressure-operated extinguishers, all operated in the common-sense upright position.

We are the only manufacturers able to offer this up-to-date method of operation for every type of risk.

Among our users are many of the leading industrial concerns, shipowners, transport undertakings, progressive farmers, a large number of municipalities and many shopkeepers and private individuals, apart from the nationalised industries, chief among which is the National Coal Board with its peculiar fire problems for which Nu-Swift extinguishers are particularly suitable.

WHY WAIT FOR FIRE BRIGADE TO BRING ALONG NU-SWIFT?

Last, but not least, a number of progressive Fire Brigades carry Nu-Swift on their engines. But why wait for the Fire Brigade to bring along Nu-Swift? Everybody has a fire risk. For the first five minutes any man's fire is his own, and the cost of providing pressure-operated Nu-Swift extinguishers is small compared with the prospective loss of life and property through fire.

Production has been maintained at a high level and the shortage of raw materials has not hampered us unduly, thanks to the collaboration of our many suppliers and the Government Departments involved, all of whom recognise the essential nature of our products. Most of our models can still be delivered promptly and we plan to increase production still further. Should the international situation deteriorate, it may be difficult for us to cope with all demands. It behoves, therefore, everybody to check or have checked whether his or her fire-fighting equipment is up-to-date and adequate in number. War or peace, the risk of fire will always be with us.

On the proposal of the managing director, Mr F. Graucob, the retiring director, Mr A. Harland, was re-elected and the report was adopted.

CENTRAL AND DISTRICT PROPERTIES LIMITED

The seventeenth ordinary general meeting of Central and District Properties Limited, was held on July 16th in London.

Mr Albert William Bourner, the chairman, presided, and in the course of his speech said:—

The net profit of the group for the year to March 31, 1951, before taxation and reserves for amortisation and deferred repairs, amounts to £61,123, which shows an increase of £7,284 over that of the previous year. Although the new increase in the rate of profits tax is not chargeable for the whole year, taxation falls on us very heavily and provision for this item has been made amounting to £33,539. Of the total rents we collected last year, 31 per cent. was paid, either to the local rate collector or the Inland Revenue collector of taxes.

Last year we transferred for deferred repairs £10,000 to reserve account and a further £2,000 is being transferred this year. A certain amount of deferred repairs has been undertaken during the year and it is the intention to continue to carry out these repairs as and when licences are procurable and it is otherwise expedient to do so.

DIVIDEND OF 17½ PER CENT.

As a result of the increased income which your company is receiving, your directors considered that an increased dividend could be paid for the year and they therefore increased the interim dividend from 5 per cent. to 7½ per cent., anticipating that a corresponding increase could be made in the final dividend. The increase in the profits tax which was announced in this year's Budget has made this impossible and your directors are therefore recommending payment of a similar final dividend to the previous year—namely, 10 per cent., making 17½ per cent. for the year.

The property which was purchased during the year will show a very satisfactory return on its cost to the company. We have now no large war damage repairs to be completed, with the exception of the property at Angel Hill Parade, which was totally destroyed. Once again, I regret to report that in spite of our efforts we have not been able to obtain permission to rebuild this property which would provide living accommodation and shops in an area in which they are urgently required.

I am satisfied the position of your company continues to be sound and that we can continue to look forward to the future with confidence, provided no unforeseen circumstances arise.

The report was adopted.

AMALGAMATED METAL CORPORATION, LIMITED

MR WALTER GARDNER'S STATEMENT

The annual general meeting of this company will be held in London on August 8th.

The following are extracts from the statement of the chairman, Mr Walter Gardner, circulated with the report and accounts for the year 1950:—

We mourn the loss of Mr R. C. Stanley, who had been a director of the Amalgamated Metal Corporation since its inception, and was one of the most outstanding figures in the metal industry. We are greatly pleased to propose the election of Dr John F. Thompson (chairman and president of the International Nickel Company of Canada) as a member of our board.

The outbreak of hostilities in Korea had its impact on commodities, and brought about abnormal market fluctuations which made trading very difficult. Tin, the only metal in which we have a free market, was, of course, so influenced, and has since been greatly affected by the action or inaction of those responsible for stockpiling in the United States.

The same is true of rubber, which stood at 15d. per lb. at the end of 1949. Since then it has touched 74d. and, latterly, has been almost halved in price. The rise, which in its early stages was due to expanding US civilian demand for cars and trucks, became accentuated with the outbreak of the Korean war. Stockpiling by US and other countries forced the price to unexpectedly high levels. Recently the market has returned to a more reasonable level.

WIDESPREAD ACTIVITIES

Our associated company in Australia has recently expanded its activities by opening an office in Melbourne, and, in conjunction with our friends the Wolverhampton Metal Company, has recently formed a company to take a share in the expanding scrap and secondary metal business of that country.

The British Metal Corporation has, since the end of our last financial year, sold the entire share capital of Huntington, Heberlein and Company to Simon-Carves. The terms of sale provide for co-operation between the British Metal Corporation and Simon-Carves over matters of mutual interest.

During the latter part of 1950 the British Metal Corporation, in conjunction with a well-known mining concern, exercised an option for the purchase of an Asbestos property in Southern Rhodesia. The preparation of this property for regular production has been proceeding since its acquisition, and it is expected that production on a limited scale will begin shortly.

In conjunction with the Messina (Transvaal) Development Company and another well-known mining concern, the British Metal Corporation has taken an investment in the capital of Rhodesia Copper Ventures. The combined investment of the three concerns constitutes a controlling interest in the company. Rhodesia Copper Ventures are the owners of various exclusive prospecting rights in the neighbourhood of Sinoia, in Southern Rhodesia. The results to date show promise of developing sufficient tonnage to justify operation on a commercial scale.

Since the conclusion of our last financial year, the British Metal Corporation and Henry Gardner & Company have decided to open a joint office in Karachi under the style of the British Metal Corporation (Pakistan) to handle metals, ores and general merchandise. It is hoped that this move will enable our group to take its share in the expanding industrial and other activities of this member of the Commonwealth.

WALSALL CONDUITS LIMITED

FULL ORDER BOOK

MR A. E. READ ON RE-ORGANISATION BENEFITS

The fifteenth annual general meeting of Walsall Conduits Limited was held on July 19th in Birmingham, Mr A. E. Read (the chairman) presiding.

The following is his statement which has been circulated with the report and accounts:

The total net profits of the company and its subsidiaries, before provision for taxation, amounted to £396,004 as compared with £313,590 for the previous year. After deducting taxation on the basis of the legal liability to December 31st the net profit amounts to £219,021 as compared with £147,581 for the year 1949. Notwithstanding expenditure during the year of more than £70,000 on additions to fixed assets, the liquid position as shown in the consolidated balance-sheet has further improved as the surplus of current assets at December 31, 1950, amounted to £772,112 compared with £667,501 at the end of the previous financial year.

The installation of a new pickling plant which I referred to last year has been completed and is now in production with highly satisfactory results.

I am pleased to be able to state that the new steel manipulating department is nearing completion and it is hoped that it will be in full production before the end of the present year. Providing adequate supplies of steel are available the output of this section of the works, which has hitherto been greatly overburdened, should be considerably increased.

The scheme of re-equipment and reorganisation which has been proceeding steadily during the past three years is now bearing fruit as is clearly evidenced in the accounts for the year.

RAW MATERIAL DIFFICULTIES

While I am happy to say that the company has up to the present been able to keep the whole of its employees fully employed, your directors are gravely concerned at the increasing difficulty which they and most other concerns in the trade are experiencing in obtaining supplies of raw materials, particularly pig-iron, steel, and non-ferrous metals.

Our order book is full, and notwithstanding the greatly increased output the directors appreciate that the deliveries we are able to make are still unsatisfactory. The board ask for the indulgence of customers and desire me to assure them that no effort will be spared to overcome the many unforeseeable difficulties which are constantly arising owing to the abnormal world conditions. Heavy taxation is also crippling industry by diverting liquid resources, which would in former times have been available for and normally used for trade expansion, into other channels.

I regret to say that anticipated improvements in our subsidiary ceramic factory did not materialise. The trade as a whole has now, however, made price adjustments which will bring selling prices more into line with the increased cost of materials and labour; the factory is now working to full capacity and the figures for the first five months of the current financial year are satisfactory.

During the year two new service depôts have been established, bringing the total number to 33, thus furthering the expansion of the company's sales policy, which is to make "Walsall" goods readily available wherever and whenever required.

The directors desire me to thank the management, staff, and all employees both of the works and depôts for the loyal support which has been cheerfully given throughout the year.

The report and accounts were adopted.

THE CLAN LINE STEAMERS, LIMITED

LORD ROTHERWICK ON TAXATION AND PROFITS

The sixty-first annual general meeting of The Clan Line Steamers, Limited, was held on July 12th in London.

The Rt. Hon. Lord Rotherwick (the Chairman), in the course of his speech, said: The accounts do not reflect the effect of the scheme of reconstruction and amalgamation which was approved by stockholders on March 28th. So far as this company is concerned the principal effect of the change should be an improvement in the earnings position of the Group, although we are fully aware of the difficulty in making even the recently negotiated adjustments in freight rates meet the increased costs of ship operation.

DELAYS IN PORT

With shipbuilding costs at their present high level it is a tragedy that, owing to delays in port, additional vessels are required merely to maintain a service.

Just as delays in port contribute to increased cost of transport, so does excessive taxation. This has been further increased by the latest Budget, for not only have the rates of tax been increased but notice has been given that the initial allowance on capital expenditure is to be withdrawn. Representations were made by the shipping industry for a retention of initial allowances on new vessels so that this industry, vital as it is to the well-being of the nation both in peace and war, might be given a reasonable opportunity of maintaining a high standard of efficiency.

Almost daily in certain papers one sees criticism of the profits earned by industry. Let there be no mistake; the profits in a period of inflation as disclosed by a company's accounts are only paper profits. Presumably those who criticise profits wish to see the end of private enterprise. Nationalised industries, instead of contributing to the revenue as when under private enterprise, are now making heavy losses which fall on the shoulders of the unfortunate British taxpayers. Private enterprise now has the dual responsibility of keeping this country on its feet and also bolstering up nationalised industries.

DIVIDENDS

The dividend this year has been increased to 30 per cent. So far as cash is concerned the net outlay is little in excess of the payment for the previous year which included a 5 per cent. distribution from profit on realisation of investments. In addition to the dividend you have been advised of the proposal to distribute shares in The Scottish Lion Insurance Company Limited, and Sea Lion Investments Limited, subject to the approval of the extraordinary general meeting. It was felt that the policy of retaining the profits of subsidiary undertakings in Clan Line and distributing them to stockholders by means of a variation in the rate of the ordinary dividend had certain weaknesses and that it would be better to give the stockholders a direct interest in subsidiary companies.

During the last four months a considerable reorganisation of the finances of the company has taken place and your directors are confident that the results will be beneficial to the company.

The report and accounts were adopted and at a subsequent extraordinary general meeting the proposed distribution of the subsidiary companies shares was approved.

The chairman informed the meeting that the directors proposed to make application to the Stock Exchange for permission to deal in the shares of The Scottish Lion Insurance Company Limited.

RALLI BROTHERS LIMITED

EFFECTS OF DEVALUATION

MR J. VLASTO ON WORLD CONDITIONS

The twenty-first annual general meeting of Ralli Brothers Limited was held on July 17th at Winchester House, Old Broad Street, London, E.C., Mr Jack Vlasto, the president, being in the chair.

The following is his statement circulated with the report and accounts for the year to August 31, 1950:

It is with much sorrow that I must refer to the death last August of my colleague on the Board, Mr Henry Pfister. He served Ralli Brothers for 55 years with the utmost devotion. His experience and counsel were always of the greatest value and all of us have sadly missed his delightful personality. The remarkable number of letters of sympathy received by the company testified to the esteem and affection in which he was held on the Baltic Exchange and in the produce world.

The directors' report with the company's balance-sheet and the consolidated accounts of the group are before you and will, I trust, be found fully informative. I must apologise for the long delay in their preparation. We are taking steps which, we hope, will lead to the earlier presentation of next year's accounts.

The devaluation of sterling in September, 1949, gave rise to some unpredictable developments in Indian and Pakistani trade which caused a number of then outstanding contracts to prove very costly. Business became brisk, however, in the early part of 1950 and a steady flow of good results brought the ultimate profit for 1949-50 to a satisfactory figure.

INTERNATIONAL SITUATION

The current year's trading began exceedingly well for us. World demand for the commodities in which we deal became even stronger and our monetary turnover, with the added effect of higher prices, was, for a time, running at almost double that of the previous year. To finance this trade, we were compelled to seek financial facilities on a much larger scale than ever before, especially over the peak period of January-March. Although the last few months have seen an appreciable slackening in activity, our turnover—excluding subsidiary companies—is likely to exceed £50 million for the year and, unless we suffer some unexpected setback, our gross profits should be well in excess of anything yet achieved by the company.

The uncertain international situation, the growing complexity of taxation problems and the huge proportion of profits which is taxed away, are the unfavourable factors. To these must be added the tendency in certain overseas countries from which we export to insist on repatriation of gross sale proceeds. In this way our earnings on such transactions may not be transferable.

INDIA

An improving tendency in the Indian Stock Markets encouraged us to come forward in April with the long postponed offer for sale to the Indian public of 60 per cent. of the share capital of Rallis India, Limited, of which details are referred to in the report of the directors. The Ordinaries were heavily oversubscribed for at the premium asked, but we were left with about half the Six Per Cent. Cumulative Preference shares, although offered at par, because a slightly higher yield than 6 per cent. was obtainable at that time

from comparable Indian securities. Our main objective was, however, achieved by the sale of 51 per cent. of the Ordinary shares and the general result was quite up to our expectations.

Our thanks are due especially to Mr G. Euthymopulo, the managing director of Rallis India Limited, and Mr F. Fielding, the secretary, for the efficient manner in which, acting on our behalf, they and others have tackled the local difficulties of this problem and brought the offer for sale to a satisfactory conclusion. While I am gratified at the completion of our plan to transfer control to Indian hands, there must inevitably be regret at the severance of our Indian organisation, founded by our predecessors over 100 years ago. We look forward, nevertheless, to many years of continued trading with Rallis India Limited.

RALLI ESTATES

The year which has seen the disappearance of one subsidiary company has also seen the creation of a new one—Ralli Estates Limited—a Tanganyika company, formed to own and manage the two adjoining sisal properties which were offered to us on 99-year terms by the Government of Tanganyika when disposing of former enemy sisal estates as from January 1, 1951. We have subscribed the whole £250,000 issued capital of Ralli Estates Limited, which has Mr M. A. Carson, O.B.E., our manager in East Africa, as its chairman supported by a Board which includes long planter experience. The present production is about 3,500 tons of sisal fibre per annum and there is adequate space for further development.

In January and February last, I visited our Karachi office and several of our offices and jute baling stations in the interior markets of East Pakistan. The visit was rendered a real pleasure by the evidence of efficiency and hard work which I saw everywhere and by the demonstration of unity and loyalty to the company expressed in the warmth of welcome extended to me by everyone down to our humblest employee. The company is, indeed, fortunate in the quality and devotion of its staff all over the world and our sincere thanks are due to them for another year's fine work.

The report and accounts were adopted.

The proceedings terminated with a cordial vote of thanks to the President on the proposition of Mr M. A. Carson, O.B.E.

KEPONG (MALAY) RUBBER ESTATES LIMITED

DIVIDEND OF 35 PER CENT.

The forty-sixth annual general meeting of the Kepong (Malay) Rubber Estates Limited was held on July 18th in London, Mr T. J. Cumming, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for 1950:—

Although the crop harvested did not reach the estimated figure, the results cannot be regarded as other than satisfactory, and when we consider the difficult conditions under which work on the estates is carried out, we can only be thankful that the shortage in crop was not worse. The net average sale price for all grades was 22.34d., compared with 10.61d. for 1949. This increase covers by a large margin the increase in estate expenditure.

The profit for the year prior to taxation was £505,540, and it is proposed to pay a final dividend of 15 per cent., less tax, which will absorb £58,555, making 35 per cent. for the year, to transfer £50,000 to general reserve and £50,000 to provision on account of the rehabilitation expenditure, leaving £58,003 to be carried forward. After considering the position to date, the board decided to pay an interim dividend of 10 per cent., less tax, in respect of the current financial year.

Due to emergency difficulties, labour shortages and frequent bad weather interruptions, the crop harvested was below the estimate. The actual figure for all grades was 12,904,000 lb., which is 1,378,000 lb. below the previous year's figure. A large portion of the crop has been marketed in the form of Licentex, the production of which has proceeded satisfactorily.

The report was adopted.

PYE LIMITED

G.P.O.—NEED FOR CHANGE OF OUTLOOK

The twenty-second annual general meeting of Pye, Limited, was held on July 18th in London.

Mr C. O. Stanley, C.B.E. (the chairman), in the course of his speech said:

The efficiency of industry and, in fact, of the nation as a whole, is dependent on the speed of our communications. It is in the field of radio that we have the really big opportunity of improving our communications, but unless something is done quickly to change the outlook of the G.P.O.—which has absolute control over this phase of our national life—we shall find ourselves a long way behind other countries.

It is common knowledge that for the last 30 years there has been considerable foreign influence on the outlook and standards of the G.P.O.; in fact, a great deal of British telephone work has been copied from other countries. The G.P.O. is a monopoly, and in its dealings with its suppliers it uses the most objectionably monopolistic methods.

We question whether the G.P.O. are serving the best interests of the nation in all the actions they are taking with regard to radio communications, and it is now clear that either your company or some other company must challenge these actions if we are to accept the principle that competition and free enterprise in communications are essential for the future of this country. For our part we do not imagine that we shall add to our order book by honestly stating our beliefs on this important subject, but we do believe that we have a duty to our workpeople in ventilating what we consider to be one of the very weakest spots in British administration.

In considering the accounts there is one matter I would like to refer to, and that is the continued demand for an extension of the capital employed in the business. Despite the fact that there has been a pronounced increase in profits, the money is not available to pay anything like the increase in dividend which these profits justify. There is also the point that the profit-sharing to our workers has increased, and surely if we increase it for one side of the partnership we should do it for the other.

Trading profits are over one-third more than last year, but taxation is greater by approximately one-half. This emphasises the very heavy burden which industry now has to bear under the present taxation system. The scheme for initial allowances helps industry to find the money necessary to replace worn-out or obsolete plant which in these days is extremely important, and the Government's decision to withdraw the scheme next year is very much to be deplored.

The report was adopted.

HENRY HOPE AND SONS LIMITED

RECORD SALES

The fifty-third annual general meeting of Henry Hope and Sons, Limited, was held on July 18th at Smethwick, Mr H. D. Hope (chairman of the company) presiding.

The chairman in the course of his speech said: This is our fifty-third annual general meeting, and it marks the largest volume of sales in the history of the company, both at home and abroad.

You will have observed the notice which we sent to the Stock Exchange, stating the result of our year's trading, and disclosing a fall of over £50,000 in the Home trading profits of the company for the year, as compared with the previous year. While this setback at home is offset by larger profits from our subsidiaries abroad this fall in profits on a larger turnover is disturbing. It arises simply and solely from the advance in cost of materials, wages and services without corresponding increase in selling prices. A few examples will suffice to tell you what has happened during the year:—

Lead increased from £84 per ton to £160 per ton.

Zinc increased from £89 10s. per ton to £160 per ton.

Brass rodding from 1s. 1½d. per lb. to 2s. 3d. per lb.

Aluminium from 1s. 10½d. per lb. to 2s. 0½d. per lb.

Transport: Rail rates have been increased 26 per cent., and Road rates have been increased 18 per cent.

During this period the selling prices of a large part of our output have been pegged by Government control; indeed there has been a strong disinclination in the trade to raise prices, in the belief that these increased costs could be met by increased volume. For several reasons this has turned out to be a delusion, and in my opinion it will not be possible to avoid further increases in price if good design and high quality are to be maintained.

You have no doubt seen some comments in the Press on our decision to recommend the same ordinary dividend as last year. While the profit we have earned will appear to be ample to justify a higher dividend, your directors are satisfied that under present circumstances it is the correct policy to plough back profits into the business.

The report was adopted.

NOTICES

QUALIFIED Accountant, age 25 to 35, required for post with petroleum company in Accra, Gold Coast. Must have good knowledge of French language and be single. Apply in writing to Personnel Supervisor, United Overseas Petroleum Company, Limited, West Hall, Byfleet, Surrey.

TO CHAIRMEN OF TRADE ASSOCIATIONS. Administrator, with very wide experience, open to create, direct, or expand, a trade association or export organisation. West End office facilities.—Write Box 705.

8 SUMLOCK Calculating Machines for Sale.—Full particulars from Secretary.—Box 704.

A CONTROLLING interest can be had in a well-known light engineering business specialising in gas water heating appliances with a good connection amongst Gas Undertakings and Builders' Merchants.—Box 709.

SUCCESSFUL young Advertising and Marketing Executive, at present Manager, Market Research Dept., leading London Advertising Agency, and Marketing Consultant on Patents, B.Sc. (Econ.), first class organiser, excellent references and connections. Seeks important managerial post in industry, willing to live abroad. Box 694.

ENGLISHMAN (32), residence in West Germany, is willing to represent UK business concern. Technical or commercial. Box 701.

NOTICES

BEDFORDSHIRE EDUCATION COMMITTEE

LUTON COMMITTEE FOR EDUCATION

Luton and South Bedfordshire College of Further Education

Principal: T. HEAP, Ph.D., M.Sc., F.R.I.C.

Applications are invited for the post of Lecturer in the Department of Commerce and Administration, to be concerned mainly with subjects for the Intermediate Certificate and Final Diploma in Management Studies, I.I.A. Certificate in Foremanship, and Industrial Administration as an endorsement subject to H.N.C. Mechanical Engineering.

Duties to commence on September 1, 1951, or as soon thereafter as possible. Salary: Lecturer (man), £900-£25-£1,000.

Full particulars and forms of application may be obtained from the undersigned upon receipt of a S.A.E. (F'cap), by whom completed applications should be received not more than three weeks after the appearance of this advertisement.

E. O. CUTTER, Borough Education Officer.

Education Office, 63-69, Guildford Street, Luton, Beds.

AMENDED

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS: The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1951. Interviews began in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1951, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree with first or second class honours in a scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer posts taking their degrees in 1951 may be admitted to compete before the result of their degree examination is known.

Age Limits: For Senior Scientific Officers, at least 21 and under 28 on August 1, 1951; for Scientific Officers, at least 26 and under 31 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1951. London salary scales: Senior Scientific Officers (men), £750-£950; (women), £625-£850; Scientific Officers (men), £400-£650; (women), £400-£525. Somewhat lower rates in provinces.

Further particulars from the Secretary, Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. 3399.

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Salary at least £2,000 per annum with F.S.S.U. and Children's Allowance. The University pays a proportion of removal expenses.

Further particulars and form of application may be obtained from the Secretary, with whom applications should be lodged not later than September 30, 1951.

H. J. BUTCHART, Secretary.

The University, Aberdeen.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Assistant Lecturer in Economic History in the Department of Economic Science, at an initial salary of £450 per annum, with allowance for age, experience and qualifications.

Applications stating age, academic qualifications and experience, together with the names of three referees, should be received not later than August 4, 1951, by the undersigned from whom further particulars of the conditions of appointment may be obtained.

June, 1951 STANLEY DUMBELL, Registrar.

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Applications are invited for the position of Lecturer in Economic History.

The salary will be within the range £850—£1,000 (Australian) per annum plus cost of living adjustment (at present £89 males, £66 females), with annual increments of £50. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful candidate.

Further particulars and information as to the method of application may be obtained from The Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is August 11, 1951.

CANBERRA UNIVERSITY COLLEGE, AUSTRALIA

Applications are invited for appointment to the position of Temporary Lecturer in Economics.

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Appointment will be for either one year or two years from January 1, 1952, and applicants should indicate for which period they are applying.

Forms of application and further particulars can be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for receipt of applications is August 20, 1951.

AUSTRALIAN DIPLOMATIC CADETSHIPS

Applications for the above cadetships are now being invited from Australian citizens. Full particulars may be obtained from the External Affairs Officer, Australia House, Strand, W.C.2. Closing date July 26, 1951.

AVELING-BARFORD, LIMITED

Notice is hereby given that the following Resolution was passed at a Meeting of the Board of Directors of the above Company held July 10, 1951:

"That an Interim Dividend be paid on August 31, 1951, on the £375,000 Ordinary Stock at the rate of 2½ per cent actual, less tax, and that the Ordinary Stock Transfer Books of the Company be closed from August 4th to August 18, 1951, both days inclusive."

By Order of the Board,
H. C. RYAN, Secretary.

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The salary for this appointment will fall within the range £700 to £750 per annum and applications should be submitted in duplicate, giving particulars of qualifications, experience, etc., addressed to the Divisional Manager (SVN.177), Road Haulage Executive, South Eastern Division, 238, City Road, London, E.C.1, quoting Staff Vacancy Notice No. 177, within fourteen days of the date of this advertisement.

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Toronto, July 18, 1951.

By Order of the Board,
C. H. WINDELER, Secretary.

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Three Months to Go

THE debate on the economic situation was still in progress in the House of Commons when this issue of *The Economist* went to press, and detailed comment must therefore be postponed. Mr Gaitskell's analysis of the problems now facing Britain contained, indeed, nothing unexpected. The essentials are simple. The commodity boom of last autumn and winter has raised the cost of the things that this country imports by 43 per cent, while exports have expanded correspondingly neither in price nor in volume. At the same time, the primary producers of the sterling area have ceased to earn a substantial dollar surplus. Britain is temporarily getting the worst of two worlds. Thanks in part to the rigidities of bulk buying, this country is still paying dearly for its imports while dollar earnings, responding more quickly to the fall in commodity prices since the spring, have been reduced. The deficit in Britain's general balance of payments is being financed by incurring, faster than ever, fresh short-term debts to the other members of the sterling area; and these additional sterling balances are not being matched, as they were in the previous eighteen months, by extra assets in the form of larger gold and dollar reserves.

Here are all the ingredients for another period of economic stress. One relief can be expected. The terms on which imports are exchanged for exports should become, temporarily at least, less unfavourable to Britain as import prices belatedly reflect the recent recession in commodity markets while export prices continue to creep up, in response to past increases in the cost of both raw materials and labour. But this change alone can hardly be big enough to close the payments gap, and there is likely to be little to help it. The signs are that at home inflationary pressures will mount sharply in the autumn and will suck more goods into the home market just when the growth of German and Japanese competition is making the export markets in any case more difficult for British manufacturers. There seems at present to be only a slight chance of securing that large increase in exports of consumer goods, such as textiles and china, on which a future balance in overseas payments depends; there is no chance at all of securing the coal exports that would be most valuable. The probability, indeed, is that all the other difficulties will be accentuated by an acute shortage of British coal this winter.

Even if all these matters turn out more favourably than it would be prudent to expect, the British economy will continue to depend on the willingness of some other countries not merely to leave their existing large balances in sterling unspent but to continue to extend fresh credit to this country. This willingness is not inexhaustible. No one can tell when the breaking-point—the point when creditors demand either British goods or American dollars in payment—may come. But it has certainly been brought nearer by the large accumulations of sterling during this year. Within the next six or twelve months the economy can drift only too easily, if nothing i

done, into a sterling crisis that would not merely disorganise Britain's foreign trade but threaten the jobs and welfare of large sections of the British people.

To prevent such a catastrophe there has to be a vigorous new export effort; and no one seriously supposes that it can be secured primarily by the negative measures—the mixture of exhortation and threats, of physical controls and penalties on enterprise—that the Chancellor of the Exchequer suggested on Thursday. Those proposals, and particularly the introduction of statutory control of dividends in the autumn, are an electioneering programme. At best, they are designed to give an appearance of softening—though certainly not to remove—the impact of adverse circumstances on the British people. And they are therefore bound to make the external deficit worse, not better. That deficit has arisen precisely because unrealistic Government policies have already enabled the British people temporarily to defy economic circumstances. In the first quarter of 1951, they enjoyed a standard of living 5 per cent higher than in 1950 although both the requirements of defence and the adverse movement in the terms of trade were reducing the real resources available for British consumption. It is, fundamentally, this buying spree, out of step with the underlying economic trends, that is now reflected in Britain's renewed inability to pay its way abroad.

The way to correct this failure in economic planning is plain enough. It is to remove the surplus purchasing power that made the buying spree possible. The weapons for such an attack are well known. They are higher interest rates and a larger Budget surplus. There are, admittedly, enormous practical obstacles to the use of such weapons, and no one—the Opposition least of all—has yet got down to the details of an effective policy. But the obstacles are political, not economic. The weakness lies, primarily, not in the weapons of economic planning but in the will to use them. A Labour Government is not necessarily in this respect weaker than a Conservative Government would be. But no government can set out deliberately to reduce the country's standard of living when it exists on a trifling majority in Parliament and has already lost much support in the country. A Labour Chancellor, in particular, can adopt a firm financial policy only if his government is strong enough to defy many of its own supporters.

No responsible leader of the Labour Party can suppose that the Government is at present capable of executing such a policy as is needed. The record of the last four months must complete, if that is necessary, the disillusionment. The one fruit of staying in office has been the Budget, and the Parliamentary session ends with just such an economic crisis as the Budget was intended to prevent. It was, indeed, as sound a Budget as the political conditions of last April entitled one to expect. It was also—chiefly because public opinion did not appreciate its dependence on rising prices—a fairly popular Budget; during the summer, Labour has regained some lost support. But in being popular the Budget has proved also to be weak. The policies it embodied are failing to prevent inflation and to secure a balance in external payments. In the atmosphere of uncertainty and crisis that must now follow, the Government may expect to lose again the support that it has gained, with no advantage to itself, since the spring.

The only adequate remedy is a fresh Budget in the autumn. But to bring a severe Budget before the present Parliament is plainly impossible. It is now beyond question that Mr Attlee can avoid an autumn election only if he also avoids throughout the winter the pressing problems of the British economy.

It is possible to recognise the sincerity of the reasons that have made Mr Attlee decide against an election so far. It is impossible to recognise that they now have any validity whatever. In effect, Mr Attlee assumed that the Government could carry on because it would have to deal with few serious problems except in foreign policy and defence, on which the parties were substantially agreed, and the smallness of Labour's majority therefore did not matter. The assumption had some basis last year, when British policy seemed at last to have gained some mastery over economic life in the postwar world. The appearance was deceptive. All that had really happened was that circumstances had become temporarily favourable to Britain. It was the environment, not the control, that had improved. This country is now caught up in a new period of greater economic stringency. It will drift before a gathering storm unless the firm policies possible only for a strong government, whatever its party composition, are adopted soon. The duty as well as the interest of the Labour Party is, more plainly even than before, to appeal to the electorate in October.

Towards Europe's Army

WITH long labour and no little skill another European plan of French conception has been brought to birth. It is true that the Pleven plan for a European army still consists largely of principles and hardly at all of facts; but the interim report that was approved in Paris on Tuesday by representatives of France, Germany, Italy, Belgium and Luxemburg represents an impressive measure of agreement on quite revolutionary proposals for an integrated defence organisation. Allied statesmen have now to see how it can be reconciled with the proposals for a German contribution to General Eisenhower's integrated force of national contingents that have been worked out by the Allied High Commissioners and German military experts at the Petersberg. If they try hard enough they may yet succeed in creating what is called a "common supranational political and military authority," under which will serve the armed forces that members set aside for European defence; but it would be foolish to pretend either that the plan is near realisation or that it would not take a long time to realise it. It is in fact less advanced than the Schuman Plan for iron, coal and steel; and neither plan can come to anything until several further decisive steps have been taken in Germany's relations with France and the rest of Europe.

There is hard-headedness as well as idealism behind this plan for a European army and defence organisation. Many Frenchmen see in it the one way of controlling German rearmament; others see it as an essential part of the united Europe they are trying to build, with the proposals for a Minister of Defence, a Council of Ministers and an Assembly as the crucial features. Some Germans see in it a way of getting their own rearmament cheaply and quickly; many more see in it another means of bargaining their way back to independence and equality in Europe and eventually in the North Atlantic Treaty Organisation. American political and military opinion, which last September was sceptical and impatient of this French attempt to delay and control German rearmament, has now come round to the view that there may be something in it after all: here may be a genuine effort towards that integration which General Eisenhower and Mr Churchill have lately demanded so eloquently. The British Government, quite rightly sceptical of anything that detracts from the main effort of providing Europe with adequate forces, but quite wrongly sceptical of the whole drive towards European integration, has watched the negotiations with cold aloofness and declared its intention to take no part. It prefers the idea of German national contingents to be brought under General Eisenhower's direct command.

*

In short, the Pleven Plan proceedings have reached the stage at which no real progress is possible unless firm decisions are taken about what can and what cannot be done about German rearmament and the French attitude towards it. The two basic facts in the argument are still these: first, that General Eisenhower needs some fifty divisions for the defence of Western Europe, and has discovered no way of making up that number save by getting ten to twelve divisions of German soldiers with an adequate tactical air force; secondly, that the vast majority of Germans do not want, as yet, to make either this or any other contribution to the common defence until there are sufficient non-German forces on their territory to resist successfully any Russian threat to their security. In other words, Western Europe cannot be defended until the Germans rearm; and the Germans will not rearm until their country is defended. This is to state the dilemma very baldly, for there are other motives at work in Bonn; and the question of what the Federal Republic will do for defence has become inextricably linked up with the question of what the occupying powers will do to meet its political claims. If it was believed last September that Germans would jump at the chance of bearing arms again, it is now realised that their co-operation must be bought by political concessions. The questions to be settled now, therefore, are two: how urgent is Europe's need of these German divisions? And how high a price it is worth paying for them?

For most Americans concerned with the question the answer has so far seemed clear. Western Europe must have troops on the ground quickly; and when the United States, Britain and France have stretched their resources to the utmost they fall far short, for two or three years to come, of the number that the generals believe adequate for western security in the cold war. The gap can and should be filled by Germans, because their quality is known, their interest in resisting Communism and Soviet expansion is obvious, and their dependence on American economic aid is notorious. Moreover, if there are to be German divisions trained and equipped by 1953—and General Eisenhower can hardly expect anything earlier than that—a start should be made now with recruitment and organisation

For the French the answer is much more complicated. Many of them fear the German strength of the future more than they fear the Soviet power of the present. They admit the inevitability, if not the need, of some German rearmament; but they want the Germans to accept, while still weak, such obligations and restrictions as will give Europe security against the hegemony of a nationalistic Germany. Both deep distrust of the Germans and sincere hopes of finding a new relationship with them are expressed in their determination to create for Western Europe political, economic and military institutions in which Germans will accept a partnership that both liberates them and engages them. For the French the Pleven Plan, the Schuman Plan and the Council of Europe are all interlinked. The French, like the Germans, want to set a price and strike a bargain. They, as an occupying power, will agree to ending the Occupation Statute and giving Germany a more equal status in Europe provided that the Germans accept in advance the defined obligations of European partnership and prove that they will work. And these include acceptance of a European defence minister or commissioner to control the generals and their staffs, and to influence decisions for or against war; the integration of German units—the French Assembly insists that they shall not be called "divisions"—in European army corps; and the integration of German staff officers with their European colleagues. There must be—say the French—no new German Staff with its own plans to "get back the German east" beyond the Oder-Neisse line.

The British Government, determined to have nothing to do with the European army, has followed a wobbling middle line. It disapproves of American haste to get German divisions; and it is sceptical of French efforts to bind the German Samson; but it also doubts, rightly, whether Federal Germany is capable of becoming the Samson that the French fear. For there is at present no intention of reviving the German armaments industries or of asking the Germans to contribute industrially anything that cannot be made in the course of peaceful production. Indeed, the Germans themselves are obviously determined, for the time being at any rate, to get all the equipment and arms they need at other people's expense. As the volume of that equipment available is still insufficient to meet the full needs of Nato, and as the Americans agreed last December with their allies that the Germans should come last in the queue for such aid, the tendency in London is to mediate and murmur *festina lente*.

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If the Americans are now a good deal closer to the French than they were a year ago it is partly because General Eisenhower now reads the European situation more accurately than did the Pentagon last year, partly because the Germans have overplayed their hand. Both in Bonn and outside—notably in Social Democrat opposition led by Dr Shumacher—it seems to have been believed that the Supreme Commander's search for ground troops was so desperate and American weakness so aggravated by the Korean war that almost any price could be extorted for a German contribution to European defence. Politicians and party leaders used the recent State elections to make their task of persuading the apathetic and defeatist Germans to do something

for their own defence even more difficult than it already is. Full equality of rights with Europe (*Gleichberechtigung*) was demanded as the condition of rearmament. Blackmail is not too strong a word for the tatics that have been pursued, and it is only quite recently that the Germans seem to have realised that the Supreme Commander really meant what he said in declaring that he wanted no unwilling soldiers, and that the condition of accepting German units must be a political understanding "that will contemplate an eventual and *earned* equality." It is, perhaps, because the meaning of his words has begun to sink in that the Germans have now agreed to the interim report on a European army and that they have shown themselves not unreasonable in the technical discussion between their military experts and the Allied High Commissioners at the Petersberg, where the talk was at first of an army of 250,000 men, a very large tactical air force, and an independent German general staff.

To make haste with German rearmament along the lines that were laid down last September will lead nowhere; and it is a pity that the American High Commissioner, Mr McCloy, felt it necessary to give recently in Washington a picture of the Germans' readiness to defend themselves that was rosier than the evidence justifies. It is in the political, rather than the military, sphere that haste might bring results. For unless Dr Adenauer can show the *Bundestag* and the German people definite evidence that they will be treated in the new western institutions as free and equal partners, he will be unable to make good the pledges that have been given in the Pleven Plan. It is almost certain, for example, that German divisions will have to be raised by conscription. To do that it will be necessary to amend the constitution and to hold a general election to approve the act. If such an election were held now, Dr Adenauer, the good European, would almost certainly lose and Dr Schumacher, the rabid nationalist, would come into power. In other words, the Americans, British and French have to work out in the months ahead such a revision of the Occupation Statute and such concessions to Germany's political claims as will enable the Chancellor to show his people that it pays to be European. If this demonstration cannot be made, then it is most unlikely that anything will come either of the Schuman Plan or of the Pleven Plan. German rearmament will not come about and French policy in Western Europe will face utter failure.

No British Government can stand by at such a juncture with its arms crossed and just tell Europe to get on with it. For it is no exaggeration to say that both the defence and the unity of Europe depend on the prompt and magnanimous handling of the German problem. The Germans in their present mood will not make it easy; but their Government's adhesion to the first sketch of the Pleven Plan is an act of courage which should strengthen confidence in its good faith.

Statesmanship on the Cheap

AT the next general election a number of members of Parliament are going to lose their seats principally because of dissatisfaction with the rising cost of living. This will be fate at its bitterest, for the average MP has probably suffered more from rising prices than the average member of the community as a whole. He still gets the £1,000 a year he awarded himself in 1946; prices have risen by more than 30 per cent since then, and his expenses, which he must meet out of his salary, have risen accordingly.

The largest item is secretarial assistance. The size of the MP's mail varies a good deal; broadly speaking, the more active he is in his constituency the more letters he receives, and the more letters he writes the more he has to write. An average figure would perhaps be fifteen letters a day. Some members are to be seen in the House every morning laboriously answering them by hand. But this hardly seems the best use of an able or busy man's time, and the majority either have a full-time secretary or share one—one girl to two or three members. Some have experienced secretaries who will answer most of the letters on their own initiative, and who keep card indexes of the MP's "cases," so that when he visits the constituency he can take a bunch of cards and show an astounding degree of personal interest on the doorstep. Secretarial assistance, if he uses it at all, will thus cost the MP anything between £120 and £400 a year. Postage, at twenty letters a day, will cost £65 and telephone and telegrams may also be a substantial item. Constituents who call at the House must be entertained and rounds of drinks have to be bought in the constituency. Moreover, many MPs have to undertake, when they are adopted as candidates, to pay a fixed sum each year into the funds of their constituency party. Trade union nominees pay nothing, and since the Maxwell Fyfe reforms Conservatives may not contribute more than £50 a year; but many a Labour member is paying as much as £100 a year out of his own pocket.

It is true that all these expenses, except entertaining, count for income tax relief. The member gets £100 tax free and as much in addition as he can justify. Paradoxically, the poorer an MP is the less he is able to claim as expenses in his tax return. For if he has no income other than his parliamentary salary he will hardly be believed if he claims to have nothing left after paying his expenses; the MP with other sources of income can make such a claim, and a few do indeed get almost the full £1,000 tax free. With the exception of London members whose homes are in their own constituencies, MPs may claim relief on the cost of running a second home. The cost of running a car qualifies as an expense only within the bounds of the constituency, but MPs have benefited from the initial allowance of 40 per cent on the cost of buying a new car. Many who have bought and sold a car every year or two will be sadly out of pocket when the initial allowance system comes to an end in April.

Though accurate generalisation is very difficult, it is probably not far wrong to say that, outside the group who write their own letters, the expenses actually incurred by an MP in the course of his business as a politician can hardly be less than £300 a year. The average—for which the appropriate measurement is the

median rather than the arithmetic mean—seems to be nearer £400 a year. The MP is therefore left with £600 to £700 gross—a sum that obviously must be supplemented by other sources of income if the political life is to allow its practitioners anything near the standard of living that most of them could obtain in other occupations. There are perhaps fifty to a hundred members living on the £1,000 only, but many of these are elderly trade unionists, bachelors or without dependent children; some of them are over the retiring age for other occupations, so that they are probably not, on balance, the worst cases of hardship. A group which is better off is the small number of union members who are paid an income by their unions. At the opposite end of the economic scale, there are those who are earning very substantial incomes and find it an asset to be an MP. Most of them are lawyers, successful journalists, and company directors—three occupations which can be combined better than most with parliamentary work. Even they, however, are finding life rather more difficult. The journalist is up against the shortage of newsprint and the barrister, in the present state of the parties, cannot accept briefs that would make him miss divisions in the House.

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The MPs for whom the present level of parliamentary salaries involves the greatest financial sacrifice are a middle group of about a hundred to a hundred and fifty members who have no private means and no incomes from nominal occupations, but who earn, in addition to their salaries, small sums adding up to a few hundred pounds a year. To get this additional income they are eagerly on the look out for opportunities to broadcast, to write an article, to be televised. It is true that the same piece of research will do for the speech in the House, the constituency speech at the week-end and the article in the press—which is paid for at a higher rate because the author is an MP. But the opportunities, except for the established journalist, are few. Moreover, the time in which to earn money is very limited. With the extension of the sphere of government the business of legislation becomes steadily heavier and more complicated. At the same time, the burden of constituency work has been greatly increased by the growth of literacy and the accessibility that the MP is expected to display in the age of the common man. The MP, like the civil servant, is harassed by people's efforts to get themselves higher on the waiting list for houses or to secure a higher war pension. Unless he is lucky enough to have a job that dovetails easily into his parliamentary work or involves only nominal duties, he finds himself in a dilemma. If he is very active as an MP he may gain in reputation and in constituency support, but his income will suffer. If he tries by his outside work to support a family comfortably and to build up resources against old age, or merely against failure in another election, he has to scamp his work as an MP—as far as his party whips will allow. He may write the necessary letters and make the occasional speech, but his study of complex legislation is likely to be perfunctory; and he will never, if he can help it, be available for committee work.

More important still, he has not time to think politically. The present poverty of political thought, the fact that it is the managerial and technical type of speech which is admired rather than one which raises more general principles, reflects this pressure on the MP's time. It is better that the majority of MPs should have outside work than that we should be governed by professional politicians; but the salary paid should not be such that many MPs are very hard up, or having to work desperately long hours in order to avoid being hard up. It should even be enough to enable a few devoted members—not just the elderly, the single and the unemployable—to give all their time to parliamentary work. No one wants people to put up for election for the sake of the money; it is better that most men should have to make some financial sacrifice by becoming MPs. But the sacrifice should not be such that able people consider it prohibitive. And that is the point which seems to be quickly approaching.

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In theory the present balance of the parties makes this a good time to secure an all-party agreement to raise members' salaries. In practice, however, the Labour Party would fear the loss of votes involved, and the Conservatives would be unwilling to surrender the chance to attack them. "MPs Give Themselves A Rise" would look bad in the headlines, particularly when moderation in wage claims is urged on the rest of the community. Would it be possible, then, to give some relief in kind? Free postage would help, though not greatly, and it would have its disadvantages. It would enable the sitting member to be steadily electioneering at public expense from the moment he is elected. A greater benefit, and one less likely to be abused, would be to supply part-time secretarial assistance free. There is an unanswerable case, when a man has been elected to Parliament, for providing him with the facilities he needs in order to do his work. No other democracy treats its politicians in such niggardly fashion as does Britain. To provide secretarial help would, it is true, mean building a new block of offices. Moreover, the pool typist would not be as useful as the personal secretary; and the MP whose work, whether private or parliamentary, is now handled by his own secretary, would not benefit. An alternative, which would cater more flexibly for the differing needs of MPs, would be to give them a fixed grant of, say, £250 towards secretarial assistance. The country might not be too unsympathetic if this were done "in view of the increasing burden of parliamentary work," and if the legislation were backed by a determined, all-party effort to bring home to people the fact, so often forgotten, that the MP's £20 a week is not at present what he has to spend on himself and his family. Even so, a cash provision would probably be less acceptable in the country than a provision in kind. And, in either case, it would be a great pity if help with secretarial expenses encouraged the MP's constituents to write to him more often.

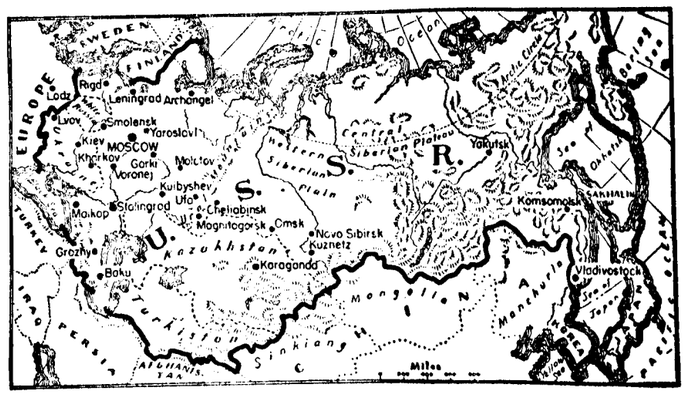
Pensions are another matter in which the present provision is unduly niggardly. If MPs can hardly maintain themselves, they can certainly not make provision for retirement. Moreover, on top of all the usual humanitarian arguments for pensions, there is a special reason why pensions should be provided for MPs: they would then be far less terrified of the prospect of a dissolution and better able to face the party whips with independence. It was a great strength of the parliamentary

system in the old days that MPs were ready to retire to their estates rather than violate their principles and the knowledge that an adequate pension was available would provide some latter-day shadow of the estate. It would do so, of course, only if the arrangements were unorthodox in the sense that the amount of the pension did not rise with length of service. There would have to be some minimum qualification—to have been re-elected once or twice rather than to have been elected once. The cost to the Exchequer could be kept to fairly small proportions if the pension were given only when the ex-MP's income would otherwise be less than £1,000 a year.

There are difficulties in all such proposals, but they should not make the country lose sight of the fact that the whole democratic system of government depends on the quality of the men it puts in office. It is a great mistake to try to get statesmanship on the cheap.

Houses for Russians

As argument goes on in the western world about the adjustment of domestic policies to defence requirements, it is often forgotten that the Soviet Union, for two periods of the last twenty years, has had to deal with just these difficulties. Before the war there was the period of preparation against the armies of Hitler; after it there was the period of maintaining a high level of armaments—but not a full war economy—with which to maintain and exploit the international situation created by the defeat of Germany and Japan, the weakness of Europe, and the disarmament of the United States and Britain. To the planner in Moscow, therefore, the idea of semi-war economy, whether it be three-quarters peace or three-quarters war, is familiar; and much that has been done and said in the Soviet Union throws light on his handling of the problems. Detailed judgments are, of course, impossible, owing to the care with which only limited economic information is released; but it is possible both to detect symptoms and to pin down facts from some sectors of the Soviet economy. Information is seldom easily obtained about those economic activities that are going badly; that is to say, obviously falling short of the expectations either of the planners or of the Russian consumer. But it becomes necessary from time to time to put the whole weight of the Communist party behind a campaign of production, or to give some airing to complaints and criticisms that are known to be justified and widespread. Only then is it clearly revealed how the planners of the Soviet Union deal with conflicting priorities and how the consumer in the Soviet Union has seen—and still sees—his hopes and claims giving place to the demands of heavy industry, raw material production and investment in transport, and what are called "Great Construction Projects."



Such a piecemeal revelation has occurred in recent months in the case of housing, a sector of the economy in which the needs of the consumer in their most primitive form and the demands of heavy industry are most clearly in conflict. Shortage of houses is, of course, a seamy side of rapid industrialisation that is inevitable even in a world at peace, and in the Soviet Union it has been a permanent headache to planners. There are signs that the shortage has now become particularly acute; that is to say, more publicity has been given to it in the Soviet press than is usual with defects in the Soviet economy. First it was learnt that in the last five years rural housing had been sacrificed for the sake of urban building and, therefore, failed to reach the planned figure. Now it is known that urban building, too, had to be curtailed and in the first quarter of this year fell short of the planned amount. There are many reports in the Soviet press of "squatters," and numerous attacks on the town planners, accusing them of constructing small houses in the suburbs instead of big buildings in the centre. A recent issue of *Pravda* said that in Stalingrad, a city that gets particular attention, "industrial establishments have been entirely rebuilt, while house building is on a large scale." To the initiated this reads: "factories are working again at full pressure, but housing conditions are gravely disturbing."

The task which faced the Soviet building industry after the war was indeed, tremendous. Even without the destruction caused by the war, it was extremely difficult to keep pace with the growth of the urban population caused by industrial development. From 1926 to 1939 the town population grew from 26 million to nearly 56 million, and from less than 18 to nearly 33 per cent of the total. The pace slackened during the war, but it has picked up somewhat since then, and the urban population now greatly exceeds 70 million and accounts for much more than one-third of the total. Thus, in the last quarter of a century, room had to be found for nearly 50 million new town-dwellers. New towns were built always with the same order of priority; first, workers living in barracks erected factories, and only then did they build houses to live in.

In this way there sprang up Magnitogorsk in the Urals, Komsomolsk in the Far East and Karaganda in Kazakhstan—towns which were not yet on the map before the Revolution. In addition to the bigger towns, smaller

workers' settlements were erected consisting of a thousand or more wooden houses, and these are so far more numerous than the towns proper. The older towns, too, grew up in great strides. In Moscow, for instance, the population rose from 2,029,000 in 1926 to 4,137,000 in 1939 and 5,050,000 in 1950. In the same period the population of Baku was almost doubled, rising from 453,000 in 1926 to 850,000 in 1950; and the inhabitants of Kuibyshev increased from 175,000 to 600,000.

Such pressure of population would have been a nightmare for any town planners, especially as they had to compete for scarce resources with equally harassed planners in other branches of the economy. Yet, in 1945, they had in addition the equally gigantic task of reconstruction in the western regions ravaged by the war. The residential districts of Stalingrad, Smolensk, Voronej and other towns had been completely destroyed, those of Leningrad, Kiev or Kharkov scarcely less so. According to Soviet statistics 1,700 towns and workers' settlements had been reduced to ruins. Out of the 100 million square metres of floor space which were to be restored or built in the towns during the Five Year Plan (1946-50), some 60 per cent were needed to rehouse the victims of the war in the west. The plan, it is claimed, has been somewhat overfulfilled; but even so it does not leave more than 4 square yards—that is, six feet by six feet—per head of new town-dweller, which is certainly very little indeed. (In Britain, 900 square feet is allowed for a standard one-family subsidised house.) Yet even this was achieved only by the sacrifice of rural building. When, in 1949, in view of the tense international situation, the Soviet rulers decided to step up the production plan for heavy industry, it was clear that consumers' goods industries and housing would be the chief sufferers; and it was housing in the rural areas that first felt the axe. By the end of the plan period only 2,700,000 rural dwellings had been built or restored, or one-fifth less than the 3,400,000 dwellings which were to have been erected by 1950.

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Towns were given priority over the countryside because it was necessary to house the industrial workers. Now, with the inexorable logic of scarcity, the planned dormitory areas of towns are being sacrificed for the sake of factory building, and urban housing is falling short of the already inadequate figures of the plan. This must create much discontent among town workers, and the Soviet rulers, to anticipate further trouble, seem to have decided to bring the matter into the open and put a great part of the blame on incompetence. The Ministry of the Building Materials Industry and its head, M. Yudin, were chosen as scapegoats. Not only is his Ministry being rendered responsible for all the usual defects of hasty construction, but it is also strongly attacked for supplying in the first quarter of this year only one-third of the building materials for housing which it was to provide under the plan. Such a failure can hardly be wholly the result of incompetence; it must form part of a general policy of putting factories before houses.

Thus the second line of attack, directed at town planners, seems more logical. Since resources are and will remain scarce, they must be used in the most economical ways: big blocks of flats should be built, and they should be erected in the centre of towns so as to shorten the range of roads and sewage mains required. The recently constituted all-Soviet Housing Committee points out accusingly that in most towns the opposite policy has been followed. Thus, to quote but a few examples, in Kuibyshev and in the centre of the car industry at Gorki, small houses accounted for over 95 per cent of the buildings erected during the last three years. In the tractor-producing Cheliabinsk in the Urals, and in the oil-refining town of Jaroslavl, nearly all the houses were built in the suburbs. Both planners and inhabitants are equally to blame, it is argued, and the whole policy must be quickly reversed. It probably will be. Even so, however, and despite the apparent achievements in building techniques and in mass production of standard parts to be assembled on the site, the housing position is likely to remain painful and even to deteriorate as long as the Soviet view of the international situation is such that heavy industry must have first call on the resources of the country.

The present housing situation is certainly bad, even appalling by western standards. The Soviet Press admits that in new houses small rooms are allocated grudgingly according to a metric quota of floor space. Bureaucrats and privileged shock-workers are given priority. In the older houses with five-room flats, five families in a flat is the rule rather than the exception. Western standards, however, should not be rigidly applied, for living conditions in Eastern Europe were never comparable with those of Western Europe, let alone of England. Electric light and a good water and sewage system were often luxuries even in towns like Lodz, the Manchester of Poland. At least all the towns in the Soviet Union now have electricity and this is, indeed, something for a Russian *mujik* turned town-dweller. Yet, even this patient new townsman, who may in his youth have experienced the squalor of housing in the Russian countryside, is capable of becoming restless in the long run. This is probably the reason why the Soviet headquarters has now sounded the alarm on the housing front. It is, however, unlikely to throw any new forces into the battle. The five housewives sharing a kitchen stove may well ponder on the fact that, paradoxically enough, this overcrowding is one of the penalties the Russians are paying for belonging to a nation that is a great international power. How great the penalties are likely to remain cannot be judged until more is known of the objectives of Soviet planners for the future; at the moment no plan for 1951 has been published and there is no sign of the next five-year plan. It may well be that the decision to move closer to a state of full war economy has not yet been taken and that Moscow is content for the time being with a state of affairs in which defence expenditure is about half-way between the level of the peaceful early thirties and that of full preparation for war with Germany.

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NOTES OF THE WEEK

Mr Acheson and the Cooing Bear

It is premature to start talking already of a Soviet peace offensive, for so much of it consists so far of mere affability—and affability costs nothing and commits nobody. Mr Malik's suggestion for a cease-fire in Korea was something that could be bitten on; and if it leads even to the beginnings of a settlement in Korea, the Soviet leaders will be given full credit for helping the Chinese and North Koreans out of a nasty situation. But the appearance of an article by Mr Morrison in *Pravda*, the publication in Moscow of a new English-language magazine with copious references to the historical friendship of Russians, Americans and British, and the symptoms of cordiality in Soviet diplomatists that are being reported from all over the world—these amount to little more than a pleasant and cooling water ice. If they are the prelude to acts of friendship and co-operation, well and good; if they are not, they will have to be reckoned as part of the plan that is now getting public men from the free world to visit Moscow and discuss all manner of topics under the auspices of the subversive peace campaign.

Mr Acheson struck the right note when he spoke in Detroit on Tuesday; indeed, Mr Acheson has for some time been formulating western policy more clearly and consistently than any other western statesman. He insisted that the situation remains dangerous so long as Soviet power "is of threatening proportions" and so long as Moscow "does not show willingness to work for a stable and peaceful world." The object was to block Soviet expansionism without war by building an effective system of collective security. While that was being done, danger would remain; to relax the effort would be as dangerous as it is "to fall asleep in a blizzard."

It may sound callous and stubborn of Mr Acheson to say that the free world's task "remains the same whether our adversaries are cooing like doves or growling like bears"; but the Soviet leaders would probably say exactly the same of their task. In Warsaw on Sunday Mr Molotov, who is in charge of Soviet foreign policy, found it impossible to do anything but growl warnings to possible Titoists in Poland and warmongers in the West. If he had given any hint, before a picked Communist audience, of a desire to negotiate at the great points of tension in Germany and Austria it would have been something to treat with attention and respect, and the growls could have been ignored. But he seemed much more concerned to rally the satellites around him by emphasising the solidarity of the Communist bloc—including 18 million Germans—against the world of the Atlantic Pact. It is possible, of course, that the Kremlin is seriously frightened of the rearmament that its policy has provoked in Europe and the United States; but it will not make concessions to that growing power until it is convinced by trial and error that it cannot divide peoples and governments by helping the Bevanites of the western world. Those who let themselves be lulled by the cooing will help to put off the day when serious negotiation becomes possible.

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Persia Thinks Again

Mr Averell Harriman has won a round by revealing that some Persian minds are still half-open to reasoning. He has extracted from Dr Mossadegh's government suggestions for a possible resumption of oil negotiations which concede at least one point not previously conceded: readiness to negotiate with the British Government. Previously it had contended that its quarrel was purely domestic, between itself and its concessionaire. The "suggestions" are ambiguously worded, but give grounds for hope that the Persians will also concede a second important point: that discussion could take place on the basis of the nationalisation law of March 15th, which merely established the principle of nationalisation, instead of on that of May 1st, which dictated the conditions in which the employee of the Anglo-Iranian Company was to be converted into a Persian government servant.

Several factors seem to have combined to produce this slackening of tension. One is Mr Harriman's personality: he not only impressed the Persians he met, but spurred them to be unusually thoughtful and reticent about their talks with him. Another was the overwhelming knowledge of the conditions of trade in the world's oil displayed by his accompanying adviser, Mr Walter Levy. A third was the discovery that the advertisements of Persian oil for sale, that have been appearing in the world press, do not immediately bring a queue of customers, particularly when they carry the footnote that buyers must bring their own tankers. A fourth—and one which may bring dissension inside Persia—is the realisation by some Persians of the triumph they are scoring for Soviet policy. Attention was drawn in *The Economist* of June 9th to the skill with which the Russians had refrained from frightening the Persians by displaying their satisfaction over the plight of Britain. In recent weeks their delight, and the hand they are now taking in events, have been less well-concealed, and some Persians have noticed them.

But the British are not yet past the peak of their difficulties on account of the situation at Abadan. Trouble between company and government has always been exacerbated by the sheer distance of the oilfields from Teheran, by the difference in atmosphere between a high-plateau capital and a coastal desert, and by resultant lack of co-ordination between events and tempers—British as well as Persian—in the two places. Exasperating nuisance tactics are still being followed by the Persian government representatives in the south. Some of these are poor men and they have gazed on the rich loot which would fall into their hands if they were to be able to smoke the British out. The British personnel on the spot cannot indefinitely be subjected to their insults. Yet it is doubtful whether Dr Mossadegh has the power to call them off at long range. The immediate problem for the British Government is at Abadan, not in Teheran.

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Jordan Without a King

King Abdullah's death sent half Jordan into deep mourning. But in the other half of his kingdom—on the west bank of Jordan that was Palestine till 1949—few tears are being shed; the same can be said of the refugee camps on either bank. Some ex-Palestinians—responsible men who see the dangers of quarrelling within the Arab world—have been ready to work with him. But there is no love lost between the thousands of indigent people who regarded his annexation of Arab Palestine as traitorous acceptance of the line that denies them their former homes, and the desert peoples of the east bank of the Jordan over whom he had ruled since 1921. The rift may well widen because he was shot on the west bank, in Jerusalem. In Cairo, a denial of complicity in the murder has been issued by his enemies of the "Gaza Government" that owes allegiance to the ex-Mufti of Jerusalem, Haj Amin al Husseini. But the murderer's motive was clearly the same as Haj Amin's: vengeance on a man who admitted the realities of life and the existence of Israel.

Jordan without Abdullah therefore threatens to become a prey to internal quarrels. These could be the more serious because the position about the succession is not clear. King Abdullah (a personal memoir on whom appears on page 221) must be rated as an unsuccessful parent, for all his virtues. He was autocratic and over-repressive of his sons' activities, and his elder son, the Emir Talal, has become a prey to melancholia and fits of violence. If he were never to be well enough to rule, the heir is his son Hussein, a boy of 14. Meantime Abdullah's second son, the Emir Naif, has been declared regent.

These internal difficulties play into the hands of all who want change. Among those who wish it must be numbered the Mufti, who wants a territory; the refugees, who want their old homes and jobs again; the Russians, who want trouble for the west, and the "Greater Syria" aspirants of various nationalities who would like an excuse to annex part or all of Jordan. Last on the list is the Herut, or expansionist party, in Israel, the waning fortunes of which are described on page 222. With so many pressure groups weighing upon it, the new government of Jordan, the Prime Minister of which is Tewfik Pasha Abulhuda, must work hard for strength at the centre if it wants to preserve stability and independence.

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An Election Policy

Attempts to estimate the likelihood of an autumn election lose none of their fascination at Westminster although by now most of the considerations that Mr Attlee can possibly take into account—and many that he cannot—have been discussed to fine extremes of subtlety. The slightest winds seem to convince many members of the House of Commons alternately that an election in October or November is certain and that Mr Attlee and Mr Morrison are determined to hang on until the spring. On balance, however, the belief that there will be an autumn election seems to have hardened in the past few days. And Labour members can now face the holidays with the consolation that at least an election programme is written.

This is the statement, drafted primarily to the tastes of Mr Morrison, that the party's national executive committee approved on Wednesday. It is, primarily, the moderated version of the last election programme that Mr Morrison would have preferred in 1950; in domestic policy there has this time been very little serious opposition to the principles of "consolidation" and "digestion." The disagreement from the Left was concentrated on the statement's support of the rearmament programme. On Wednesday Mr Bevan and his three supporters on the executive committee made as much trouble as they could at every stage of this argument, but in the end they accepted the majority decision. The rumours that they would feel obliged to resign proved to be unfounded—which had, indeed, always seemed likely to be the case.

This statement of Labour policy is now being sent to the constituencies for discussion before it is submitted to the Scarborough conference in October. The resolutions submitted for the conference by the constituency parties and trade unions were published this week; both Mr Bevan and Conservative commentators have made the most of the fact that an overwhelming majority of the resolutions imply agreement with Mr Bevan and criticism of the Government. It is, however, quite wrong to take this as a guide from the constituencies as to the state of feeling in the party. The Left wing is always most vocal at these times, and many of the resolutions are similar enough to make it plain that they have been engineered by a small group of authors. There is no reason to doubt that, however Mr Bevan chooses to develop his campaign during the month before the conference, the executive's statement of policy will command a clear majority of votes at Scarborough. How many votes it will command in the country, as an election programme, is another question.

Another Divided Team?

In the last Parliament speeches on foreign affairs from the Labour backbenches were closely watched for signs of revolt against Mr Bevin. It was the Tories' turn to receive similar scrutiny during Wednesday's debate on foreign affairs. The leaders of both parties were looking, eagerly or anxiously, for evidence of the rumoured divisions of opinion within the Conservative ranks; in particular, it had been suggested that the more hotheaded Tory members were becoming restive under the moderating leadership of Mr Churchill and Mr Eden.

The signs of disagreement were in fact few. This was partly because discussion of the Middle East, the region in which the Tories are most impatient about the Government's policy, had been postponed until next Monday. But the more important reason is that there is no real, coherent challenge to Mr Churchill's views on the world situation. There is some chafing at his demand for restraint during the Persian negotiations, and there are some calls for more drastic action towards Egypt and in the defence of British interests in the South Atlantic. But Labour speakers and publicists are misleading themselves if they regard this as a significant revolt against Mr Churchill's or Mr Eden's leadership. Mr Churchill has had ample experience at curbing or guiding pressure for drastic action—as in the two years of demands for a second front—and he has never shown himself afraid of the more rigidly Tory elements in the party which, late in life, he came to command. He has never set the Left wing slogan on its head and cried *pas d'ennemis à droit*. There was a period, it is true, when in the Commons Mr Churchill appeared to be speaking with a much softer voice than Lord Salisbury adopted in the Lords, but on Monday he put himself into step with a gibe at Mr Morrison's "butter fingers"; the reports of a radical disagreement are baseless.

The truth is that, in foreign affairs as in home policy, the differing streams of opinion within the Tory Party are likely to remain below the surface so long as the party is in opposition. Nor is there much profit for the Tories' opponents in attempts to play off personal differences, such as those supposed to exist between Mr Churchill and Mr Eden. Mr Eden would be less than human (and much less than a politician) if he did not at times find that the role of heir apparent has its disadvantages. One acute Tory backbencher has described the relationship between the two men as akin to that between Queen Victoria and the future Edward VII in the later stages of the Great Queen's reign. But Mr Eden's loyalty to his leader cannot in any way be questioned, and there is in any case no reason to think that his views on present policy differ appreciably from those of either Mr Churchill or Lord Salisbury.

* * *

Up or Down?

Hopeful Labour backbenchers have lately been pressing the President of the Board of Trade and the junior Ministers of his department about the possibility of lower textile prices now that the raw material boom is receding. This impatience contrasts strikingly with the reluctance of Labour opinion to accept the consequences, in terms of retail prices, of the raw material situation at its tightest; the questioners seem to be unaware of the lags from which British consumers have benefited on the rise but may suffer on the fall. The price increases that have horrified shoppers in the last twelve months have accompanied the commodity boom set off by rearmament, but have not been primarily caused by it; until recently the influence behind them has been the earlier increase in sterling prices due to devaluation. The peak in raw material prices reached last spring has as yet made only a minor impact on the final purchaser's pocket, and its passing (assuming that to be more than a temporary phase) can afford a correspondingly small relief. Any rejoicing should be rather at the withdrawal of a threat of further increase than at the promise of a rapid future reduction.

Last week Mr Bottomley justifiably dodged the point-blank supplementary question in which Mrs Mann inquired whether he would advise his wife to put off buying blankets till the autumn. But to expect any perceptible fall by the autumn, which is just when some of the goods made from the very dearest wool will be reaching the shops, is to put a quite uncharacteristic faith in the beneficent capacity of private enterprise to damp down the impact of particular scarcities. Looking further ahead, the prospects may be brighter—and play their part in Labour's electoral calculations. The hope of lower prices is hardly relevant, however, outside that range of goods in which raw material costs form a particularly large proportion of the final price. In the world commodity markets, what goes up may come down; it is otherwise with the round of wage increases by which inflation is now being immovably built into the cost structure. There may be a brief, electorally propitious moment when, for many consumer goods, the effect of the decline in raw material prices will outweigh that of the rise in other costs. To identify this moment in advance would, however, be a feat of successful speculation with which none of the historic "killings" on the world's commodity markets would stand comparison; the Government would hardly be judging itself on past form if it pinned its hopes to such a feat.

* * *

Candour Begins at Home

On two occasions in the last week M. Spaak, as the outstanding personality of the Council of Europe, has shown before British audiences a generous understanding of British difficulties in co-operating with the movement for European unity. Indeed, he has stated their government's objections to full participation so fully as to come under suspicion of drawing a caricature. But there is one feature of his advocacy—and, indeed, of Mr Churchill's advocacy—that arouses even more suspicion. It is the refusal ever to state in specific, easily understood form the kind of detailed difficulties that have to be overcome. Two years ago this vagueness was pardonable, as there was little evidence of what these difficulties might be; now it is no longer pardonable, for the negotiations over the Schuman Plan, the working of OEEC and EPU, and the proceedings of the Council of Europe have supplied countless illustrations. In some cases the difficulties have been overcome; in others they remain; in most cases the soundness of the British Government's insistence on the functional approach, uninspired though it sounds, has been proved.

There is a danger that a pretence which was convenient and fair enough at the first session of the European Assembly may become a habit; and the result can only be, sooner or later, that some carefully worked out plan for political, economic, or military integration suddenly becomes unworkable when the voters in the countries affected realise what sacrifices are asked of them. There is a danger of this happening in Germany as the trade unions examine the Schuman Plan. It happened two years ago when the French wine-grower and horticulturist realised what was implied by the Franco-Italian customs union. It has caused difficulties for Benelux. The British will take more earnestly to heart the reproach that they have not done enough for European unity if they can read of European statesmen explaining to voters a little of what will happen when plans for integration make their impact on the individual miner, farmer and factory worker.

* * *

Progress at Kaesong

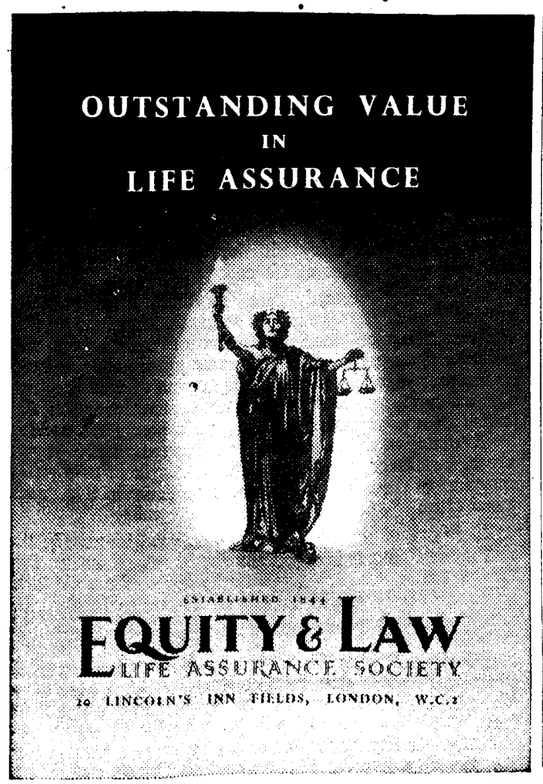
The latest reports from Korea indicate that the Communists, after an interval to observe reactions in the free world, have decided to climb down from their preposterous demand that an armistice should be made conditional on agreement to withdraw all foreign troops from Korea in advance of a political settlement. This is encouraging news. General Marshall on July 24th made it quite clear in a prepared statement that the American Government refused absolutely to withdraw its forces before a settlement had been reached, and further that for an armistice to be concluded there must be agreement on "a military line which would be defensible in the event of any renewal of hostilities" and a system of mutual inspection to guard against a sudden surprise attack. The United Nations army cannot afford to take any chances in dealing with an enemy which, as experience has shown, will justify any *Blitzkrieg* simply by asserting in the teeth of the evidence that the other side attacked first.

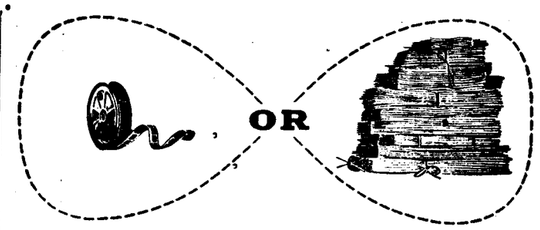
It seems likely that much patience combined with firm resolution will be required before an armistice is obtained. Meanwhile, however, the fighting has in any case died down. The United Nations' objective of driving the invaders out of South Korea has been approximately reached, and the aim now must be to make sure that they do not come back.

* * *

Rearmament Through Peace Committees

One wonders whether the genuine peace-lovers who attend the meetings and sign the petitions organised by the "British Peace Committee" and its local affiliates fully understand the nature of the international movement to which they are thereby lending their support. Some information about the present activities of the Chinese Peace Committee, which has the closest links with its British sister through the World Peace Council, may help to enlighten them. The





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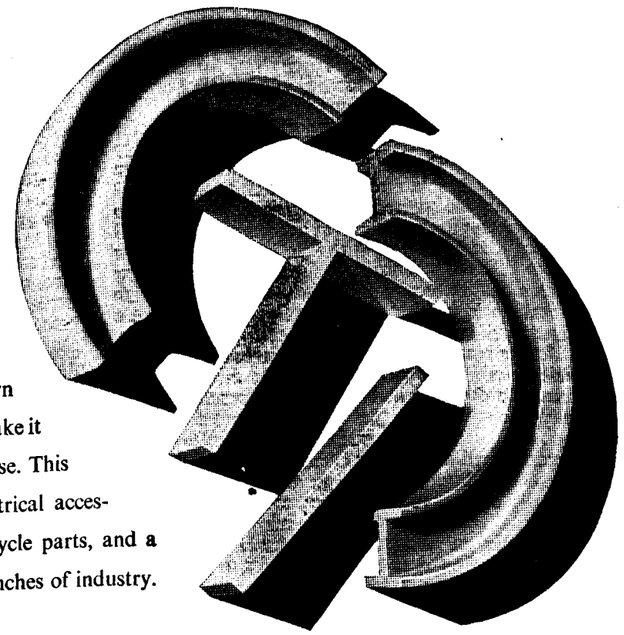

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Chinese Peace Committee (which is also known as the Committee to Resist America and Aid Korea) has in recent months come to play a central part in the expansion of China's armed forces. Since early June it has devoted its nation-wide propagandist network and its considerable powers of suasion to securing contributions for the purchase of arms; the latest figures to be proudly announced by Peking radio show that over 2,000 aircraft and 200 tanks and artillery guns can already be purchased with these contributions.

This is not, of course, the Peace Committee's only function. It is also campaigning for greater support for the Chinese "volunteer units" at the Korean front; for the signing by individuals and groups of "patriotic pacts" pledging herculean efforts in field, factory and school to keep the national armed forces supplied and to root out all opposition to the government; and for the recruiting of a quarter of a million 16-year-old boys and girls to enter military cadet schools. The Chinese Communist press and radio are giving the fullest publicity to these campaigns, adding much human interest in the form of such stories as that of a mechanic who postponed his wedding in order to work on Sunday as part of the arms fund drive.

* * *

Fraud and Identity

The correspondence, published last week, between Mr Clement Davies and Mr Attlee on the subject of identity cards leaves the impression that, while Mr Davies may have won a victory on points, he secured no effective verdict; Mr Attlee's last letter merely broke off the engagement. What is more disquieting is that the Government still seems determined not to face the issue on its merits. Twelve years ago the identity card started on its career as a security measure. The country is now asked to believe that it is necessary for administrative reasons. Like Mr Willcock, the citizen is entitled to ask "Why?", and it is to that question that, so far, no serious answer has been given.

Until Mr Willcock's stand (discussed in *The Economist* of June 30th, page 1550), the card was used for three main purposes: by the police, to provide a cross check on motorists' driving licences; by the Food Ministry, in connection with the issue of ration books; and by the Post Office to prevent (or hinder) fraudulent withdrawals from the Post Office Savings Bank. Mr Willcock has, effectively, wrecked the police card index of convicted motorists' identity card numbers. Can the departments substantiate their claims for its retention? The Ministry of Food already claims to work on the principle that no new ration book is issued in renewal unless the earlier book is surrendered. How can it be suggested that the production of an identity card as well lends any additional safety to the whole operation? So far as the Post Office is concerned, a depositor, to obtain any money from his account on demand, must produce his savings bank book, which contains his signature, and sign a form, thus providing for a comparison of the handwritings. All his identity card contains is another version of his signature, which would seem to add little to the security of the procedure. To cheat the Post Office a man must falsify his own book, or steal someone else's book, or forge a complete new book. If he falsifies his own book, the identity card is no protection at all to the Post Office. If he can turn out false savings bank books he could, presumably, turn out false identity cards equally easily; in fact, that would seem to be the simpler task. The Government's answer to Lord Reading's motion on identity cards in the House of Lords this week was not known at the time of going to press. But the impression left from the discussions of recent weeks is that the departments wish to retain the identity card because they cherish the belief that the criminal can be deterred from crime by increasing the trouble he has to take to succeed. One wishes there were some evidence to support that pleasant theory.

The Highest Civil Service

The resignation of another civil servant of the highest rank in order to take up an industrial post ought to act as a danger signal. Nobody who knows Sir John Woods, the Secretary of the Board of Trade, will wish to cast any reproaches upon him. He was seriously wounded in the first world war and for many years only great gallantry in the face of suffering has enabled him to go on bearing the crushing burden of work and anxiety that falls to the permanent head of one of the largest and most varied departments of state. He is one of the most popular figures in Whitehall and will carry with him into his new post the unalloyed good wishes of his colleagues.

The incident serves, however, to direct attention to the present state of the higher civil service. There are roughly thirty-five men of Permanent Secretary rank in the civil service; of these all but four are now 55 or over; and one of the four exceptions is resigning at the end of the year. There is nothing absolute about the retirement age of 60; but all these men have, for a dozen years past, been working far harder than the public can well imagine; and many of the best of them are in poor health. It is safe to say that very few of them will still be at their desks in five or six years' time.

There are, of course, plenty of able younger men in the civil service. But it is significant that though there are four men of Permanent Secretary rank below 50, there are none between 50 and 55, and the gap of the lost generation presumably exists in the second and third ranks also. The task of finding thirty men capable of filling the post of Permanent Secretary or Deputy Secretary of a department—in addition to the various posts in the nationalised boards and elsewhere which in practice have to be filled from the highest ranks of the civil service—will be one of quite exceptional difficulty. It falls to the lot of the Permanent Secretary to the Treasury, but Sir Edward Bridges himself reaches his 59th birthday next week and is beginning to pay the penalty of never having spared himself.

The efficient functioning of the immensely complicated apparatus of state, which is one of modern Britain's outstanding achievements—but which the politicians and the public are apt to take for granted—depends entirely upon the quality of the very highest civil servants. It is not going too far to say that the civil service has managed to meet the demands hitherto put upon it only at a cost to individuals far greater than any employer ought to ask of his servants, and that it may well crack under the burden if so many of its most experienced members depart in such short order. There is very little possibility of providing reinforcements. The service might have been less cavalier at the end of the war in its attitude towards the higher ranks of the temporary civil servants, more of whom would have stayed if it had not been made so clear to them that their prospects would be much worse than in other employments (only two of the present thirty came into the service as temporaries during the war). But that mistake can hardly be reversed now; and in any case, though there are brilliant exceptions, it takes many years to train a Permanent Secretary. The only real answer is drastically to reduce the activities of the state. This will not be easy. But it may become compulsory.

* * *

Education Without Work

It is refreshing that a debate on education should be concerned with the content of education as well as with the details of administration. On this score, Tuesday's debate in the House of Commons was well above average. The Parliamentary Secretary for Education seems to be among those who are chiefly interested in the primary school and who still cling to the idea that as long as school work is brighter it must inevitably be better. Mr Hardman said that

DEMOCRATIC ELECTION

MR. ARTHUR HORNER, general secretary of the National Union of Mineworkers, has given an unfortunate impression by his speech foreseeing industrial unrest in the event of a Conservative government. He need not have intended more than to emphasise the truth as he sees it when he warned that any attempt to reverse the trend of progressive reforms would bring about "the greatest crisis in history." But he caused a sensation by declaring that if a Tory government were returned it was certain that there would be a national strike of miners, in view of Tory proposals for the industry.

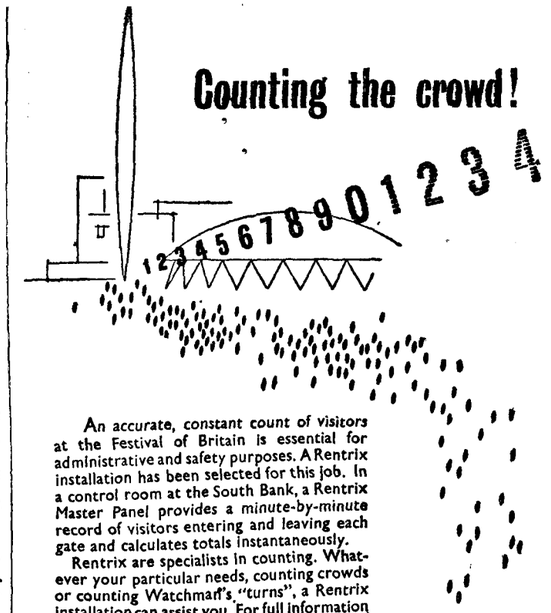
Whether he meant it or not, Mr. Horner has only himself to blame if people read a threat that the power of a trade union might be pitted against a democratically elected government. And the idea that any trade union should dispute with any government the question of who rules Britain is one that no supporter of democracy can tolerate.

Workers Will Decide

Mr. Horner and everyone else should understand that the workers of Britain WILL decide the next government. They will choose it without resort to strikes, at the polls. No one can override them; they are by far the biggest group in the community. The party elected will then govern by the majority will of the nation, which is the foundation of law. Whoever they are, they will have to pay attention to the opinion of the miners in running the coal industry. But their responsibility will be towards the community as a whole.

If miners and other workers fear that a Tory government would be bad for them and for the country, they should fling their whole weight against the Tories at the polls. But when the election is over, all sides must accept the verdict. Votes are democratic weapons; political strikes are not. The ballot box, and not any orator's tub, will reveal the will of the people.

Reprinted from the editorial column of the Daily Mirror of July 17. The Daily Mirror's net sale—over 4,400,000—exceeds that of any other daily newspaper in the world.



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what matters most at fifteen "is a child's excitement and curiosity about life" and that if it has "exuberant vitality, a sense of humour and a sense of service" it can go a long way in adult life. All these are undoubtedly great assets, but a certain competence in the three Rs is an advantage that at present it is unfashionable to remember. It was all to the good that Miss Horsbrugh and others emphasised the importance of these things. The grammar schools are complaining bitterly that their entrants, drilled only in the expertise of intelligence tests and accustomed only to "activity methods," cannot write the simplest essay.

The other main subject of debate on Tuesday was the comprehensive school. Several speakers tried to obtain a definition of the Ministry's policy. In fairness to Mr Tomlinson, it should be said that his department has done nothing whatever to press for this type of school; indeed, it has done a good deal to curb some of the more extreme ideas of local authorities and to point out the difficulties. The authorities that have gone ahead with comprehensive schools have done so on their own initiative, and Mr Tomlinson has very properly remained neutral unless a scheme appeared to be impracticable; Mr Hardman said that the Ministry was prepared to see experiments tried out by different authorities. But the question about the LCC's proposals, which have attracted most attention, is whether the scale of their plans amounts to an experiment, or whether it is a steam roller. On this the Government's views remained undefined.

* * *

The Case of the Polish Tankers

Mr Attlee had some difficulty in answering the questions asked last Monday in the House of Commons about the Government's seizure of two tankers which have been built in this country for Poland. It would, indeed, be hypocrisy to pretend that this action is not a breach of contract. It is incontestable that the Polish Government secured the insertion of a clause in the Anglo-Polish Trade Treaty of January, 1949 which expressly provided against just such actions. Let it be acknowledged with regret that the cold war has driven one more nail into the coffin of international and private agreements.

The Government has justified its action under the emergency defence powers which it still holds. It is certainly not for Poland or any other totalitarian state to object in principle to the exercise of such rights; and the Polish Government itself has defaulted in its undertaking to compensate the owners of nationalised property in Poland. British history even in recent years has provided instances of emergency actions such as the seizure of the battleship which was just ready for delivery to Turkey shortly before the outbreak of the 1914-18 war. It is apparent that the present action against Poland rests on the same assumption that a state of emergency exists and indicates that the Government may have decided to follow a much more drastic policy than hitherto in its trade with the Soviet sphere.

However severe British practice becomes, it is not likely to satisfy the American extremists who sponsored the Kem amendment, forbidding economic aid to any country selling goods of potential military value to Communists, or the framers of the more limited but specific Battle bill, covering military as well as economic aid. A stricter British policy will, however, make it easier to co-ordinate the controls which all countries receiving American aid are imposing. Hitherto it has been a difficulty that the Germans could accuse Britain of applying fewer restrictions on exports eastwards than they were instructed to impose. Britain and Germany both present exceptional problems within the whole tangled complex of east-west trade, owing to the volume of British business and the loopholes offered by the artificial division of Germany. Perhaps the Ruhr industrialists who constantly assert that the British accept contracts which they are forced to reject will be impressed by the seizure of the Polish tankers.

* * *

Marshall Aid and the Colonies

When Marshall Aid to Britain ceased last January, it was announced that free grants from ECA for colonial development would continue. This was welcome but stirred no great enthusiasm, because the total aid so far given to British colonies through ECA was only £4,000,000, apart from a certain amount of technical assistance, and special loans for expanding the production of strategic materials. The grants were so hedged about with restrictions, that the Colonial Office was not strongly tempted to put in applications A grant could be made only for specific projects, and was given in the form of essential dollar equipment, to be bought in the United States. As most of the projects were for road development, a major beneficiary under the scheme was the Caterpillar Tractor Company, whose products were in great demand.

Experience soon showed that the part of any project that needed to be paid for in dollars was small, perhaps only between 5 and 10 per cent of the total cost. So as more and more equipment became available in Europe, this form of help became almost meaningless. The Colonial Office contended that it should take the form of supplying dollar consumption goods needed in the colonies, thus releasing British productive power to supply the capital equipment. It was not until November, 1950, that the Americans, stimulated by the general recognition that more must be done to help the overseas territories, agreed to a radical change in the procedure.

Under the new arrangements, grants need not take the form of dollar equipment. Up to 50 per cent of the cost of a project can be met by the United States supplying consumption goods—tobacco and flour—to other colonies previously agreed upon by Britain and the United States. According to this procedure free grants of £2,750,000 have now been made in connection with eight colonial projects —road schemes in Sierra Leone, Tanganyika, Nigeria and Northern Rhodesia; a rail link in the Gold Coast; the construction of wharves in North Borneo; draining and irrigation for rice production in British Guiana; and the expansion of the Enugu Collieries in Nigeria. Assistance in this form has been much appreciated; more is the pity that such a satisfactory procedure having at last been established, the whole programme lapsed on June 30th. It is thought that free grants for general development will now be replaced by loans but there is great pressure among certain sections of American opinion for some flesh to be put, at long last, on the bones of all programmes generally known as "Point Four." It is to be hoped that the "general development" part of ECA aid, small as it is, will not be a victim of the many other rival demands.

* * *

No More Clerks?

The development of electronic calculating machines, using electrical impulses instead of mechanical counters, has been going on for some years both in the United States and in this country. Hitherto they have been regarded solely as a tool—a large and intricate tool—for the research worker. The latest model, recently installed in Manchester University, is the first—in this country at least—to be factory-produced. It, and others like it, are looked upon as general-purpose machines. They can carry out ordinary arithmetical calculations at lightning speed compared with the quickest of desk machines. They can be set to perform special complicated calculations and they can store information. These qualities have given rise to the popular conception of an "electronic brain." But this is a misnomer. The machine must be fed with carefully worked out instructions which it will follow literally. And its powers of choice are only such that, according to the result of a test at some point in the calculation, it can select from alternative courses the correct one for the subsequent calculation.

The designers of these latest machines envisage a world in which general statistics, commercial accounting and the tediousness of PAYE are reduced to the speed of electronic circuits. It is not easy to follow the designers into this new world where clerks would be comparatively few—but where, it is apparent, there would have to be a host of highly skilled machine instructors and technicians. The present computors seem most suited to perform intricate mathematical analysis on a fairly small import of data, whereas for most commercial uses, the reverse is required—relatively simple calculations on a considerable import of data. In much of the national census work, the time of actual computation is small compared with that required to collect and assemble the raw data and to present them in their final form. It is by no means certain that electronic computing can make any drastic inroad on the time taken in the preliminary stages. If used in accounting, the legality of keeping the information in the form required for the machine might well be questionable.

But experiments in the commercial field are being made. One of the largest firms of caterers in this country is having an electronic calculator built. This is to be subjected to tests for commercial use, but it is far too early to say whether it will be found at all practicable. Apart from anything else, at the present price of about £55,000 for the latest model, the electronic computing age hardly seems to be just around the corner.

* * *

Five Years' Fun

In spite of untimely power cuts on the Big Dipper and the accident on the Emett railway, cheers greeted Mr Stokes's announcement last Tuesday that the Government will ask Parliament to keep the Festival Gardens open for five years. Not only visitors but also Londoners—except, perhaps, the inhabitants of Cheyne Walk—may be expected to welcome a prolonged fun fair. The Gardens opened late, and it is fair neither to the taxpayer nor to the designers to expect the undertaking to exhaust its value in so short a period as four months. If, as Mr Stokes claimed, continued opening will in fact ensure a larger return on the capital soaked up by mud and strikes, Parliamentary cheers are justified.

Before the suggestion is approved, however, Mr. Stokes should provide convincing evidence that no more capital will be needed. The new lease must not be made a cover for the failure of the gardens to yield the estimated return; and if their life is prolonged, some points of organisation will need reconsideration. The income of the gardens has been restricted not only by Sabbatarianism but also by failures in the imagination of the organisers. If they are to continue, there could well be more flexibility in such matters as later closing on certain days of the year. But if Chelsea agrees, the contractors accept, and guarantees are given that no more capital will be asked for at the last moment, few people will oppose Mr Stokes's suggestion. It is to be hoped that the Government is also considering the future of the South Bank, whose café front has provided new evening entertainment for Londoners, and whose profits are perhaps as far behind the estimates as those of the fun fair.

Shorter Notes

The debate on broadcasting policy on Thursday of last week was very largely, as expected, taken up with the Government's proposal for national councils drawn from the local authorities. Apart from this, not much that was new emerged. It is, however, worth placing on record that none of the Conservative speeches expressed any support for the principle of monopoly and all but one attacked it. This would not have been possible a few years ago; it is evident that public opinion is moving.

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The Iraqi Government has withdrawn from the High Court in London an action concerning its dispute with the Iraq Petroleum Company about the basis on which its royalties are paid. It had contended, and the company had denied, that by the terms of their mutual agreement the rate in gold shillings per ton was payable at the free market rate for gold. The case is adjourned *sine die*. This initiative taken by the Iraqis during the present period of Middle Eastern ferment about oil is yet one more proof of their commonsense attitude to world affairs. It may also be a sign of their belief that the current Baghdad negotiations for a new agreement on an overall rate of payment per ton of oil extracted are progressing favourably. The rate of payment need not necessarily be related to gold.

Arms for Peace

The annual meeting of the friends of Peace took place this week in Exeter Hall. They seem to be gaining ground in public estimation, and were honoured on this occasion by having . . . an eminent man of science for their chairman. Free Trade and they are close allies, and would bind all nations in bonds of amity. Without peace, the law that permits unrestrained intercourse would be a dead letter—without Free Trade, peace would have none of the intercourse of friendship. As Free Traders, therefore, we share the hopes of the members of the Peace Congress, and strive ardently for objects similar to those which attract them together. A survey of society somewhat different from theirs, leads indeed to a conclusion not quite in accordance with a resolution they have adopted. Since 1815 the several Governments of Europe, notwithstanding the "standing armaments with which they menace each other," have remained at peace. . . . In that time, too, very stirring events have occurred, quite sufficient, according to what took place in 1792-93, without prudent management, to have plunged all Europe into another revolutionary war. It cannot be forgotten that the war then begun was incited by the supposed defenceless state of France. The Sovereigns of Europe and the Minister of England shared the delusion—mistook the dismantled fortresses of an old tyranny for the ruins of a destroyed nation. They supposed that the overthrow of the Government had cut the sinews of the national power. They expected an easy conquest. . . . From that example, and from the peace that has been so continuously preserved since 1815, with mighty armaments on all sides, we cannot but suppose that the state of preparedness for war had something to do with making nations respect each other and with keeping them at peace. . . . Though the mutual and friendly relations established by Free Trade may make [mighty armaments] unnecessary, that has not hitherto been the case. Till people generally be more friendly towards each other, and till their Governments be altered and improved, we are afraid that the armaments will be useful in making the Governments respect each other, and in preserving peace.

The Economist
July 26, 1851

Letters to the Editor

A Deal with Franco

Sir,—Your note in your issue of July 21st treats a serious matter far too lightly and superficially. Economic aid to Franco will strengthen his regime and I cannot understand how any liberally minded person can see in this any prospective benefit for the Spanish people. Furthermore, I believe that moral indignation, however impotent, and I do not believe that it is, will at least preserve us our friends in Europe, who will stand, or fall, with our liberal sanity. On the basest calculation, surrender of the right of moral indignation would be an unwise and unremunerative sacrifice.

To expect a reformation of the Franco regime is, at best, pathetic, and, more truly, is criminally myopic. I feel sure that few Spaniards, and even fewer Europeans, see the American action as "infiltration" designed to purify, which, I take it, is your argument.

It is unreal to assume that America can act bilaterally in Europe. Military (and economic) arrangements agreed upon between Spain and the United States will inevitably affect Nato's outlook and policy; these modifications may be little to our liking and will certainly be damaging to our reputation. Nor is Communist propaganda so ineffective as to neglect to use this weapon against us.

Finally, your last sentence seems to me to develop your confusion still further. We know that it is impossible to live in the same world as Fascism, but we have yet to come to a similar decision about Communism, and until we do, it is wrong to confuse Spanish dictatorship on the one hand with Chinese, Jugoslavian—or Russian—on the other.—Yours faithfully,

London, E.11 J. H.

A Higher Pound?

Sir,—In his letter in your issue of June 30th "Financier" has raised a matter of considerable importance for the cohesion of the sterling area. Both in England and in Australia I have felt that such policy decisions as exchange-rate variations have not been sufficiently discussed, publicly at least, in the light of their effects on other sterling countries.

This is especially true in the case of policies regarding the drawing-down of the sterling balances which are at present accumulating in London in the accounts of other sterling countries. You drew attention in your issue of June 2nd to the need to ensure that the drawings do not occur in such a way as to add further strain to the economy of the United Kingdom. At the same time, the possibility of drawing on these balances in bad times is the overseas countries' main incentive to build them up. You appeared to have in mind a decline in demand for individual primary exports at a time of general full employment, for any general decline would surely betoken such a fall in world trade and employment that the United Kingdom would be glad of continued purchases of its exports by overseas countries. Certainly the "public works programmes" overseas which you mention (and the resulting foreign trade deficits) should have their merits weighed against those of similar schemes contemplated to maintain employment in the United Kingdom.

Finally, in elucidation of a point "Financier" makes, it should be pointed out that revaluation of the pound by the United Kingdom would be followed by many other sterling countries, which would thereby avoid the adverse effects on their terms of trade; in certain cases the prior revaluation by the United Kingdom might make a desirable change in an overseas country more politically practicable. Where such a change would be likely to affect dollar earnings by overseas sterling countries we can be sure that these repercussions would be carefully considered by the United Kingdom as custodian of the area's reserves.—Yours faithfully,

J. O. N. PERKINS

The University, Melbourne

Dearer Commercial Credit

Sir,—In your issue of July 14th you say, and it can be granted, that the ultimate lenders desire to buttress their revenues, against rising costs. On the other hand, the earning assets of the banking system have been vastly increased as a result of two world wars, while their paid-up capital has not gone up in proportion.

The public has no means of ascertaining what are the real profits of the banks, for they do not (so far as I know) publish their gross profits or show what sums are paid in taxation.

The banking system covers up its inner reserves, and its contingency accounts under the heading "deposits and other accounts." Is there any real reason for the new higher charges? If so the banks should substantiate their demands.—Yours faithfully, GEORGE WILSON

Virginia, Ireland

Birth Control for India

Sir,—I doubt whether your correspondent in India is right in saying that "there is in the Hindu religion [*sic*] no such absolute bar to contraception as in many Christian creeds."

Nearly 25 years ago the Bombay Board of Film Censors, of which I was a member, viewed an Indian film advocating birth control. At the end a Hindu colleague said to me "It is useless to preach birth control to Hindus. We believe in the sacredness of life, and that is why we marry our children before they attain puberty. Otherwise our daughters might be deprived of the opportunity for conceiving as soon as this were physically possible, and we fathers would then be guilty of potential murder."

Has India changed so fast since then that birth control propaganda will have any appreciable effect? I should like to believe it, but I wonder.—Yours faithfully, ALAN GREEN

Berkhamsted

*

Sir,—There are many people who regard the development of contraception as one of the greatest tragedies that has fallen on the human race. To such, the article in your issue of July 14th must have caused a good deal of pain. To give a factual account of what is happening is one thing; to approve it, as the article appears to do, without any concession to the principles of (presumably) many readers, is another. And in the towns "going to a clinic is less conspicuous; neither neighbours nor husband need know about it." Is this remark worthy of a responsible weekly in a Christian country?—Yours faithfully, BROOKE CRUTCHLEY

Cambridge

A Six-Day Week?

Sir,—I have been reading in your issue of July 7th a prophetic report from "Hansard," July 1, 1967, in which is painted a delightful picture of the welfare state of those days.

But has it occured to you, that July 1, 1967 is a Saturday? Does this mean the Parliament of the future will work a six-day week, when the present tendency for all civilised beings seems to be to do less work for more money?—Yours faithfully, G. W. K. ANDERSON

Bristol

The Week-end (Abolition) (Emergency Provisions) Act was passed in 1951.—EDITOR.]

Inquest on Farming

Sir,—Thank you for publishing Mr Oliver Smedley's letter. He is absolutely right. If we wish to stop inflation, remove the bottlenecks in production and prevent the encroachment of tyranny in our midst; we must return to a free economy.

I write as a farmer and a member of the National Farmers' Union, and I can say that many farmers appreciate that government promises of "fair" prices must prove completely hollow and that all that remains are the conditions attached to the promises—conditions which embody undemocratic legislation.—Yours faithfully,

ANTONY FISHER

Framfield, Sussex

Return to Deficit

Sir,—"This disturbing outturn (we learn from your issue of July 21st) may have been partly due to the pre-emption of potential exports . . . ."

Could it not also be at least partly due to an inflationary disequilibrium of our vocabulary?—Yours faithfully,

P. H. A. KENYON

Ashford Common, Middlesex

Books and Publications

Man and the Land

A Natural History of Man in Britain. By H. J. Fleure. *Collins.* 350 pages. 21s.
A Land. By Jacquetta Hawkes. *Cresset Press.* 250 pages. 21s.
The Earth's Crust. By L. Dudley Stamp. *Harrap.* 120 pages. 18s.

The difference between the first two of these books is epitomised in their illustrations. Professor Fleure uses splendid photographs, many of them coloured, as well as copious and explicit line drawings and plans to document his comprehensive study. Mrs Hawkes has skilfully chosen black and white photographs to complement and amplify the drawings of Henry Moore and Ben Nicholson which interpret and are interpreted by her theme.

The first book is prefaced by an editorial credo:

> We believe that the study of the natural history of man in Britain can contribute to the view that he must be regarded as one with nature. We believe that the search for a true relationship of man and his environment can alone save our beautiful islands from wrongful changes, from the degradation and destruction which may result equally from unplanned development as from wrongfully conceived physical planning.

The author puts the matter more succinctly when he pleads for planning "on the basis of function rather than façade."

Professor Fleure examines the main lines of evolutionary response to environment from the combined viewpoints of historian, anthropologist, geographer and naturalist, disarmingly admitting that "no hard and fast line can be drawn, so what is included or excluded is the result of decisions that are submitted to the tolerant judgment of the reader." The reader will also need considerable powers of assimilation to benefit from the mass of information which is embedded in the agglomeration of this story of our forebears from the emergence of hominid forms during the eleven advances and retreats of pleistocene ice sheets to the pressure of population on subsistence which conditions survival today. The necessary telescoping of early millenia prescribes a catalogue style, the clarity of which is reduced by the author's meticulous balancing of pro with con, of exception with rule, in his anxiety to guard against schematic rigidity. But as the theme broadens, he allows himself greater amplitude, and gives signs of a pawky humour—as in the deliniation of the modern town, from "dormitory-village" to "night dead-heart" as indicative of social evolution.

From the fugitive evidence of continuity of physical characteristics over thousands of years, Professor Fleure deduces that a particular group tends to show a general pattern of choice which has conditioned social tradition in the past and will probably shape future development. The main threads which appear in this complicated web of evolution are unity, initiative and tolerance, and the author stresses the value of diversity, whether in religion, climate, physical type or mental outlook, in promoting that inherent cohesion based on compromise which accepts unorthdoxy. Here he shows some inconsistency, on the one hand regarding it as a matter for congratulation that as a result of diversity between barons and king, king and church, king and parliament, centralisation has been fended off until the present generation, and on the other suggesting that the contemporary effort to create the social-service state is a manifestation of old deep-rooted tendencies towards communal life which were disrupted by the Reformation, the enclosures and the Industrial Revolution.

Much of the charm of this book lies in glimpses from unaccustomed angles: that we owe the great church and many old inns and places of amusement at Southwark to the dilatoriness of local authorities in repairing London Bridge, thus necessitating the unloading of wagons and a consequent caravanseral; that the medieval worship of the Virgin resulted in the improvement in design and beauty of women's clothes; that the aristocratic garb of one generation tends to become a service garb of later times; and the endearing revelation that "one frequently finds pins near female skeletons."

Mrs Hawkes has chosen an almost identical theme in *A Land*, but to the evidence of geologists and archæologists she adds that of psychologists and the intuitive contributions of poets and artists, as well as her own sensitive awareness of "the unity of past and present, of mind and matter, of man and man's origin." In place of the wise planning which Professor Fleure thinks will rescue us from our present misuse of our heritage, she urges a change of heart brought about by an awakened sensitiveness. Professor Fleure would have us constantly remind ourselves of our past through the opportunity and proper use of museums; Mrs Hawkes would have us feel it in our bones. She is concerned with the qualities of the stone which makes the land; and stone, in all its variety and vagary, its manifestation in buildings and its intimate relationship with the character and social evolution of its people, is as familiar and dear to her as are flowers and plants to a gardener. All who would appreciate architecture with an extra sense, who would approach the sculpture of Henry Moore with new comfort, and who recognise the difference between a standard of living and a standard of values, should read this book. They will read it again.

The illustrations of the third book are the pillars of its argument, and fascinating they are. Dr Stamp has constructed some thirty three-dimensional models of different rock formations, glacial valleys, volcanic hills, deltas and the scenery and structure typical of various geological formations; these have been photographed in colour and amplified by captions and diagrams. These, together with a brief text, serve to explain the more usual features of physical geography and geology. The result is a most captivating book.

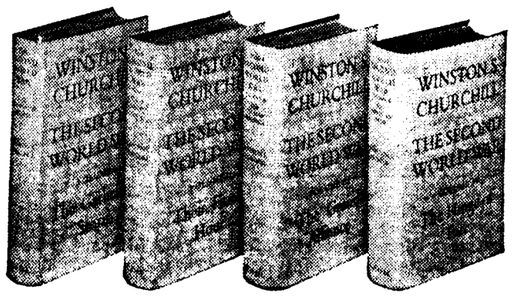
This new approach to these subjects would be entrancing in the schoolroom. But the book is not specially intended for children. Most adults who have ever puzzled over the formation of mountains or of cliffs will find this book both interesting and informative. But it is more than that. It is exciting. With a picture or diagram a page it is truly "geology without tears." The riddles of the earth's surface are answered before our eyes.

Travels in Indo-China

A Dragon Apparent. By Norman Lewis. *Jonathan Cape.* 317 pages. 15s.

This is a fascinating travel book about Indo-China. Mr Lewis went there in 1949 and appears to have left early in 1950. During that time he moved about in the country as much as he could, approaching the problem of doing so not as a political observer or journalist but as what he clearly proves himself to be—a writer of great distinction and a brave man who is not to be deterred by the incidental perils of a land at war. The result is a book which should take its place in the permanent literature of the Far East. It should certainly be of general interest to all, whether they know the Orient or not, who are concerned with the study of ancient civilisations, with the problems of backward peoples and colonialism, and with the Communist struggle of our own time. The book is beautifully illustrated with 28 photographs including a brilliant, coloured frontispiece; the coloured photography used for the jacket is quite exceptional.

Mr Lewis based his travels on Saigon and made four round trips—up into the territory of the Mois north of Dalat, round the delta with the French army, through Cambodia up to Angkor, and finally to Luang Prabang in northern Laos. If any criticism is to be made of such an intrepid traveller, it is that he saw relatively little of the Vietnamese, who, after all, are the most numerous people in Indo-China, and he never visited Hanoi or the Red River valley. But, as he makes clear, he did not go to study the war. Indeed, this relative detachment from politics gives his observations about current problems a special poignancy. Politics, of course, cropped up at every turn—Mr Lewis managed to visit a Viet Minh command post in the *Plaine des Joncs*—and the gloomy verdict to which he was driven seeps through much of his writing, however much he obviously admired individual Frenchmen. Since Mr Lewis left Indo-China, General de Lattre has transformed the military situation in the north. Yet it is



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hard to see how even a full-scale victory could sweeten the atmosphere of sullen resentment at the mere presence of the French which at times impressed itself on Mr Lewis. The future alone can prove how far he is right.

Leblanc Widnes

A History of the Chemical Industry in Widnes. By D. W. F. Hardie. *Imperial Chemical Industries.* 250 pages. 21s.

The rock-tipped promontory of Widnes in Lancashire, jutting out into the Mersey estuary to form the Runcorn Gap, is one of the classical sites of the British heavy chemicals industry. Dr Hardie's history, commissioned last year when the town celebrated the centenary of its basic industry, traces its development mainly through the lives of the founders and personalities of "Leblanc Widnes."

The tale of Nicolas Leblanc, the French surgeon who in 1790 won a prize of 100,000 francs from the Duke of Orleans for inventing a practical process to produce soda from salt, but who lost prize, patron and factory in the Revolution, is well known. His process, introduced into England soon after, was not firmly established there until the eighteen-twenties; it coincided with the repeal of the salt tax—but did not, Dr Hardie emphasises, follow upon it. It required the import of American sulphur and of Spanish pyrites for the development of the process. First established in Liverpool, it was driven from there by complaints about the noxious fumes it poured into the atmosphere around the alkali factories. St. Helens, and pre-eminently Widnes, became its new homes. These two places offered proximity to the Cheshire saltfield and Lancashire coal; railway and canal facilities, as well as a position on the estuary favourable for the import of raw material and the export of alkali; ready access to customers such as St. Helens glassmakers, the soap and metal industries of Warrington, and the Lancashire manufacturers of cotton. And at that time there were few residents to complain about the fumes.

For some thirty years—between 1847 and the mid-seventies—the Leblanc process and Widnes were supreme. Then came the introduction into Britain by Ludwig Mond of the Solvay ammonia-soda process which was more efficient. By 1890 depression had set in for the alkali trade. The Widnes manufacturers combined into the United Alkali Company, and searched assiduously for technical improvements to regain Leblanc leadership; but in vain. As a method of alkali manufacture, it was finally discontinued in the 1920s. But the making of sulphuric acid—as hardly needs emphasis in 1951—has become an important industry in its own right, and hydrochloric acid, the main constituent of the Leblanc fumes, is now made by essentially the same process. Today, housing the General Chemicals Division of Imperial Chemical Industries, Widnes produces more than a hundred varieties of inorganic and organic chemicals.

Dr Hardie's style, which punctuates personalities with technical, local and occasionally economic detail, is uneven, but his subject matter is intrinsically attractive. A town with a history only a hundred years long, with many of the original families still connected with its industry, and with so cohesive an industrial purpose, is the researcher's dream; and Dr Hardie has had access to descendants, family records and diaries, and the archives of the Leblanc industrialists whose businesses were gathered first into United Alkali and later—with Mond, their old adversary—into ICI.

The Born Servant

Huskisson and his Age. By C. R. Fay. *Longmans.* 398 pages. 30s.

Readers of Mr Fay's earlier books have admired the way in which he hops over the hedges of the main thoroughfares of economic history to cull some curious fact or some illuminating coincidence, leaving his pedestrian colleagues to continue down the hard high road of trends and policies. But in his latest volume what was an amiable eccentricity has become a cause of bewilderment. His publishers call the method "impressionist"; his readers might have another name for it. He has so obviously enjoyed writing the book that he seems to have forgotten everyone else. What he has provided is the raw material for a full-length biography of a very important, if colourless, figure in the fiscal and economic history of this country. Even then, it is the age rather than the man which is illustrated by this collection of records.

We begin with the documents about Huskisson's death, an event strangely out of character with the rest of his undramatic career. On page 297 we learn about his family and education. He was Member of Parliament for Chichester and Liverpool, and his family came from Staffordshire—a sufficient excuse for a wealth of detail about Sussex, Merseyside and the Midlands generally. Mr Fay has the scholar's zest for such excursions, but sometimes we wish we could see the wood instead of the trees.

Commissioner for Woods and Forests, Under-Secretary for War, Agent for Ceylon and the Cape—such is the Huskisson of this volume. A second volume is promised to deal with "the Great Partnership" with Canning which began when Huskisson became President of the Board of Trade in 1823. Then only did he emerge from obscurity "to practise those commercial improvements to which he owes all his glory." So wrote Greville, in one of those cool appraisals by way of obituary notices with which the Diary is studded; Mr Fay, however, calls it "a contemptible mis-appreciation." At least they both agree that "Huskisson was a born servant, and could never have held with success the highest office." The best assessment of Huskisson's real importance is still Professor Brady's, published twenty years ago. For the earlier period the indefatigable industry displayed in this volume reveals much that is interesting about the man, his friends and his times—provided the reader is painstaking enough to dig it out for himself.

The Soviet View

Soviet Documents on Foreign Policy. Vol. I, 1917-1924. Selected and edited by Jane Degras. *Geoffrey Cumberlege. Oxford University Press.* 501 pages. 42s.

This is the first of three volumes of Soviet official documents on foreign policy, edited for the Royal Institute of International Affairs by Mrs Degras. The present volume covers the infancy of the Bolshevik state. The official statements, speeches and notes here collected deal mainly with the Bolsheviks' relations with the governments of neighbouring states in Europe and Asia. There is a great deal about Bessarabia and about Russo-Polish problems, and some correspondence with the French and Polish governments about the 1922 Rappallo treaty with Germany. Among the curiosities is the abortive treaty with the "Finnish Socialist Workers' Republic" of March 1, 1918. The appeals to the workers and peasants of Turkey (p. 164) and Persia (p. 161) are examples of the revolutionary rhetoric on which the Soviet leaders at first relied. They may be compared with the formal treaties with Turkey (p. 237) and Afghanistan (p. 233). Of considerable interest also are a letter from Chicherin to Sun Yat-Sen, and a joint statement by Joffe and Sun Yat-Sen on Russo-Chinese relations (p. 370). The volume ends with the "Zinoviev letter" incident in Anglo-Soviet relations.

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This random list of examples should at least give some impression of the scope of the collection. It will be an invaluable reference work for students of Soviet affairs. The presentation of the material in chronological order rather than by subjects is convenient to the historian, though it may discourage the superficial reader. All readers should of course use this book together with works by non-Soviet writers. If not, they may fall a prey to the crude but not unskilful revolutionary propaganda contained in almost every document. The policy of the Soviet Union in these years was far from being as nobly unselfish as the words of Soviet spokesmen suggest.

The Royal Institute and Mrs Degras have earned the gratitude of the public by this effort. Perhaps they will consider a suggestion for a further enterprise. The editor states in the preface that Comintern documents have not been included, as they would "extend the field too widely and make selection even more difficult." For the purposes of this series this decision was no doubt right. But could not a separate series of Comintern documents be produced? Such a series might include the main reports and speeches at Comintern congresses and at some of the more important congresses of national Communist parties—for instance the German, Chinese, French, Polish and Bulgarian—and of the socialist congresses at which affiliation with the Comintern was discussed—for instance Halle 1920 or Livorno 1921. The collection of such material should not be impossible. Especially for the years 1919-23, it would be of great value.

Good for One Shilling

Getting to Know English Literature. By T. G. Williams. 123 pages.

Finding Out about Atomic Energy. By Dr. J. L. Michiels. 122 pages.

A Short History of Our Own Times (1919-1950). By Esmond Wright. 126 pages.

A Signpost to Mathematics. By A. H. Read. 123 pages.

Thrift Books. *Watts.* 1s. each.

The "Thrift Books" are described by their publisher as "a companion series to the Thinker's Library." The first eight titles indicate that they are intended to be strictly educational and informative, elementary introductions for adults. It will no doubt now be easier to restrict the parent series to "the classic works in which the masters of modern thought embodied, for the general reader, their views."

At one shilling, the new series is attractive. The style is popular—though not so much so as the titles and chapter headings sometimes suggest—but the standards are academic. Dr Michiel's little introduction to nuclear physics is a model of its kind. Dr Read finds several new and suggestive ways of introducing some primary topics of modern mathematics, but he does not waste time on the illusion that the subject can be made easy to those who have no bent for it. In his "History Of Our Own Times" Mr Wright manages to pack a great deal of information into his short narrative. He writes modestly, without that tendency to treat current history as a series of problems-to-be-solved which afflicts so many writers of text books on international affairs. Literature is in its nature less amenable to this kind of treatment, and English literature is a large order. Mr Williams has concerned himself as much with questions of general aesthetics as with a mere chronicle of books and authors. Collectively, these books show sound editorial judgment.

Shorter Notices

Introduction to Economics. By Henry William Spiegel. *Blakiston.* 589 pages. $5.

Readers of Professor Spiegel's excellent "Current Economic Problems" will be naturally predisposed to find in his "Introduction to Economics" the same qualities of clear thought and realistic judgment as distinguished the earlier work. They are, indeed, not lacking. The layout of "Introduction to Economics" shows a novel and ingenious balance and juxtaposition of particular equilibrium theory and the study of aggregates; the relevance of theory to concrete problems is made clear; and the style is commendably free of that gobbledigook to which economists in general and American economists in particular are—with some shining exceptions—so painfully prone.

Nevertheless, "Introduction to Economics" is a disappointing book. It is, according to the author's preface, intended to cover the ground of "an intensive one-semester course or a less intensive two-semester course,"; it is thus meant for readers starting from scratch and not, presumably, hand-picked in advance. The picture of such readers using their newly acquired and unpractised technique, only half-way through the course, on the "cob-web theorem" or on an introduction to the Theory of Games, is frankly depressing; while if one assumes more advanced standing at the start, the level of the questions proposed for discussion at the end of each chapter, and the corresponding bibliographies, are surprisingly elementary. "Introduction to Economics" is probably best regarded as a book for teachers, who will certainly find it stimulating and valuable. It is hard to think of any group of students who would not be better served by any one out of a number of its competitors.

Readings in Rural Problems. By V. V. Sayana. *S. Chand and Company, Delhi.* 184 pages. Rs. 5.

This is a slight book, composed mainly of papers Dr Sayana has read on various occasions to learned societies. Such of his figures as are based on his own original research are of great interest. They show, for instance, the enormous rise in the price of land in the last few years, and demonstrate that the Indian peasantry has not so much paid off its debt—though the total is undoubtedly somewhat lower than before the war—as failed to increase it at a time when steadily increasing prices have been annually lightening its real weight. Obviously recent tenancy and moneylender legislation have had considerable success in improving the peasant's position.

More important than any of Dr Sayana's conclusions, however, are his attitudes. He still holds to the Indian economist's traditional belief in such notions as co-operative farming and reducing the middle man's commission; but he is obviously beginning to have his doubts. He has, for example, an uncomfortable feeling that the middle man, after all, does perform a function, that in a peasant society where goods come to the market in small and marginal amounts, somebody must collect them, grade them, pack them and despatch them to the towns. To know that the middleman charges too much for what he does is only the beginning of wisdom; a solution requires an alternative which is equally effective as well as cheaper. That Mr Sayana has not yet got; but he at least knows that it is what he should be looking for.

The Place of Reason in Ethics. By Stephen Toulmin. *Cambridge University Press.* 228 pages. 16s.

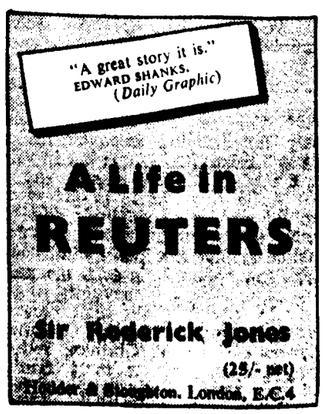
Books about ethics tend to be either too heavy and technical for the layman or too emotive and woolly for the specialist. Mr Toulmin, however, has achieved the rare distinction of writing a book which is both readable and technically competent. Mr Toulmin's book has the additional interest of approaching the subject in a more positive way than has been fashionable. He is concerned to show, firstly, not only where previous moral philosophers have gone wrong, but also what their positive contribution has been to the logic of moral statements. Secondly, Mr Toulmin has a theory of his own about reason in ethics which he equates with "giving reasons" for moral judgments.

The Edison Group. Published by the Edison Company, Milan. 186 pages.

The ten hydro-electric power generating companies of the Edison group in northern Italy have just produced a fascinating and beautifully illustrated guide to their operations, written in American. The original company was established in 1882, and from an output of 75 million kwh in 1900, the figure for the whole group has now risen to 6,100 million. To anyone interested in either electricity or the development of Italy, the guide gives a vivid picture of the elaborate dams, tunnels, generating stations and distribution lines that are behind these dry statistics.

The International Economy. By P. T. Ellsworth. *Macmillan.* 922 pages. 42s.

Foreign trade is the section of economics in which theory and history can most readily be taught together, and in this style Professor Ellsworth has written a useful textbook of the weighty American variety. In part it is based on the author's prewar "International Economics," but in addition to extensive changes in method and scope there is a long section of 220 pages devoted to postwar problems.



AMERICAN SURVEY

Dilemmas of Leadership

Washington, D.C.

"We have got to earn the right to the leadership that has been granted us, by demonstrating wisdom and humility," Mr Paul Hoffman told a Congressional committee last week. Being in a position to aid its friends, he went on, does not give a country "the right to impose its conditions on other nations" or "to dictate inflexible terms to them." The United States Congress certainly needs to be reminded regularly of the need to develop a degree of tact which it has seldom shown; and Mr Hoffman, who was triumphantly successful in a job where it would have been fatally easy to be accused of dictation, is the right man to remind it. But the Administration, with most of the world on its shoulders, is probably thinking that his advice is easier to give than to take.

The United States has become the most powerful country in the civilised world at a moment when the responsibilities of the position are greater than ever before and the limits within which this power can be exercised more restricted. It is true that, by their outraged cries of "Imperialism" in the days when Britain was struggling with the responsibilities of world power, the American people and their governments did much to promote the imposition of the restrictions from which they now suffer. But they were only hastening a change which would have been inevitable in any case and, with the exception of a few individuals, they still, despite the difficulties involved, approve the change. The State Department and the Department of Defence however, the two departments permanently and increasingly concerned with negotiations with foreign powers, have learned over the postwar years how difficult and frustrating it can be to demonstrate humility while at the same time providing most of the materials of western strength. And any attempt to consider the opinions and feelings of other countries, they have discovered to their cost, brings from Congress not praise for their forbearance but accusations of being satellites of Whitehall.

American public opinion, and opinion in Congress which reproduces it two or three times life-size, cannot be expected, when there is a fundamental disagreement over policy with other allies, to forget altogether that it is paying the piper. And, convinced of the righteousness of its own choice of tune, it likes to hear other countries sing it for their supper. But again and again in the last few years the Administration has compromised when it would have been more popular at home if it had dictated inflexible terms. Two recent examples illustrated how careful it tries to be—the Japanese Peace Treaty and Spain. Had Mr Dulles insisted that the Chinese Nationalists should sign the Treaty, he would have been acclaimed in Congress; had General Bradley used the threat of withholding military aid from the other members of Nato in order to force the admission of Spain, he would have had the great bulk of American opinion behind him. Mr Dulles chose instead to seek a solution which would not offend the countries of the Commonwealth, and General Bradley found one which deserved something more than Mr Morrison's first peevish protest.

The United States has had, since 1945, a harder task than any previous world power. Apart from the obvious dangers of taking a wrong step in an age when technology has made any step potentially fatal, it has the problem of trying to accommodate the United Nations at every stage. Having accepted the proposition that all national units are equal (just as the membership of the Senate is an acceptance of the proposition that all states are equal), and therefore that the views of each individual Nicaraguan are worth about forty times the views of each individual American, it faces the possibility every day that a block of small powers, who could not raise a division of troops or a hundred million dollars between them, may inhibit vital action. In an ideal world where small powers were as disinterested in reaching decisions as the sentimentalists like to believe, this might cause no great harm. In fact, the United States has found that, unless it "persuades" many of them to support its policies, they will be "persuaded" by somebody else.

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An analysis of the behaviour of the State and Defence Departments since the war would show that, unlike Congress, they have become progressively more careful about imposing their will on other nations. The Economic Co-operation Administration's record has been, except for one short period, above reproach. That of the Treasury, on the contrary, has been consistently bad, particularly in its relations with international organisations. Last year an intrigue to replace M. Camille Gutt, as Manager of the International Monetary Fund, by an American—contrary to the understanding that the President of the International Bank should come from the United States and the Manager of the Fund from elsewhere—was only frustrated by a personal appeal to the President from M. Gutt himself. Recently Mr John Snyder, the Secretary of the Treasury, called a press conference to give his opinion of the recommendations on European exchange rates in the report of the Economic Commission for Europe—an opinion which was delivered, most unsuitably, in the manner of an Appeal Court handing down a final decision.

The failure of a few individuals and a few groups of individuals to display the wisdom and humility for which Mr Hoffman is calling can be traced to three causes—a prevalence of dogma among American economists, a lack of training in international civil service methods

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

and, another aspect of the same characteristic, a different conception of the meaning of the word "Chairman." The President of the Senate and the Speaker of the House of Representatives are not neutrals, doing their best to be above party. They are men whose duty it is to use their positions for the furtherance of their party's aims. And, in the case of those officials scattered through international financial organisations by the United States Treasury, the aim to be furthered is the achievement of the perfect economic world of non-discrimination *à l'Américaine*. It is a pity that a record which, on the Administration's side, has been marred only occasionally by impatience or by the dictates of domestic politics, as far as the State and Defence Departments are concerned, should contain such examples of unnecessary interference, for they must have a disquieting influence on other countries out of all proportion to their real significance.

The behaviour of Congress is quite another matter and one which will only be changed by time—probably a long time—and the slow evolution of some method by which the legislature can be given a larger share in positive decisions to add to its present powers of complaint, investigation and veto. The American Constitution was not designed for the operations of a government with the international responsibilities which the United States is now carrying; therefore it adds to the difficulties of an Administration trying to provide the leadership which no other country can at present offer. That there is much uneasy recognition of this is proved by the number of suggestions for the reform of the Constitution now being published, most of which take the form of changing the American system to bring it closer to a parliamentary one. Many of these solutions are ingenious and admirable, but they are doomed to remain untried because they would inevitably hurt entrenched political interests. More immediately effective might be the establishment of some non-political—or neutral—commission which would publish, at regular intervals, reports on examples of imperialist dictation, by either the Administration or the legislature. Such reports would have a healthy effect, by helping those who are doing their best to act with wisdom and humility. But it is unlikely that Congress would be inclined to provide money for such a venture. There is an opening for some private organisation—perhaps Mr Hoffman's own Ford Foundation.

No Conjuring in the Air

[FROM A CORRESPONDENT IN NEW YORK]

AMONG the 2,045,000 words of testimony poured out during the MacArthur hearings, perhaps the most chilling to the hearts of Congressmen were uttered by General Hoyt Vandenberg, chief of staff of the Air Force. The words were "a shoe-string air force" and the General used them to describe the air arm of the United States. How many aircraft would be needed to carry out General MacArthur's plan for destroying the industrial centres of Manchuria? "I would say roughly double the strategic airpower that the United States has today," replied General Vandenberg.

To a Congress which appropriated $13 billion during the fiscal year 1951 for military aircraft, General Vandenberg's answer was horrifying; it seemed to set the nation on a rocky road leading over the hill to the poorhouse. To those Senators who had built their hopes for world peace on an abiding faith in the ability of America to deliver swift devastation by air to any enemy, the reply amounted to heresy. Where is the air power which will save America?

Why, after a year at war, isn't the Air Force ready? The answer, according to one of America's leading aircraft manufacturers, Mr James Kindelberger, chairman of the North American Aviation company, is that no rabbit is ever pulled out of a hat, unless it has been carefully placed there in advance.

Mr Kindelberger means that a modern air force will not roar into the air tomorrow simply because Congress has appropriated money today. Although the speed of aircraft has been pushed beyond the sonic range, their development is still measured in decades. A good example is the four-engined Lockheed "Constellation" air transport. Ready to go into commercial service in 1939, the "Connie" was diverted to war service, but only 20 were delivered to the Air Force before the war ended. Today, at the peak of its popularity, used by 17 world airlines, the Constellation is 15 years old; the basic design has about run its course. This month, the Lockheed Aircraft Corporation got an Air Force contract to develop a new design for a fast cargo transport powered with four Allison turbo-prop engines. Already on the drawing boards for 18 months, the first prototype of the new model will not get into the air for another year.

Even when a model has been chosen by the armed services, there usually intervenes a yawning gap known as "lead time" which is taken up with the dreary business of distributing contracts, buying machine tools and training shop assistants to be spot welders. A frightened and angry Congress set this chain reaction in motion over a year ago, when it voted extra military appropriations after the invasion of South Korea. But the appropriations will not bear fruit until the end of 1951, and the pickings will be slim even then. Despite the winds which whistle through the Capitol, sighing of a 150-group Air Force, actual production at the end of 1951 will be at the rate of only 6,000 aircraft a year, compared to 96,318 at the peak of the last war.

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The aircraft industry is scheduled to have a full head of steam built up by mid-1953, but it probably will not be allowed to run wide open. Mr Charles E. Wilson, the director of defence mobilisation, has set a goal of 196,000 jet engines and 50,000 aircraft a year, but this goal is stated in terms of capacity rather than production. A devout Baptist with a mystical faith in the American civilian economy, Mr Wilson wants to build up a defence industry which will supplement civilian production instead of supplanting it. To get all-out production now, Mr Wilson could order the aircraft companies on to a round-the-clock schedule, but he would then have to deny civilians those automobiles, refrigerators and washing machines which most Americans accept as the normal measure of a decent standard of living. Instead, the aircraft companies are laying out new production lines, but are running them at one shift a day. If war comes, they can switch to three shifts, using their *cadre* of skilled foremen and leading mechanics to train the army of new workers.

Mr Wilson is also anxious that aircraft companies should sub-contract much of their work to smaller firms, instead of attempting to do all the work themselves. This has made him popular with Congress which reveres the American small businessman only slightly less than the American Mother. Mr Wilson believes that "farming out" the manufacture of carburettors, fuselage parts, control cables, and so on, will spread the defence work evenly throughout the economy and will make it easier to expand production quickly in an emergency.

But the facts of business life deny the small machine shop a dominant role in sub-contracting. As in the late war, the heavy burden falls on the automobile companies. With their assistance, manufacturing floor space in the aviation industry has more than doubled in the past year, jumping from 60 million square feet to 127 million. This has not, however, meant, as it did during the last war, that a great deal of automotive manufacturing space has been sacrificed to make room for aircraft. The companies are filling most of their orders by reopening government plants which have been closed since 1945. The pinch now being felt in Detroit (production of cars will be cut back 37 per cent in the third quarter) has been imposed by a lack of steel, not by a rush of aeroplane orders; when the planned expansion of steel capacity is complete, even this pinch may ease.

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Thus, when America is fully tooled up for defence production, and fully armed to resist aggression in mid-1953, theoretically two reservoirs of production will remain to be tapped in case of war: the big areas of civilian industry which will have been untouched by defence work, and the second and third shifts on the plants now working only one shift a day. Actually this assumption ignores an important factor, the tight labour market. With 61.8 million people employed in June, less than two million were out of jobs, and many of these are unemployable. In Los Angeles, the centre of the aircraft industry, the Douglas Aircraft Company is luring workers on to its payroll by showing them on television the fine working conditions within the plant.

But serious manpower bottlenecks are still a cause for future, rather than present, worry for the aviation industry. Almost the only industry really choked by a rush of orders too big for it to swallow is the machine tool trade, which, however, is at the beginning of the line in any all-out defence effort. These are the machines which turn out the knife-sharp turbine blades, polished crank-shafts and jewel-like piston parts which make up the modern aircraft engine. Some of them are so complex they take from three months to a year to build, and without them a defence programme is nothing more than an oratorical blue-print. The machine tool industry is delivering goods at only one-quarter the rate attained in the last war and some manufacturers will promise no deliveries before late 1953.

Unless this bottleneck is widened soon, the defence programme may be thrown off balance, and industrial and military preparedness may not be achieved by the middle of 1953. Already, deliveries of aircraft and other military equipment have fallen 20 per cent behind schedule, and Mr Wilson is afraid that the truce in Korea may bring on another slow-down. Much of the pressure for delay will come, inevitably, from economy-minded Congressmen, but some may develop within the Department of Defence itself. The armed services have 3,000 procurement officers who have authority to sign contracts. Like other citizens, these officers read newspapers every day and, if they become convinced that peace is about to break out, they may keep a new jet engine on the drawing board for a few extra months, in the interests of perfection, thus delaying the signing of a firm contract for production. It is Mr Wilson's hard task to convince both his critics in Congress and his friends in the Defence Department that the size of the Air Force in 1953 depends on today's decisions, and that the time to put that rabbit in the hat is now.

American Notes

Manœuvres on Controls

The new Defence Production Bill, when it at last emerged from the House early on Saturday morning, was much better than had seemed possible a few hours before and rather better than the Senate version, but this does not mean that the House Bill is good in itself. It does not actually guarantee inflation, but it would not do much to prevent it. There is, however, at least a possibility that the Senate and House conferees, who must reconcile the two versions before the end of the week, will produce a final Bill more satisfactory than either of them; in the hope of this Administration spokesmen are making one more effort to arouse public opinion and to bring pressure to bear upon the conferees from consumers. Previous efforts have been unusually unsuccessful; the apathy of housewives, apparently unable to see beyond today's falling prices and prospects of peace, helped the producers' lobbyists in the House to cut the Defence Production Bill according to their special interests with a boldness that had seldom been equalled.

The coalition of Republicans and conservative Democrats from farm districts, which dominated the proceedings until the last hours of the debate, led the House by the nose with the argument that, since the President had made only slow and ineffective use of the powers he was given in last year's Act, he could only want additional powers this year, when economic conditions no longer seem to make them so necessary, in order to "socialise" the country. When the time came for the final votes, which were recorded individually, as the earlier ones had not been, members of the House from urban districts, hardly aware until then where they were going, found themselves facing disaster. For votes cast against effective controls at this stage would certainly rise up to haunt them at next year's election, should the cost of living go up again as the Administration insists it will without controls. The House safeguarded itself, as the Senate had already done, by ensuring that the new Act would expire next summer, so that there would be an opportunity for reconsideration, before the election and after there had been time to see which way the economy jumps. But, even so, the anti-control coalition was replaced at the last minute by one of Representatives from cities and towns which managed to defeat some of the most dangerous amendments.

The worst of these, apart from one which would have frozen all prices and wages for four months, dealt with price ceilings, one forbidding any reduction in them at all, another putting them on a "cost-plus" basis that would have made them into a "profit pyramid." However, traces of this cost-plus pricing system remain in both Bills, and it is one of the provisions that the Administration is most anxious should be obliterated in the final version. There is no prospect of permission being given for any further reductions in the price ceilings on beef, or for the system of setting quotas for beef slaughterers, which the Administration considers essential for the prevention of black markets in meat. But the House Bill does allow reductions in other ceiling prices, which the Senate Bill did not. Both Bills are unsatisfactory on instalment credit and rent controls, but the House version grants the Administration's request for subsidies to encourage industrial production.

* * *

Crying Inflation

Congress, within the next few weeks, must pass upon military appropriations, foreign aid, and taxes; before the month is out it will have determined the extent of controls over the economy. The President's mid-year economic report was drawn up to discourage Congress from letting down its military guard on good news from Korea, and its economic guard on prophecies of recession at home. Ameri-

can economic tasks, the President emphasised, are heavy because of the weight of world responsibility; like Mr Acheson at Detroit, he insisted that, whatever happens in Korea, the job of building defences against Soviet imperialism remains as urgent as ever. And if the defence programme is not to be slowed down—and Mr Truman hinted that some goals, instead, might need to be raised—the President and his economic advisers remain convinced that inflation, and not deflation, is the danger, whatever the present woes of retailers staggering under heavy inventories.

The present economic lull, in the President's view, is the reward for credit and price controls, for taxation which has exceeded the actual increase in defence spending, and for a remarkable 10 per cent increase in production over the past year. Output rose more rapidly than in any other postwar year, while unemployment fell by 1,800,000 to the lowest level since 1945. But the Council of Economic Advisers does not expect production to increase more than 5 per cent in the next twelve months, while spending on the security programme, which includes foreign aid as well as domestic spending, will nearly double, reaching an annual rate of $65 billion in mid-1952, from the present rate of $35 billion a year.

Lest Congress should take fright at such a figure, the President put it in perspective: at its peak, the defence programme should not take more than one-fifth of total output, compared with one-half in 1944. Lest Congress attempt to economise at the expense of America's allies, he pointed out that the great economic, moral, and military advantages of sustaining the free world could be purchased for 2 per cent of America's total estimated output, and that if the other members of Nato could not expand their military programmes as rapidly as the United States, this was because their total output, related to population, is less than a third of the American level.

The heart of his argument, however, was the estimate of the CEA that, with a $30 billion increase in defence spending and reinforced by capital goods expenditures which are running at an all-time high, personal incomes next year will be raised, before taxes, to an annual rate $15-$20 billion greater than at present. Supplies of civilian goods then will not be higher, and may well be lower, than they are now. To keep this wolf of inflation from the door, he advanced the old prescription: a $10 billion tax increase, price, wage and rent controls, credit controls, particularly the selective ones Congress is anxious to ease, and voluntary savings. Congress, however, like the friends of the boy who cried wolf, may decide the President has cried inflation once too often.

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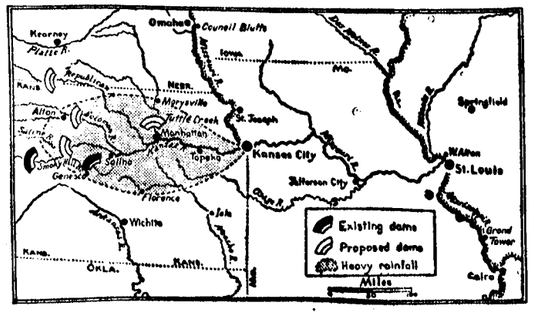
Billion Dollar Flood

Kansas City is emerging from its ordeal by flood and fire and the crest of the water has passed beyond St Louis to the lower stretches of the Mississippi River; there flood control works are effective enough nowadays to deal with a volume of water that has not been equalled since 1844. The disaster was caused by an abnormally wet June in Kansas, followed by a series of cloudbursts in what should have been a hot and dry July; the soaked soil could absorb no more and all the water poured down the Kansas River into the already swollen Missouri River at Kansas City.

This unusual readiness of the clouds to drop their moisture over Kansas, instead of carrying it on to the north-east—New York City is again in danger of a water shortage as a result—is being blamed by some, not on Providence, but on Dr Irving Krick and the cloud-seeding operations by which he brings rain to the parched west. The damage caused by the floods is being blamed, much more convincingly, on the Congressmen who, in the interests of reducing the budget deficit, and sometimes also in those of influential friends, have failed to appropriate the money needed to build the Tuttle Creek and other dams, authorised years ago, on the tributaries of the Kansas River. These and other flood control works in the area, which would make Kansas City permanently safe, would cost $300 million, compared with the flood's $1 billion worth of direct damage to life, crops, industry, transport and buildings, and the indirect and incalculable loss to the national economy arising from the complete disruption of such a major railway and agricultural centre as Kansas City.

The Administration is hoping that this year all its requests for funds for flood control will be saved from the Congressional axe, now that the false economy of cuts in such



appropriations has been demonstrated in Kansas. Funds to start the three projected dams there ought at least to be forthcoming, but Congress will not necessarily extend its generosity to other branches of the Pick-Sloan plan. Under this scheme, drawn up in 1944, the Army Engineers and the Bureau of Reclamation deal jointly, but not always co-operatively, with flood control and hydro-electric development for the whole Missouri Basin, stretching right up into Montana. The advocates of an independent and more comprehensive Missouri Valley Authority are also trying to make capital out of the recent floods, as are those who find a remedy for most of the earth's problems in improved soil conservation practices. Good as both cases may be in theory, it is doubtful whether either would have been an effective answer to the peculiar weather conditions which prevailed in Kansas this summer.

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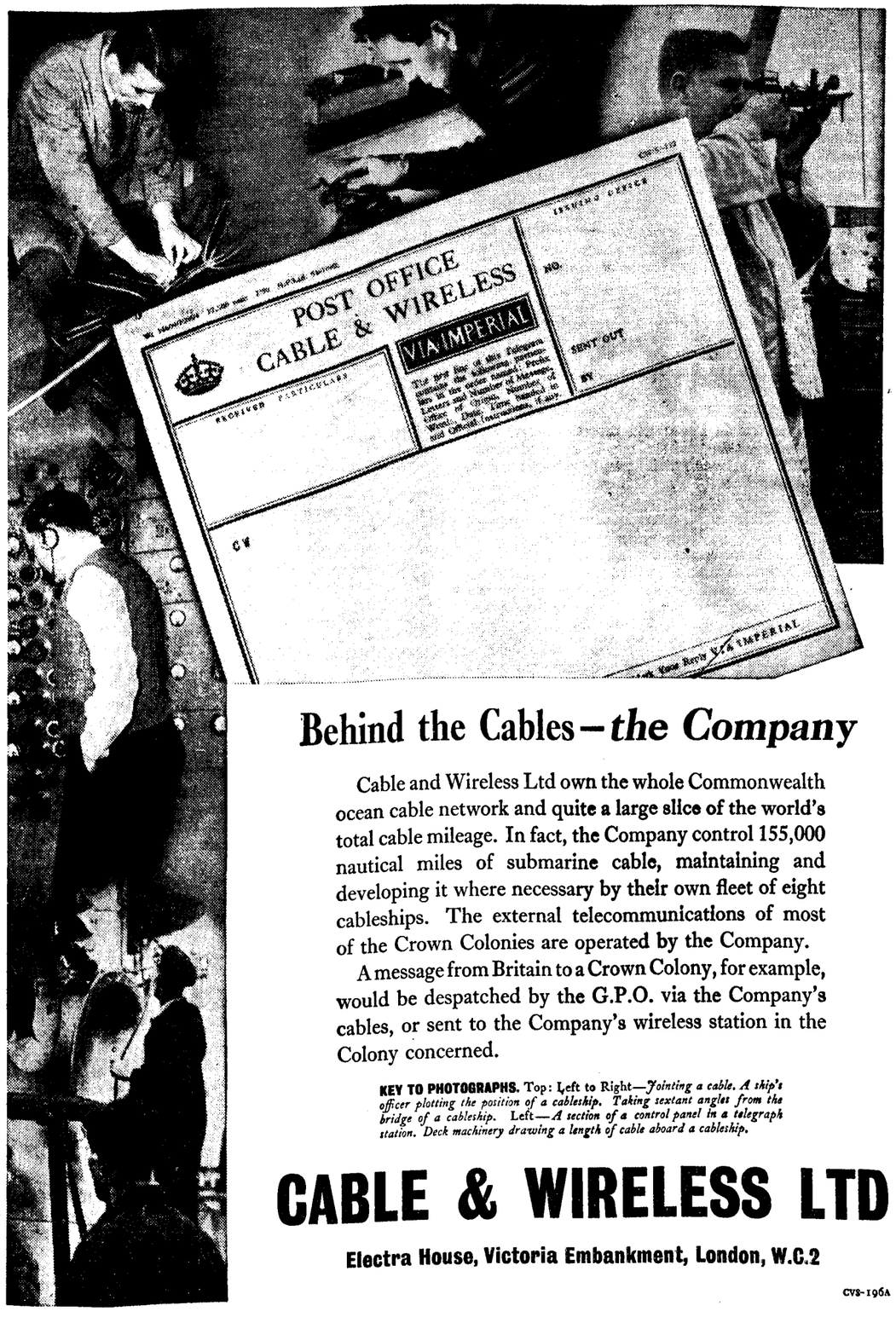
Paying the Natural Gas Bill

A little over a year ago Mr Truman was applauded for a difficult veto. On the ground that competition could not be relied upon to keep down the price of natural gas, which consumers in most major cities will soon use, he vetoed the Kerr Bill, though he had been expected to pass it as a token of gratitude for past and anticipated contributions of the oil companies to the party funds. The Bill would have exempted from federal regulation the independent producers of natural gas; the chief beneficiaries would have been the big oil companies which control half the proven supplies of natural gas, but which are independent in the sense that they are not affiliated with pipe-line firms.

What Mr Truman took away with one hand, however, his old friend, Mr Mon Wallgren, whom he made chairman of the Federal Power Commission, has returned with the other. With a speed which is unprecedented, the FPC has ruled that the Phillips Petroleum Company, largest of the independents, is not subject to its jurisdiction. The company had argued that, although it sold gas to five or six pipeline systems for interstate transportation and sale, its own operations were entirely intrastate and hence exempt from federal control. The decision may be appealed by some of the state or city regulatory agencies, but for the moment the oil companies are celebrating, not only the escape of natural gas, but the allaying of their fears that federal control of oil at the wells might follow that of gas. Staunch Administration Democrats from the south-west, including Senator



Behind the Cables—*the Company*

Cable and Wireless Ltd own the whole Commonwealth ocean cable network and quite a large slice of the world's total cable mileage. In fact, the Company control 155,000 nautical miles of submarine cable, maintaining and developing it where necessary by their own fleet of eight cableships. The external telecommunications of most of the Crown Colonies are operated by the Company.

A message from Britain to a Crown Colony, for example, would be despatched by the G.P.O. via the Company's cables, or sent to the Company's wireless station in the Colony concerned.

KEY TO PHOTOGRAPHS. Top: Left to Right—*Jointing a cable. A ship's officer plotting the position of a cableship. Taking sextant angles from the bridge of a cableship.* Left—*A section of a control panel in a telegraph station. Deck machinery drawing a length of cable aboard a cableship.*

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Connally and Mr Rayburn, the Speaker of the House, must now be regretting the hard things they said about Mr Truman's veto.

The oil companies contend that the removal of federal regulation will release great quantities of natural gas, which have been held back from the market. Whether, in fact, supplies will rise and prices fall, as they allege, probably will not be known until after the next election. There is such a shortage of steel for new pipelines that Mr Chapman, the Secretary of the Interior and head of the Petroleum Administration, proposes to issue an order limiting the number of new natural gas customers whom distributors may take on. The steel allotted for pipelines in the third quarter is only half that needed for the "most essential" projects.

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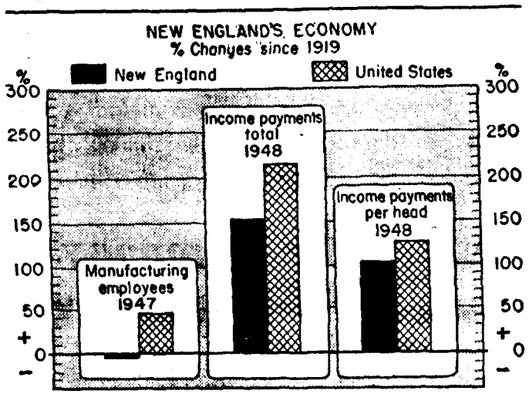
New England's Second Chance

When the high tide of postwar prosperity started to recede in late 1948, New England was left higher and drier than any other area—a sign that good times had only concealed, and had not cured, any of its troubles of industrial old age. But the survey of New England's ailments, set in train by the Council of Economic Advisers, was hardly begun before the war in Korea and the rearmament programme refloated New England and offered a second chance to make its economy seaworthy. The authors of the report, which was submitted to the President at the end of June, believe that both New Englanders and the federal government should seize this opportunity to make adjustments which will enable the 9,000,000 people who live in the six states in the tiny north-eastern corner of the country to earn a good living.



New England is hardly a "distressed area" in British terms, though it is poor in raw materials and its geographical position has lost many of its advantages. Its income a head is still greater than the American average, though the difference is declining; its economy is still growing, though more slowly than that of other regions. The greatest single source of weakness has been its dependence on two industries—shoes and textiles—and the competition from new plants in the south and west. From 1919 to 1947, 156,000 jobs disappeared in textiles alone, but the drop in total manufacturing employment was held to 30,000 because of an expansion in durable goods—a trend which the report believes should be accelerated, though it helped to make New England more vulnerable to the recession in 1949. The real trouble, however, was New England's large proportion of high-cost marginal producers and antiquated plants; when one of these is a town's sole support any recession can be devastating. High wages have ceased to be a handicap; in the new heavy industries New England's rates are actually lower than those in the west and even in textiles the differential is disappearing.

Modernisation, diversification, and the encouragement of venture capital are old specifics for Yankee ailments; the report is critical of the decline in risk-taking and managerial ability, particularly in third and fourth generation family concerns, and the resistance to new ideas on the part of trade unions and management alike. But what will be hardest for many rock-ribbed New Englanders to swallow is the suggestion that instead of vainly crying out against federal "extravagance," they should seek their fair share of federal spending. New England has no federal hydro-electric developments; though it contributed 9 per cent of war production, it received only 4.5 per cent of the new government plants built during the war. The same pattern seems to be repeating itself in the defence effort; if the New England steel mill, which the report endorses, is not built, New England's share of federally financed new plant may be even smaller this time. In 1948 the federal government was taking $1 billion more out of New England in taxes than it spent there. Today's Connecticut Yankee, it seems, should swallow his pride and make his way to President Truman's court.

Shorter Notes

President Truman has sent the Senate his nominations for the three vacancies on the Federal Bench in Illinois and in two out of the three cases he has, contrary to custom, ignored the recommendations of Mr Paul Douglas, the Democratic Senator from Illinois. Mr Douglas has taken the unusual step of asking the local Bar Associations to conduct a poll amongst their members as to whether his or the President's nominees would make the better judges. Should the result be in his favour, he is likely to exercise his Senatorial privilege and block the confirmation of the nominations.

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The door-to-door salesman now travels in a truck fitted out with a large selection of goods, in fact in a "mobile shop." This method of selling has increased enormously in the last few years, and its appeal for housewives who cannot get away from kitchen and children is obvious. But it appeals also to tradesmen who are tied to their businesses. It is not only magazines, clothes, washing machines and pianos that are sold by this means, but also printing presses, automobile accessories and tools for aircraft repairs.

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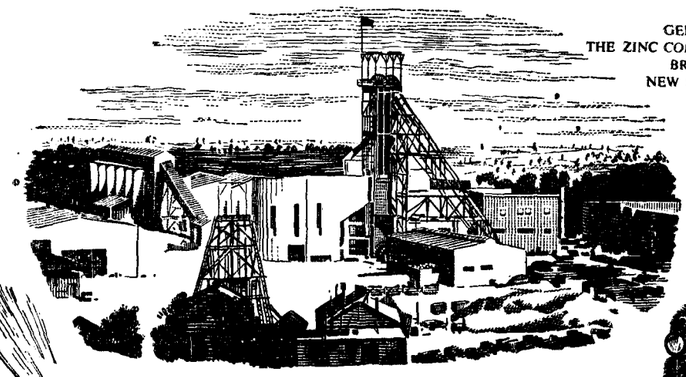
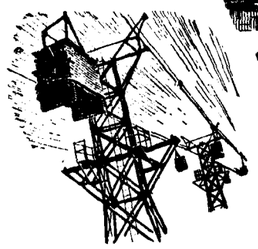
The union of Blacksmiths and Drop Forgers has merged with that of the Boilermakers and Iron Ship Builders, because there are no longer enough blacksmiths to justify a separate organisation for them. The advance of technology is to blame; not only is the art of shoeing horses almost unknown today in the United States, except at race tracks, but there is also now little work for blacksmiths on even the iron horses, for railway engines seem to need much less maintenance than they used to do. Such blacksmiths as survive have, however, far more complicated repairs to do than their predecessors, for they deal with anything from surgical instruments to heavy machinery.

With the success of oil drilling operations in north-eastern Montana, only three months after oil was found near Williston, North Dakota, there can be little doubt that an important new petroleum producing area has been discovered in the northern United States, stretching probably into Saskatchewan and Manitoba. The chief difficulty is that most of this oil lies two miles or more underground and it will be a slow and expensive process to prove the new fields.



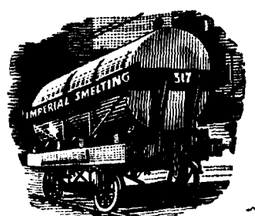
GENERAL VIEW
THE ZINC CORPORATION, LTD. MINE
BROKEN HILL
NEW SOUTH WALES



CONVEYING ZINC CONCENTRATES, AVONMOUTH

CHARGING RETORTS
ZINC DISTILLATION PLANT

CASTING ZINC SLABS



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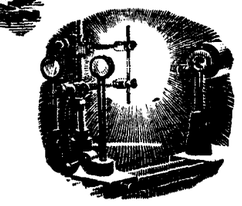
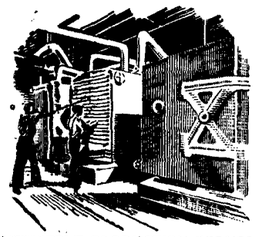
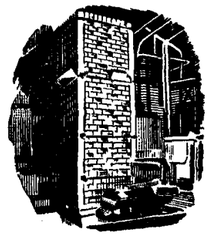


MAZAK PRODUCTION BLOXWICH
(Spectrographic Control)



LITHOPONE PRODUCTION WIDNES
(Drying Plant)



99·99 + % ZINC PRODUCTION
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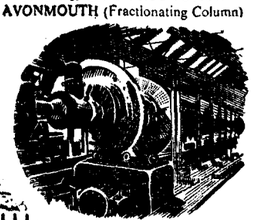

FLUORINE PRODUCTION
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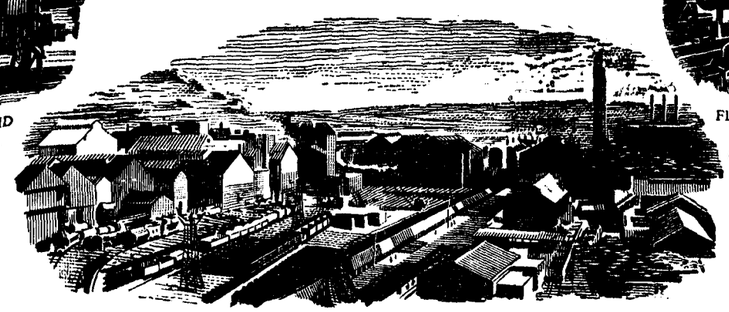
(Anhydrous Hydrofluoric Acid)



GENERAL VIEW OF IMPERIAL SMELTING CORPORATION WORKS, AVONMOUTH

THE WORLD OVERSEAS

Peking Claims the Lead in Asia

ON July 1st the Chinese Communists celebrated the thirtieth anniversary of the founding of their party. The speeches made and articles contributed to the press on this occasion by Chinese Communist leaders throw some light on their opinion of themselves and their conception of the special part they are destined to play in the world revolution.

All the declarations lay the greatest emphasis on the Marxist-Leninist foundation of Chinese Communism. Marxism-Leninism is held to be "a universal truth which is applicable anywhere" and the Chinese Communist party (the CCP) is said to be "armed" with it. According to Peng Chen, a member of the CCP Politburo:

> The practical experiences of the Chinese people have taught us that Marxism-Leninism is an omnipotent scientific weapon. . . . It enables us rapidly and thoroughly to expose the real nature of the varied kinds of swindlers and traitors who put on a revolutionary mask but who actually serve as the tools of our enemies. . . . It transforms the spontaneous struggles of the Chinese people into a conscious revolutionary struggle guided with scientific foresight. It enables the Chinese working class . . . to establish a broad united front so that our enemies are completely isolated and can be defeated one by one.

The tributes paid to Marxism-Leninism and to "the principles of party construction of Lenin and Stalin" are not, however, intended to imply that China has merely taken over a European doctrine and adapted it to local traditions. The theories of Mao Tse-tung—who now receives in China the kind of adulation elsewhere reserved for Stalin—are also glorified, and China's achievement is placed on an equality with that of the Soviet Union in a division of labour which, broadly speaking, implies that Russia should lead the West while China leads the East. This view is not presented as an innovation, but is supported by lengthy quotations from Lenin and Stalin on the difference between a revolution in an imperialist country, where there is no foreign oppression, and a revolution in a colonial or semi-colonial country, where there is a nationalist revolutionary struggle. But the way the Chinese have developed this idea cannot be entirely to the liking of Moscow, for the conclusion is drawn that Chinese experience is more relevant than Russian for the world of backward and dependent peoples. In the words of Lu Ting-yi:

> In the course of the century-old, worldwide Marxist movement, classic examples have come into existence. Up to now two of them are of the greatest importance—the October Revolution in Russia and the People's Democratic Reovlution in China. . . . The classic type of the revolutions in imperialist countries is the October Revolution. The classic type of the revolutions in colonial and semi-colonial countries is the Chinese Revolution. . . . It is clear that this is a further development and enrichment of Marxism-Leninism and a contribution of universal significance to the world Communist movement.

In the editorial comment of the Cominform journal on the anniversary this language is discreetly toned down, though a warm tribute is paid to the Chinese achievement:

> The victory of the Chinese revolution with the establishment of the Chinese People's Republic is the greatest event in history, following the October Socialist Revolution. It tremendously changed the international situation: the camp of peace, democracy and Socialism acquired added strength while the imperialist camp has been further weakened. The experience of the Chinese revolution is of inestimable significance for the peoples of the colonial countries, fighting for freedom and independence.

The Russians are evidently unwilling to admit the theory of the co-equal "classic" types dividing the world into respective spheres of influence, though they are ready to allow that the Chinese experience may be of "inestimable significance" for the colonial and semi-colonial peoples. Moscow is probably willing to concede to Communist China a sphere of national hegemony in South East Asia—a region where Russia has never had any direct interest—but it would be quite a different matter to agree that China should be the special guide and mentor for all colonial and semi-colonial countries irrespective of their location. If Peking continues to assert such claims as a matter of policy, it could lead to considerable friction with the Soviet Union.

India still to be "Liberated"

It is hardly, however, a difference of a kind which can afford much satisfaction to those western statesmen and diplomats who nourish hopes of detaching China from Russia. For if there is any distinction to be drawn between the publicly declared programmes of the two Communist powers for backward countries, China is the more militant in its incitement to armed revolt. Thus Lu Ting-yi declares that "the peoples of Vietnam, Burma, Indonesia, Malaya and the Philippines have been carrying on their national liberation wars against imperialism, while the national liberation movement is growing in India, Japan and other countries." Thus a line is drawn between countries where Communist armies or guerrilla bands are actually carrying on military operations against the established governments and those in which Communist parties exist but are not yet engaged in armed insurrection. In any case none of the countries mentioned are admitted to have attained "national liberation," and it must be a little hard for the Indian and Burmese Governments which have exchanged ambassadors with the Chinese People's Republic to be informed that their nations are not yet independent. The Chinese Communists, however, have laid it down that only the working class led by a Communist party can carry out a "genuine" revolution against imperialism, and therefore Asian countries are just as much in need of "national liberation" against Mr Nehru, Mr Thakin Nu or Mr Sukarno as against Mr Malcolm Macdonald or General de Lattre de Tassigny. The Chinese Communist leaders express supreme contempt for all Asian non-Communist national movements. As Lu Ting-yi puts it:

> China will take a path different from that of Japan which, after the Meiji Restoration, became an imperialist country and later on actually became a colony of US imperialism. China will also take a path different from that of Turkey, which since the Kemal revolution has become a satellite and henchman of the imperialist aggressive bloc. In the light of the great victory of the people's democratic revolution in China guided by Marxism-Leninism and Mao Tse-tung's theory of the Chinese revolution, all the bourgeois democratic movements of the old type in the history of Asia—such as the Meiji restoration in Japan, the Kemal revolution in Turkey, the Gandhiist movement in India, etc.—become pale and colourless.

It appears therefore that the extremely benevolent attitude of India and Burma towards the Chinese People's Republic does not bring any correspondingly favourable attitude of the Chinese Communists towards them, but that India, which declined to join in the United Nations' condemnation of China as an aggressor in Korea, and Turkey, which sent an expeditionary force to fight in Korea, are both alike included in the category of "pale and colourless" regimes destined to extinction at the hands of "national liberation movements."

On the other hand, there can be no doubt but that the Chinese Communist revolution has had a great effect in Asia just because it has happened in an Asian country and has grappled with conditions which are more or less typical of Asian countries; thus it seems to come nearer to popular Asian aspirations and needs than the political practice of the West or even of Russia. Another asset of the Chinese is that they can claim to have shown, far more than the Russian Bolsheviks, how power can be captured by what may be called gradual violence. The Bolsheviks started with a swift seizure of power in the capital of Russia and during the whole period of the civil wars they were in possession of the territorial core of the old Russian empire; the Chinese Communists, on the other hand, were for years rebels holding on precariously in a remote part of China, and only after a long process of infiltration and expansion did they finally conquer the great cities of the country.

Cadres for a Peasant Army

The Chinese example is thus by far the more relevant for a local Communist party in Asia which cannot seize power immediately in urban centres but has a chance of waging guerrilla warfare from jungle or mountain strongholds. The Communists in Malaya at the outset hoped to gain control of an area which would provide a Malayan "Yenan"; in Vietnam and the Philippines a measure of success has been obtained in setting up organs of administrative control in "liberated areas" to support ceaseless warfare against the established government. The Chinese Communist party anniversary statements lay great stress on the long duration of the armed struggle in China, which was carried on by the Communist forces for over two decades—civil war 1927-36, anti-Japanese war 1937-45, and renewed civil war 1945-49. Patience and persistence are thus represented as the keys to ultimate victory, and it is emphasised that prolonged fighting is the best way of producing real revolutionary cadres. In repudiating the charge that Chinese Communism had been essentially a peasant movement, Peng Chen points out that peasants leaving their villages to join the Communist forces lived for a long period in "a revolutionary military organisation," so that their "peasant origin" became irrelevant.

The professional revolutionary, the "cadre," political or military, is indeed the key figure in the new regime in China and it is vitally necessary to keep up the revolutionary *élan* and hatred now that victory within China has been won. Imperialism, however, meets the need for a permanent enemy, and it is notable that in the anniversary retrospect the greatest sin of the Kuomintang is represented as having been its subservience to America; indeed, it is even suggested that the renewal of the civil war in China in 1945 was the work, not of the Kuomintang itself, but of America, which "having replaced Fascist Germany, Italy and Japan, has been frantically pushing forward with its plans for enslaving the world." These plans, however, were frustrated, first in China itself and then in Korea. Chu Teh, the Commander-in-Chief of the People's Liberation Army, also hints that the fight in future must be extended to Japan:

> The Chinese people . . . certainly will not tolerate the American imperialist invasion of Formosa and Korea or the schemes for signing a separate peace with Japan and the military occupation and rearming of Japan. At this moment the American imperialists should especially review the history of how Chiang Kai-shek, whom they armed and commanded, was thoroughly defeated by the Chinese people and the People's Liberation Army.

King Abdullah

KING ABDULLAH—born in 1882 and murdered in 1951—liked to think, as he looked back from his sixties, that one of the most remarkable things about his life was the change that it spanned. He spent his childhood in and around Mecca in a world bounded by the range of stud camels, fast mules and pedigree horses. He was in his thirties a spirited member of the Ottoman House of Parliament in Constantinople. He lived to visit a friendly Turkish republic by air, to watch his army tear across the Syrian desert in fast armoured cars, and to experience the buffets of world economics and politics dealt by Hitler and Stalin.

He was a man who knew his mind and liked his way. Yet he appreciated the same trait in others. Mr Churchill, therefore, was greatly to his taste, and he was often displeased with irresolute Arab friends. Some of his quarrels with the Arab League were due as much to this characteristic as to his personal ambitions for Jordan.

In Britain he will be remembered chiefly for the staunchness of his friendship. He never forgot a good turn and, when he could, repaid it. The warmest spot in British hearts should be reserved for what he did in 1941. When the world war broke out many Arabs, highly appreciative of Hitler's anti-Jewish policy and of his success in annexing territory, reckoned that a German victory would have points. Abdullah was from the start of the war wholly pro-British; even his antipathy for the French (who had turned his brother Feisul out of Damascus) did not shake his conviction. Among the many crises of the war years, Britain's lowest ebb was the month in 1941 in which Crete fell, German aeroplanes took off for Syria and Rashid Ali revolted in Baghdad. At this grave moment King Abdullah permitted the use of his army for a foreign campaign on Britain's behalf. The Arab Legion campaigned in Iraq.

His personal friends in Britain share recollections of many endearing characteristics. He was accessible to his whole people; any early morning caller, however humble, might come in. He liked nature—flowers and animals—and enjoyed comment on their little ways. He had a great taste for poetry. He liked using his eye for a horse to bring him winnings at the races. He was invariably dapper in his striped silk robes and white headscarf; he expected the same of European guests on formal occasions. "Have you noticed," he once remarked to a British friend, "that X never creases his trousers?" He loved observing mankind and would spend happy afternoons in a green velvet armchair on the palace steps of Amman watching the passers-by.

Flutters Among the Tribes

Yet he had his weaknesses. He relished a little trouble between tribe and tribe—a scene to which he could bustle off in a car and during which he could lay down the law, perhaps distribute some largesse, and settle the hash. This was all very well when the tribes lived within his frontiers but awkward when their homelands lay beyond them. His flutters among the tribal leaders in Syria—usually put down to "British machinations"—were for years a sore point with the French.

His mind often toyed with territorial aspirations of nineteenth-century pattern, of a type dating from the days when it was a good thing to have a bigger kingdom no matter what the contents. Alone among Arabs, he was in favour of the partition of Palestine when it was first proposed in 1937. He recognised partition in 1949 and met his death two years later because he had done so. He had weighed the risks. To him, they were worth it. Perhaps he was something of an anachronism. Yet anyone who watched his upright figure as he stood to the salute for 2½ hours at the annual parade of his Legion in April knew that here was someone who had enjoyed life, and, particularly, every minute of being a king.

Israel's Second Elections

In Jerusalem, one half of the city is blacked out in mourning for King Abdullah, but the other is a blaze of light. For Israel is in the last week of its election campaign. Loudspeaker vans are hard at work. Posters, and the letters of the alphabet which stand for the parties and which enable newcomers who do not yet know Hebrew to make their mark for a party list, fill every available blank space. Voting takes place on Monday.

In the past, election results have been easily predictable. In 40 years of polling first for the Council which represented the Jewish community under the Mandate, and, in 1949, for the first national Parliament (*Knesset*), the proportions in which the parties have been returned have varied curiously little. They have been unchanging because of the custom whereby party membership affords privileges that have turned political parties into quasi-benefit societies; membership of them can produce jobs, credit facilities and even accommodation. Even the schooling of children is by law organised on the basis of the major party trends. For years, therefore, the balance between this group and that—between Labour and Liberal, or orthodox and non-religious—has tended to be static. This time it may change, for no one can tell what considerations will sway the high proportion of new voters. The number of eligible voters has doubled in the last 2½ years.

In the *Knesset* that is now in process of dissolution the principal parties, reading from left to right, were:—

Communists	3
Mapam (pro-Soviet except where this policy conflicts with Zionism)	19
Mapai (Labour)	46
United Religious Front (orthodox)	16
Progressives	5
General Zionists (for free enterprise)	7
Herut (expansionist)	14
Seven other groups	13

Only Mapai would like to drop the system of proportional representation that inevitably produces a large number of small parties and drives these eternally to form coalitions. Last time, Mr Ben Gurion's Mapai was faced with the necessity of joining either with Mapam or with the Religious Bloc to obtain a majority. It chose the latter, worked with it for nearly two years, but finally broke with it on the issue of whether there should be secular education only, or religious education as well, in the immigrant camps. The quarrel brought to a head one of the fundamental problems that exercises thoughtful Israelis, to wit: Is their new state to be founded on recognition of the moral and spiritual basis that held Jewry together through the centuries, and, if so, need this necessarily take the form of outward observance of all the practices that are thought imperative by orthodox Jewry?

What Kind of Coalition?

There are a few pointers to the way in which the voting will go. For instance, in rural areas it can be predicted even among new voters because the trends and parties, through their recruiting stations in the immigrant camps, attract newcomers to settlements which they themselves organise and in which all vote one way. It is in the towns that forecasts are harder to make. In the municipal elections of last November, a swing to the right took place in Tel Aviv and in the older towns; here the General Zionists seemed to attract a lower middle class vote which had become dissatisfied with Mapai, less because of queues and controls (which most sober Israelis know are unavoidable in the country's parlous financial state) than because of pressure allegedly exercised on the small man by the organisations run by Mapai's adjunct, the Histadruth (Jewish Federation of Labour).

The Histadruth exercises—in the view of its opponents, misuses—considerable powers through, for instance, its powerful co-operatives, through its admirable workmen's housing organisations or through equally efficient sickness benefit arrangements; 17 per cent of the population is said to work for Solel Boneh, which is its contracting organisation for industrial and constructional jobs. But against this evidence that a swing away from Labour might take place must be set the fact that in the municipal elections, such areas as can be said to consist almost entirely of new immigrants—such as Jaffa and Ramle—voted left. The proportions here showed Mapai roughly twice as strong as Mapam and Mapam twice as strong as the Communists. The Arab franchise, which in 1949 numbered only 32,000, is expected to amount to about half of the Arab population of 175,000. The Arab parties are all left wing. The only non-Arab party to run Arab candidates at or near the top of its list is the Communist party.

Groups that are expected to lose ground are the Religious Bloc, which has split into its four component parties, the Progressives (whose programme is almost indistinguishable from that of the General Zionists) and Herut, the party that hopes for the expansion of Israel. This lives on several slogans that are widely regarded as out of date and it has lately been short of funds. It might get a fillip if there were trouble in Jordan.

Mapai is likely therefore once more to lead the poll, and Mr Ben Gurion to remain Prime Minister. If he is returned, what kind of a coalition will he seek? Mapam, which has become, on this year's party showing, a little redder than it was before, would make a strange partner. The likelihood is that he will seek alliance with the General Zionists. Their demands are for modified controls; for measures to break Histadruth-controlled monopolies over some public utilities and industries; for nationalisation of education, insurance, labour exchanges and public building; and for the introduction of the merit system in the army and civil service. Some of these demands attack Mapai's vested interests at the root, which the demands of the Religious Bloc do not. But, faced with a choice between the two, Mapai's more thoughtful members seem to find the General Zionists' price the less irrational one to pay.

No Change in Madrid

[BY A CORRESPONDENT]

The publicity accorded the recent Spanish Cabinet changes in the British press probably reflects the general anxiety in this country to see a more liberal regime in Spain. It would be a mistake, however, to allow wishful thinking to blind one to the facts. One swallow does not make a summer, and the departure at long last of the much-criticised Sr Suances, Minister of Industry and Commerce, as a sop to the United States, loses much of its importance in the light of the composition of the new Cabinet. Sr Suances came under fire for his policy of indiscriminate industrialisation, for centralising all business transactions in Madrid, for promoting the state-run *Instituto Nacional de Industria* (INI)—whose tentacles have been rapidly spreading into every branch of industry—and for his almost completely rigid adherence to the law restricting to 25 per cent foreign capital invested in Spanish concerns. Sr Suances' ministry is now split into two, a Ministry of Industry under Sr Joaquin Planell and a Ministry of Commerce under Sr Manuel Arburua. In two such closely related departments—and there has so far been little indication of their respective spheres—much will depend on the personalities of their chiefs. Sr Planell was second in command of INI and can therefore be relied on to continue the policies of his former chief. Sr Arburua was general manager of the Spanish Bank for Foreign Credits and has held office under a former Minister of Commerce, Sr Carceller. He is known to favour

a more liberal policy in trade but whether he will be able to achieve it in spite of his colleague's opposition remains to be seen.

At the new Ministry of Press and Information, the Minister, Sr Gabriel Salgado, has already had charge, not only of propaganda, but of the censorship of the press. His heyday in this capacity was during the war, at a time when German influence was strong in Spain. His appointment bodes little good, despite talk of a new and more liberal press law. The appointment of Franco's right-hand man, Sr Carrero Blanco, as Minister without Portfolio, gives promotion to a man known to hate England and France. Under the pseudonyms of "Hispanicus" in the press and "Juan de la Cosa" on the wireless, he has at times conducted venomous campaigns against Britain and France; nor has the United States been entirely exempt in the past. Any institution that savours of "liberalism" is anathema to him.

Some Routine Promotions

Sr Joaquin Ruiz Jiminez, formerly Spanish Ambassador to the Vatican, owes his appointment as Minister of Education rather to strong intervention by influential elements in the Church than to any wish on the part of Franco to please the United States by withdrawing his own choice of Sr Sastiella. The latter was joint author of a book claiming Gibraltar for Spain and the man whom Franco would have sent as Ambassador to London if the British Government had not refused to have him. Nor can the appointment of General Augustin Munoz Grandes as Minister for War be regarded as a conciliatory gesture, since he was head of the Blue Division which fought against Russia. The new Minister of Justice, Sr Antonio Iturmendi, has held office as Under-Secretary in the Ministry of the Interior which controls the machinery of the State police. Four members of the outgoing Cabinet, including the Foreign Minister, Sr Artajo, retain their present posts. The remaining portfolios are routine promotions. An official of the Finance Ministry, Sr Francesco Gomez Llanos, is the new Finance Minister; the Minister for Agriculture, Sr Rafael Cavestany, was a member of the Agricultural Research Institute, while the Minister for the Navy, Admiral Salvador Moreno, is a former Minister of Marine who has been commanding the naval base at El Ferrol.

Although a number of the new Cabinet have been described as monarchist, it would be a mistake to imagine that this heralds the return of the Pretender, Don Juan, to the throne. Spain abounds in "passive" monarchists who would welcome a return of the monarchy, but are not prepared to take action to bring it about, and meanwhile enjoy such fruits of the Franco regime as are available to them. Moreover, the Don Juan monarchists are hopelessly divided among themselves, and there are in addition other monarchists who support the Carlist line, such as Sr Iturmendi, the Minister of Justice. Count Vallelano, the new Minister of Public Works, who was Mayor of Madrid under Primo de Rivera, is a monarchist by repute, but were he a true supporter of Don Juan he would not hold office under Franco. Franco's policy is at present directed towards persuading Don Juan to abdicate in favour of his eldest son, now at school with his brother in Madrid. Don Juan himself is unacceptable to Franco because he is tainted with liberalism from his contacts with Republican Socialists in exile. So far, Don Juan has shown no signs of complying with Franco's wishes, nor would there seem much point in his doing so, since the Prince of Asturias is now only twelve and may not succeed to the throne, under Franco's Succession Law, until he is 30, by which time Franco would be nearing 80.

The fact is that, with the possible exception of the Minister of Commerce, Franco has done nothing to introduce more liberal elements into his Cabinet. Moreover, his hand has recently been strengthened by prospects of a good harvest and better water supplies to generate electrical power for industry. The cancerous state of the economy remains, as the recent outburst of strikes bears witness, but the United States' need for bases is Franco's opportunity. Past experience shows that he is unlikely to waste it and his terms will almost certainly be stiff. Extensive United States help is at present Spain's only hope of recovery; but it will go to a totalitarian and illiberal regime, and it will not be surprising if only a small proportion of it reaches the people for whom it is intended.

Class War in Western Germany

The air of Federal Germany resounds with threats of class war. From the headquarters of the *Deutsche Gewerkschaftsbund* (the German TUC) come statements framed in terms such as "challenge to battle," "the employers' front" and "strong-points" which fall so naturally from German lips. The Federation of German industry is less militant in tone, but equally formidable in strength. The employers' union may even be stronger than the DGB. True, the German trade union movement is no longer split into Catholic and Social organisations, but it is not a monolithic, centralised body. Owing to the insistence of the British in the early days of Military Government, the trade unions were reorganised on the democratic lines of the TUC. The headquarters in Duesseldorf have therefore no direct authority on wage issues. In any case, only about 5,500,000 out of the working population of 14,250,000 are union members.

The present tension between the employers' and trade union organisations is not the fault of Dr Adenauer. At the end of last year the Chancellor made an effort to secure labour peace by two measures. He established a joint com-

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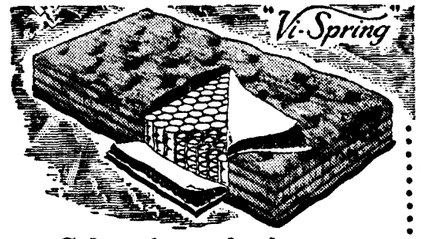
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mittee to deal with the problem of stabilising wages and prices, and he pressed through the Co-determination Law. This latter measure—a big step towards syndicalism—gave labour the right to an equal share in the boards of directors and management of the heavy industrial concerns of the Ruhr, once they have been reorganised under the Allied Law 27. It is bitterly opposed by the employers' federation, because the labour representatives will tend to be spokesmen of the trade union headquarters. The DGB is as determined to extend co-determination to every important branch of industry as the employers' organisation is to prevent any further breaches in the rights of capital. The latest round has gone to the employers—in this case the State itself; the *Bundestag* has rejected a demand that the Federal Railways Board should give equal representation to labour. The railway union leader thereupon issued a flaming declaration about struggle to the last.

No More Concessions

In the field of wages it also seems that the period of concession by both sides is at an end. Conflicting statistics come from the two rival organisations; but it appears fairly certain that wages have gone up over the past year to roughly the same extent as prices. The unions are probably right in claiming that the German worker has still a smaller share of the national income than before the war, while any observer of the German economy can see that he works extraordinarily hard to secure as much as he does. To minimise inflationary conditions and set the mismanaged public finances in order, the German worker should probably not receive much more, but taxation should leave trades and industrialists with less. Something in that direction has been attempted in the new Federal income tax regulations, but in general Dr Schaeffer, the Bonn Minister of Finance, still remains helpless in the face of competing pressure groups.

Various employers' associations have now declared they will not grant further wage demands. The new chairman of the DGB, Christian Fette, has retorted that in view of the "great unrest among the workers," and the failure to keep prices down, "it is time to change the present economic system." On July 24th the DGB executive recommended withdrawal from all co-operation with the Government. Over a hundred wage agreements have been ended by individual unions and some leaders inside the Metalworkers Union have decided to "break the industrialists' front from below" by instructing individual factories to take their own steps to secure benefits which have not been accorded by negotiation. The struggle in this branch of industry will have wide political repercussions. The employers will certainly oppose any further wage increases all the more resolutely in view of the Schuman Plan. They will wish to retain the position of the Ruhr as the cheapest steel producer in order to justify the investment of all available American capital in Germany.

The Trade Union Federation, in contrast to the Social-Democrat Party, has conditionally approved the Schuman Plan, since its economists believe that the Plan offers the Ruhr a big chance of leadership, and co-determination ensures power for the Federation in the Ruhr. It has, however, reacted strongly against the latest concessions made to private owners by the Allies in connection with the reorganisation of the Ruhr, and maintains that the new unit companies must be publicly owned. Here they are at one with the Social-Democrats.

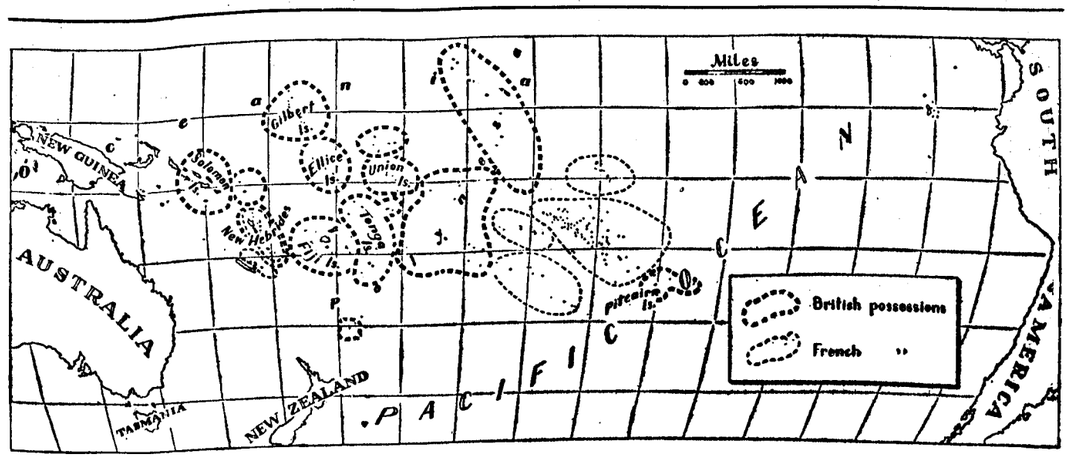
Another indication of the trade union leaders' intention to enter the home political field came on the occasion of the election of Herr Fette last month. The new chairman announced that the unions would themselves take action against any neo-Nazi activities, should the authorities fail to do so.

From the Soviet Zone, an almost desperate effort has again been made to use these tendencies for Moscow's purposes. Herr Ulbricht and the Communist trade union federation have issued appeals to the Western Germans to link wage claims with action against defence production and the Schuman Plan. The West German Communists have again been reprimanded for their failure to secure working class unity. The Communists have indeed failed in Western Germany. They have been progressively ousted from all but a few positions in works councils and trade union branches; only recently the Communist leader, Agartz, tried to instigate a strike in the mining industry, but only succeeded in getting himself expelled from the central organ of the powerful mining union. The main concern of the average workman is to retain his job and build up the enterprise of which he is a part. Industrial workers are already afraid that shortage of raw materials will cause short time or unemployment and are anxious not to make the risk worse by strikes. The employers are therefore in a strong position, which they will undoubtedly be tempted to abuse.

Britain's Island Colonies—II

Fiji and the West Pacific

FOR the first time for many years a British Minister from the Colonial Office, Mr John Dugdale, is now on a visit to the Western Pacific. He will enter there the least known, but in many ways the most fascinating, area in the British



Empire—interminable reaches of ocean, studded with small islands, whose scattered and primitive populations (Polynesian, Melanesian and Micronesian) have long provided the anthropologist's paradise. But for the administrator, who must carry out ten-year development plans, inaugurate trade unions and co-operative societies, build up local institutions, and make that "advance to self-government" which is the essence of British colonial policy, this Garden of Eden does not lack its cares and problems.

The focal point of this area is the island of Fiji, with a population of nearly 300,000. There are then three groups of islands—the Solomons, the Gilbert and Ellice Islands and the New Hebrides (the latter under a condominium with France) whose populations amount in all to less than 200,000. The separate island of Tonga has 46,000 people, with a kingdom proclaimed in 1845—and based on the British constitution—today ruled by Queen Salote. And finally, 120 souls, mainly of British descent, inhabit the lonely island of Pitcairn in the extreme east. All these islands were brought under British protection towards the end of the nineteenth century. The Solomons and the Gilbert and Ellice group were occupied by the Japanese during the war, and suffered severe damage and disruption.

Traders Replaced by State Schemes

In this extraordinary dominion colonial officials pursue day-to-day policies which are surprisingly similar to those laid down in all the varying circumstances of Equatorial Africa or the West Indies. Obviously there must be an ordered economic framework—this means proper trading arrangements, fair prices to the producers, balanced budgets, income tax and the rest. It is no easy task, yet in this field great progress has been made since the war, partly owing to the high prices that have prevailed for the main products of the area—sugar, copra and gold from Fiji; copra and phosphates from the Gilbert and Ellice Islands; and almost entirely copra from Tonga, the New Hebrides and the Solomons. Pitcairn has one main source of revenue—postage stamps.

But, as in other colonies in these days, prices are no longer left to chance. The British Ministry of Food buys the whole of the copra, under bulk-buying contracts, through statutory Copra Boards which are non-profit-making organisations. The sale of sugar in Fiji has also been guaranteed by Britain at fixed prices. In the Solomons and the Gilbert and Ellice Islands the commercial firms which operated before the war have not returned. Their place has been taken by government trade schemes, in some cases working on co-operative principles, which retain all the profits for local development and welfare. Co-operatives, government trading and other measures of self-help have developed successfully in recent years, and the trade and revenue figures for the whole area look extremely healthy, showing threefold or fourfold increases over ten years:—

FIJI AND WESTERN PACIFIC
(£000's)

	1939	1949	1950
Imports	1,940	8,085	...
Exports	3,034	9,000*	...
Revenue	1,010	...	5,296
Expenditure	1,189	...	4,702

*Approximate

In Fiji a Development Fund Bill, sponsored by a distinguished Fijian, has just passed its third reading in the Legislative Council. Its purpose is to channel off the heavy tax which will be levied on all Fijian copra growers from the proceeds of their sale of copra to the Copra Board. These moneys will be paid into the Fund and credited to the growers, or co-operative societies, who have paid the tax. They will then be able to withdraw their credits plus interest, for special improvement schemes approved by the Board of the Fund. (This may be compared with the arrangements in the marketing of West African cocoa, which have caused so much controversy.) All copra must be marketed through the Copra Board, so that the open market on which European and Chinese traders have long been established is upset. The Fijians, who themselves initiated this Bill, have taken things into their own hands. This, said the Governor in the Legislative Council, "is a bold experiment for which it would be difficult to find a close precedent."

In the Gilbert and Ellice Islands there has been another bold experiment. The Government Trade Scheme has become a co-operative wholesale society. It imports trade goods, distributes them to the island co-operatives, and collects and ships copra. The latest figures available show a profit of £36,000 on merchandise trading in 1949, and a profit of £70,000 on copra trading. £48,000 was placed in a special Development and Welfare Fund, for loans to the island societies for development work, and to repay the cost of the ships which the society is now wealthy enough to buy. It is a remarkable record for this one group of scattered islands with a population of only 37,000. Moreover, there are 22 trade unions in Fiji, and the official report says that "collective bargaining has become a normal feature of the industrial set-up."

This good balance sheet on the economic front has meant a variety of social services. It is remarkable that Fiji has a Central Medical School, founded in 1884, at which four-year courses in medicine were attended, in 1950, by 80 students from the whole area. But the record of political advance is quite different. Whereas almost every other British territory has undergone fairly dramatic constitutional changes—or even a series of changes—in the last decade, nothing of this sort has happened in the Pacific except in Fiji. All the island groups come under the jurisdiction of the High Commissioner for the Western Pacific; none has a Legislative Council; they are administered by officials with varying titles. Fiji has Legislative and Executive Councils which have been revised recently. The Legislative Council has 16 official members and 15 unofficial, apportioned on the basis of strict racial equality irrespective of the size of the community—5 Fijian, 5 Indian and 5 European—a neat way of solving racial problems at the centre.

Uneasy Undercurrents

It would be easy to look at this total picture complacently, but beneath the surface there is a simmering of malaise, springing from the impact of European civilisation on isolated and backward peoples. This uneasiness bursts out sporadically in mysterious native cults—the Vailala Madness, the Fijian "Cargo Myth" (under which it was believed that deceased ancestors would return in a steamer as white men and distribute free vast quantities of trade goods to those who had followed the cult) and, in the Solomons since the war, the Marching Rule movement. Marching Rule sprang directly from the impression made by the wealth of American soldiers during the war, and was somehow connected with the Cargo Myth. It was extremely well organised and took the form of an anti-British campaign on the basis of non-co-operation with the authorities. It grew to such proportions that in 1947 it had to be forcibly suppressed by the arrest of all the leaders. Today the leaders have been released and are mostly working with the Administration.

In the early days of European contacts in the South Seas infinite harm was done to the Islanders through the unbridled pursuit of trading profits. Today that era has largely passed; under an ordered and benevolent administration, attuned to the ideals of the welfare state, social and economic advance has gained momentum. What this will finally mean in human happiness remains obscure; nor can one draft any confident blue-print for the political future of the Pacific Islands. But what, in terms of the twentieth century, can possibly be the alternative?

(To be concluded)

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Aspects of enterprise

No. 6

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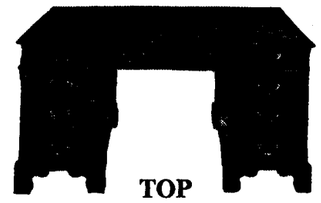

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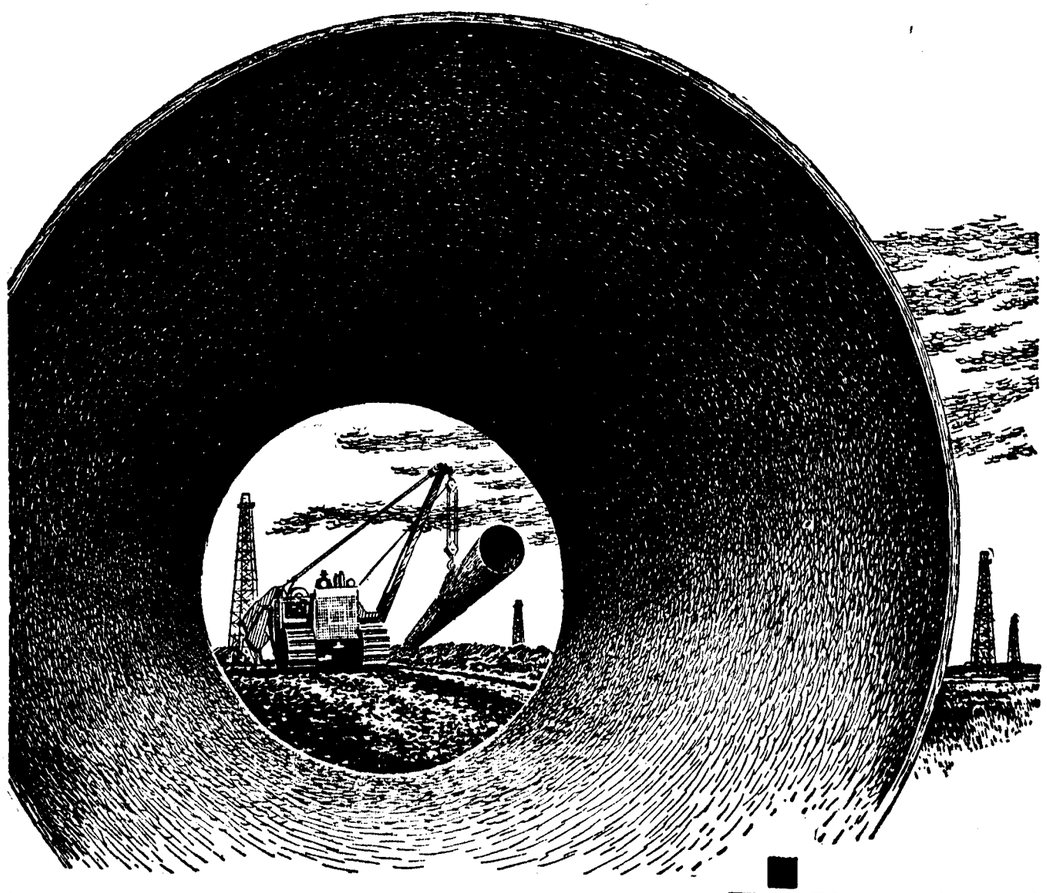

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THE BUSINESS WORLD

Dividends under Control

SCAPEGOATS are easier to find than cures. One cannot expect Labour Party supporters to miss the opportunity of holding profits and dividends to blame for the present ills of inflation and rising prices. What is more perplexing is the rapid change in the Chancellor of the Exchequer's thinking on these matters. In his Budget speech, he recognised the function of profit as an incentive in an economy "three-quarters of which is run by private enterprise." His arguments led him to raise the rate of profits tax on distributed profits from 30 per cent to 50 per cent, in the hope of providing "a powerful incentive to companies to put profits to reserve rather than to increase dividends." He preferred this course to statutory control of dividends, which he rejected on the understandable grounds that it would not be wholly practicable and would involve additional administrative work. Now he has changed his mind completely. Dividend limitation—if the Government has its way—is to be fastened on the British economy for three years from yesterday.

The reasons for the Chancellor's decision are worth setting down. They depend on his estimate of the public's attitude towards dividends, not on any measure of their economic effects:—

> It is no exaggeration to say that practically every morning there is news of a company increasing its dividend in a pretty substantial way, and on a scale far greater than the general increase in money incomes which has recently been taking place. This kind of thing inevitably acts as a continual irritant on the great majority of the population who are not equity shareholders. . . . The psychological consequences of sharp increases in dividends are far greater than their direct monetary effect. . . . I have now come to the conclusion that these further steps are necessary if we are not to be continually frustrated in our efforts to check inflation and the increase in the cost of living.

This amounts to an assertion that the rise in dividends has been a material factor in raising the cost of living, which is absurd. The rise in dividends has absorbed a small part of the rise in profits, the great bulk of which has been paid over in taxation and set aside to company reserves, thus fulfilling the precepts of the Economic Survey of helping to restrain the increase in inflationary pressure.

The "further steps" that the Chancellor proposes are certainly drastic. They will rock the equity share market, which until recently has responded vigorously to the prospect of higher dividends, and the Chancellor's intention to contrive a deflation of equity share values will certainly be satisfied. So far, only the principles of dividend control have been announced, but these—and the Bill that the Government intends to present in the autumn—will need the closest study. A limit will be imposed on the gross amount of equity dividends distributed by public or private companies during a period covering three accounting years from July 27th. The limit for the majority of companies will be the *average* amount distributed or declared in respect of the last two accounting years up to July 26th—in other words, the virtuous ones that have observed dividend limitation suffer, while the naughty are permitted to average their sin. Some companies that have paid no dividends in the past two years will be caught by the penal capital standard of 5 per cent on their issued capital and new companies will be limited in effect to a 7 per cent distribution; the control will not apply to companies distributing less than £10,000 gross. The form of control implies that companies that wish to reconstruct their capital will have to seek consent from the Treasury—an extension of the disagreeable principle that it is entitled to act as arbiter in its own cause.

Clearly, dividend control on this pattern will imply a reduction in dividends, in many cases, below the level of the latest year, and an even greater fall below expectations for the coming year. This is the ceiling without floor—a variant of the end-result of EPT without any of the compelling circumstances of war itself. To suppose that, if these proposals go through, they will be limited to three years is asking those members of the public who are equity shareholders (not so negligible a section of the public as the Chancellor seems to think) to believe too much. They mean—if they are passed and kept on the Statute Book in anything resembling their present form—the end of free enterprise in industry, the death of the adventuring of new capital in new processes, the rigid mould of control over what is and the removal of incentive from new savers and new investors to finance something better. This is the latest and worst example of tilting at windmills and attacking symptoms. If the amateur psychologists of the Treasury bench had any political courage and any economic realism they would shrink from proposals that would damage for all time the prospects of a free, healthy and progressive industrial economy in this country.

Dismay at the rapid rise in the cost of living has thus led to sweeping attacks that wholly fail to distinguish between the significance of profits and dividends or to measure their relative weight. Once again, therefore, the facts that emerge from published accounts are submitted for examination. The Chancellor presented his Budget on April 10th; thus the results of the companies whose accounts were published in the second quarter of this year were largely drawn up to give effect to his tax proposals. They did not, it seems, satisfy his wishes about dividends; but it is difficult to discover how their dividend decisions could have added any appreciable force to what Mr Jay called "the inflationary pressure on living costs." In fact the 877 companies whose reports were received in this very active quarter increased their dividend payments by little more than £10 million, from £52.1 million to £62.6 million, both figures being calculated after deducting tax. Ten million pounds may sound a lot, but it is tiny compared with the "inflationary pressure on living costs" that is already being caused by higher import prices and by wage increases this year. The former have run into

a hundred million pounds; the latter are officially estimated at £2,750,000 a week. The rise in dividends represents perhaps one part in fifteen hundred of the nation's total expenditure. To pretend that it is a prime cause of inflation is politics, not economics.

Nor indeed is the rise in trading profits a cause of inflation; it is certainly a consequence of inflation and it admittedly owes much to the comfortable economic climate to which Mr Gaitskell referred in his Budget speech. It is not a healthy state of affairs that 877 companies can in a single year increase their trading profits by 27½ per cent, from £482.3 million to £614.0 million. This is the end-product of inflation and rising prices, not the particular mark of enterprise, though that has not been absent. Times without number it has been demonstrated in these columns that the bulk of any increase in "profits" attributable to a period of rapidly rising prices is not "profit" at all, but capital dressed up to look like profit. Of all the components of the national income, profits make the quickest response to inflation. The tax authorities know this; and so do company directors. The total income of these 877 companies, after deducting depreciation, rose during the past year from £454.6 million to £567.7 million; their total liability for income tax and profits tax rose from £207.2 million to £278.4 million. Of an increase of roughly £113 million in profits, the tax collector claimed over £70 million. Of the balance, roughly £14 million has been set aside for contingencies and other provisions, £5,500,000 million retained as reserves by subsidiary companies and the same amount retained by parent companies together with an increase of about £9,000,000 in their balance on profit and loss account. The ordinary shareholder has received less than a tenth of the increase. The average rate of ordinary dividend (before tax) on the issued ordinary capital of these companies is 16.2 per cent in the latest year, compared with 13.3 per cent in the preceding year; in terms of the "net worth" that the legal capital truly represents, the average rate of dividend return amounts to 5.5 per cent, compared with 5.1 per cent, and the average return in earnings (taking account of profits tax) expressed in terms of net worth has fallen from 13.7 per cent to 12.9 per cent.

Details of these calculations of profits and dividends and of the financial position of the companies are given in the tables that accompany this article. (The fuller classification by industrial groups will appear in next week's issue of *Records and Statistics*.) Without doubt, the high profits figures of these companies in the latest year have brought an appreciable strengthening of their current financial position if one is to judge solely by the balance sheet figures themselves. The net current assets of the 877 companies have increased from £99 million to £304 million. There has been no appreciable difficulty in financing nearly £150 million of additional stock values, and cash and securities have actually increased. There has, of course, been some increase in permanent capital—notably £56 million of new debenture and loan finance and smaller amounts of preference and ordinary capital. But the broad conclusion is that "profits," as the accountant understands them, have been rising fast enough in the past year to meet the additional strains that have been put on industry by rising prices—including in particular the replacement of stocks and fixed assets at current prices.

The fact remains, however, that the book-keeping is

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports Published April-June, 1951 — 877 Companies		Reports Published July, 1950-June, 1951 — 2,651 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	492,306	614,038	1,125,498	1,337,850
Income from investments	33,771	38,924	82,100	88,094
Other current income	2,937	1,787	8,315	7,662
Non-recurring credits	21,124	15,119	33,273	47,137
Total Income	540,138	669,868	1,259,266	1,480,743
Repairs and maintenance	3,241	3,728	8,268	9,825
Depreciation	82,228	98,491	168,662	205,132
Income Tax (excl. profits tax)	162,274	218,987	379,841	460,988
Profits tax	44,966	59,401	114,936	139,500
Directors' emoluments	15,005	16,176	39,967	42,649
Administration charges, etc.	8,852	9,082	31,775	35,264
Contingencies, provisions, etc.	85,350	49,238	105,547	114,743
Pensions	9,591	12,715	16,570	20,225
Minority share in profits	9,928	10,176	16,962	18,045
Profits retained by subsidiaries	47,918	53,457	79,270	98,695
Debenture interest	8,749	10,246	23,008	26,274
Preference dividends	15,225	15,220	30,834	30,609
Ordinary dividends	58,128	62,565	129,576	147,182
Revenue reserves	36,151	41,679	91,117	103,806
Brought in (parent company)	96,003	104,539	213,435	232,287
Carried forward (parent company)	104,539	113,246	232,287	255,053

NET WORTH EARNINGS AND DIVIDENDS
877 COMPANIES' REPORTS PUBLISHED APRIL-JUNE, 1951

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	717·4	734·9
Real equity or net worth (i.e., net assets after deducting liabilities and prior charges)	1,859·0	2,137·3
Ordinary earnings*	144·7	168·4
Ordinary dividends†	52·1	62·6
Earnings rate per cent.:—		
On issued capital	35·6	37·7
On net worth	13·7	12·9
Dividend rates per cent.:—		
On issued capital	13·8	16·2
On net worth	5·1	5·5

* Including amounts retained by subsidiaries and after tax. † After tax.

ANALYSIS OF COMPANY BALANCE SHEETS PUBLISHED APRIL-JUNE, 1951
(£'000)

	877 Companies — Previous Year	877 Companies — Latest Year		877 Companies — Previous Year	877 Companies — Latest Year
Capital (Parent Companies):—			**Fixed Assets:—**		
Debenture	252,679	308,638	Land, property and plant	1,608,394	1,850,379
Preference	418,609	426,606	*Less* depreciation	473,263	492,049
Ordinary	717,404	734,908		1,135,131	1,358,330
	1,388,692	1,470,152			
Reserves and Surplus:—					
Capital res. and E.P.T. refund	444,665	591,745	**Trade Investments**	264,031	264,806
Revenue res. and carry forward	696,914	810,689			
Total Reserves and Surplus	2,530,271	2,872,586	**Intangible Assets**	169,216	166,275
Outside Interests in Subsidiaries	137,366	139,859	**Current Assets:—**		
			Stocks	947,725	1,096,498
Current Liabilities and Provisions:—			Debtors	547,529	654,837
Bank overdrafts and loans	107,065	118,523	Gilt-edged securities	107,142	121,818
Creditors and accrued charges	843,341	949,676	Other marketable investments	228,811	235,846
Reserve for future taxation	115,540	153,074	Cash	393,025	458,803
Other provisions	59,020	63,065			
	1,124,966	1,284,336		2,224,225	2,527,799
	3,792,603	4,296,781		3,792,603	4,296,781

deceptive, in the sense that it does not begin to measure the erosion of capital that has been caused by the persistent rise in prices and taxation over two decades. It must be remembered that the second-quarter sample of companies includes the majority of the industrial giants who are more ready and more able than the average run of companies to take what corrective measures are open to them towards preserving their capital substance. This is not nearly so true of the smaller public company, and even less true of private companies. The memorandum that the British Bankers' Association has submitted to the Royal Commission on Taxation throws most valuable light on the financial situation of private companies in an analysis of the balance sheets of more than 1,500

COMPARATIVE BALANCE SHEET OF 1,514 PRIVATE COMPANIES
(£000's)

	1946	1949-50		1946	1949-50
Capital	47,957	56,198	Cash	9,958	8,974
Reserves	33,636	58,859	Marketable securities	8,706	6,137
Bank overdrafts	13,998	30,589	Debtors and bills receivable	39,160	65,486
Creditors and bills payable	49,662	69,415	Stocks	44,893	90,586
			Total of above assets	102,717	170,183
			Other assets (net)	42,536	44,878
	145,253	215,061		145,253	215,061

Source: British Bankers Association.

private companies that compares their position in 1946 with that of 1949-50. These companies show a 10 per cent fall in cash holdings, and an increase of 118 per cent in bank overdrafts. Their stocks have increased in value by just over 100 per cent, and despite the fact that "genuine and spurious profits have borne heavy taxation" they have managed to finance three-quarters of the increase in stocks from reserves from taxed profits and by finding new capital. The results of the inquiry can be summarised in a *pro forma* balance sheet. From these figures the memorandum reaches the valid conclusion that they amply confirm the general impression that in postwar years the increase in capital resources has not kept pace with the rise in the financial requirements of business undertakings.

The Financial Secretary, in the closing stages of the debate on the Finance Bill, admitted what had been clear from the general drift of the Budget—that "the main extra revenue required for rearmament must come from increased taxation on profits." The full effects of the increase in profits tax and of the withdrawal of the initial allowances will not become apparent until a couple of years have elapsed. To pretend in these circumstances that it is only increases in dividends that are offensive is disingenuous. Policy is being aimed deliberately at the income that industry needs to sustain itself; warnings that this course is using up the real substance of industry go unheeded; the arguments of the Tucker Committee that "true profits" are what conventional accounting principles say they are have been eagerly prayed in aid—despite the spirited criticism that they have attracted, to which the British Bankers' Association have added their authority. Eventually, perhaps, there will be a greater public understanding of the nature and role of profits in the British economy; politics have given "profits" a bad name, and even those who understand what they are often seem capable only of shamefaced apologetics when they talk about them. It is to be hoped that industry, the City, the professions and the economists are preparing to put their case effectively and factually before the Royal Commission.

Aero Engines

MILITARY aircraft construction is strategically the most important single item in the rearmament programme as well as the most costly: and it seems likely to prove the most problematic. Its two sides, airframe and aero-engine production, are separate in nature and technique: and the Select Committee on Estimates, which took evidence from the aircraft industry before full details of the programme were available, and published its findings at the end of May, could even then detect signs that the production of engines might not long remain "in phase" with the production of airframes. Fuller consideration of the aircraft programme supports its conclusion that quantity production of gas turbines for aircraft presents certain special problems beyond those common to defence contractors generally.

The outline of the programme is well known. Apart from outstanding orders, largely placed before the present programme began, for Rolls-Royce Derwent and Nene and de Havilland Goblin engines for Meteor, Attacker and Vampire fighters, large orders have been placed with the de Havilland Engine Company for the Ghost engine of the Venom fighter. Much larger orders have been placed for the Rolls-Royce Avon engine that already powers the twin-engined Canberra and the four-engined Valiant bomber and is expected to be used in a number of new fighters. This engine will in time become the standard power unit for the RAF. Smaller orders have been placed for the Armstrong-Siddeley Sapphire engine that is considered as an alternative to the Avon. Armstrong-Siddeley turbo-prop engines for special naval aircraft, and piston engines for trainer and transport aircraft and for helicopters, have been ordered in relatively small quantities.

The de Havilland Engine Company had begun to expand its capacity before the rearmament programme was on foot and therefore has space at its disposal to fulfil the orders that have been placed with it. Rolls-Royce Ltd. has several factories already working on Avon production. A further factory in Glasgow is being converted from piston engines to Avons, and the company is about to build a completely new factory in Scotland. Other companies that will be building the Avon engine—Bristol and Napier—have the necessary factory space for the orders so far received, but will be tooling up without any experience of jet-engine production other than what can be gained from prototype development; and if it should eventually undertake Avon production, the Standard Motor Company may need to build a new factory. The Sapphire orders can be handled within the Hawker Siddeley Group, the Hawksley Company providing factory space to supplement Armstrong-Siddeley's facilities.

A major contractor in the aero-engine programme might be expected at the peak of its output to be able to produce 200 to 300 engines a month; the smaller contractors might turn out between 50 and 100. Each of the newer engines requires roughly three times the machine tools and man-power needed for a piston engine, but is a unit of much higher power. The aircraft industry as a whole is employing about 158,000 men and women; this labour force will have to be greatly increased, although no accurate calculation is possible. Possibly half the additional workers may be needed in the engine factories. The work done in many engine factories is limited to the machining of bought-out rough forgings and castings and to their assembly with other components bought from outside. All these sub-contractors will need to expand output—and probably their labour force—in proportion.

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At present, the production of the latest types of jet engines is modest. Tooling up the new lines will take at least twelve months and some time after a year the lines will reach their full rate of output. Construction work for new factories that are being built will take at least a year; and it will be more than two years before their engine production reaches a peak. Within the industry Rolls-Royce and de Havilland, the two companies with jet engines in production before rearmament started, have a lead over other manufacturers. Both companies received big orders last summer and their long-term contracts with suppliers of materials give them a further advantage. In the same way, these two companies were able to take some chances and place orders for machine tools orders, both at home and abroad, well in advance.

There is no reason to suppose the aircraft programme in any way exaggerates military requirements. But it is still necessary to ask whether it is practicable, one that can reasonably be expected to be fulfilled. Production methods for British jet engines have so far consisted of adapting known machining techniques to finish rough components to the accuracy required by gas-turbine engineering (up to limits of one ten-thousandth of an inch on some components). Such techniques are quite suitable for limited commercial production where the scale of output does not justify the designing of special tools to carry one operation through from start to finish; but they may prove both clumsy and wasteful of tools and man-power when applied to quantity production. Yet it is by these means that the greater part of the engine programme seems destined to be carried out. The methods have been tested and are known to work with reasonable accuracy. Experience will undoubtedly suggest improvements (de Havilland has recently reduced compressor machining time to between a quarter and a third of the former figure) and, given sufficient tools, these methods should not prevent the engine programme from being fulfilled.

Both the Ministry and the industry are reasonably confident that the tools will arrive; but tools without labour are useless and the engine factories are, at this moment, concerned more about the supply of labour than about any other single factor. A cut in engineering production for civilian purposes might release some workers, but the aircraft industry does not expect to get many by such means. It prefers to believe that housing is the key to labour supply and is apprehensive lest delays to house building in certain important areas might mean that the new machine tools reach the factories before the workers.

Labour, material contracts and tools are all factors that might hold up the start of production. There is another feature of engine production that could put the deliveries of certain components "out of phase," in the same way that the deliveries of engines may become "out of phase" with the supply of airframes. The de Havilland Ghost may be the last British jet engine to go into production with a centrifugal compressor. This is a large disc with vanes along its face, and it can be produced two at a time on automatic profilers with about 130 hours machining. The axial compressors used in all other new engines are built out of alternate stationary and rotating rows of about 100 small blades. The production of the rotating blades—about 1,500 to 2,000 to each engine—may prove the worst bottleneck in the whole rearmament programme. Rolls-Royce and several American manufacturers still use a light alloy for these blades; but the majority of other manufacturers either use, or are being encouraged to change to, stainless steel. An engine production line of 100 engines a month would call for about 200,000 blades for its compressors and turbines. It is not difficult to imagine British blade requirements reaching and exceeding one million a month; in the United States present requirements have been put at 500,000 blades a week and may rise to several millions a week as American engine production builds up.

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The blades have a complicated aerofoil shape that must be reproduced with extreme accuracy if engine performance is not to be impaired. The light alloy blades can be die-stamped at high speed but the life of each set of dies is limited to only 1,500 to 1,800 blades—one set of dies is needed for every engine. Die-making is a slow process entailing hours of hand filing in its final stages. Although the number of blades per set of dies might be increased, it seems inconceivable that die production by present methods can ever keep pace with the production of compressor blades at the rate that may be required. It is possible to re-face dies several times, but even the process of refacing may take more than half the time needed to make a new die. Thus, although die-stamping speeds up the production of blades in the factory, it throws back an intolerable burden on the tool-room, and this can be lifted, it would seem, by nothing short of a revolution in die-making technique.

The production of stainless steel blades is even more difficult. Many engineers can get no more than 300 stainless steel blades from a set of dies, and the industry has devoted much ingenuity to designing, so far without success, machines for producing these blades in quantity. A turbine blade, made from materials of slightly greater hardness than stainless steel, needs one and a half to two hours of machining to reduce the rough forging to its required dimensions, and a steel compressor blade probably rather less time. These facts give some indication of the tools, time and labour that are needed to produce 1,500 or more steel blades for a single engine. Wide use of one high-speed tool known to have been developed for machining the rough forgings is held up by the reluctance of the designer to part with it on the terms offered by the Ministry of Supply, but the same machines will be tried out in quantity production in the United States next spring. It should then be possible to see whether they do, in fact, offer an opportunity to circumvent at least part of the difficulty caused by the preference of engine designers for blades of this intractable material.

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It is difficult in these circumstances to share the apparent optimism of the industry and the Ministry that compressor blade deliveries constitute no threat to the engine programme. The attitude of the engine companies is partly explained by the fact that each undertakes to produce as many blades as its own factories can handle but relies on sub-contractors for the balance. These specialised blade producers, whose difficulties receive considerably less attention than those of the engine makers, are already swamped by the recent flood of orders. Probably the only concern with a real prospect of receiving blade deliveries on time is Rolls-Royce, simply because that company was able to place its orders ahead of the others. New factories can and will be built for blade production, and in time a new sub-industry may be created with factories capable of turning out as many as half a million blades a month. But a decision to build new factories does not solve the difficulties of providing sufficient dies for stamping light alloys or with machines for turning out steel blades.

Each of the many experimental techniques tried in this country and in the United States has had some unsatisfactory feature that has prevented the development of a new mass production method for making blades. Some engineers hold that the best solution would be to devise a method of mass-producing dies; but this is still a long way from practical possibility. War itself might compel a solution by permitting greater tolerances on the blades; this would speed production at the expense of engine performance.

But this is an industry in which expert views can differ widely, and the belief that such down-grading could be taken under the dictates of emergency does not absolve the authorities, both at the Ministry of Supply and at the Air Ministry, from criticisms of complacency on this point. Some sections of the industry view with disquiet the abandonment of nearly all officially sponsored development work on centrifugal compressors, which are relatively simple to produce. Even if this decision proves to be correct on technical grounds, it is no use letting engine designers forge ahead on axial compressor engines without keeping in mind the present limitations of techniques in producing blades for them. Compressor design holds the key to engine efficiency, and particularly to fuel consumption; but if engines are to be produced in quantity, some concessions may have to be made to the requirements of quantity production, and these might entail, for example, a revision of some blade designs. Meanwhile, the authorities seem content to order more and more engines although the sub-contractors, on whom the responsibility of producing the extra blades eventually falls, have repeatedly protested that they can see no hope of delivery by the dates specified. It is, surely, desirable that there should be closer co-operation between the services, the engine designers and the blade-production specialists to see whether standards and quantities have been set too high or whether the aircraft programme can still be realised by technical collaboration at all levels.

Business Notes

Tampering with the Barometer

Mr Gaitskell's statement on Thursday, made just as this issue of *The Economist* was going to press, revealed more clearly than any governmental pronouncement for many months how completely political objectives now block every sane approach to economic policy. Confronted yet again with the menace of inflation, with an ominous disequilibrium in the balance of payments, and with an excessive level of domestic consumption, the Government has produced three measures that scarcely merit even to be called expedients. The first of these, the legal restraint of dividends, which is discussed in the article on page 229, is nothing more than a party-political sop; any direct relief that it may afford, by way of curtailing consumption, will be virtually negligible. The second measure, the extension and intensification of price control, does not make even this pretence of tackling the real problem. In effect, the Government proposes to tamper with the barometer of inflation—or, rather, with what the public regards as the barometer, the level of prices—in the hope that, if its faking of the readings succeeds, people will believe that the pressure has relaxed. The third measure, tighter control of bank advances, is in principle more defensible; but in practice the wisdom of this step rests upon the assumption that existing methods of broad "priority" directives to the banks are more likely to achieve the requisite restraint of demand than orthodox quantitative methods—supported, as necessary, by rising interest rates.

Past experience does not justify this assumption—even if it does not demonstrably rebut it. The directives to the banks, broadly phrased though they are, have been quite clear in their general intent, and there is every reason to believe that the banks have tried conscientiously to lend only for purposes that the authorities, in their planners' wisdom, would themselves have approved as "essential." Yet bank advances have expanded fast. It is curious, indeed, that it should have been Chancellor Gaitskell who has taken these steps—for he has shown in the past a clearer understanding of the basic economic principles, and a better grip upon realities, than any of his recent predecessors and most, if not all, of his present colleagues. Even now, he concedes the potency of rising interest rates—provided these are restricted to commercial banking business. To argue, as he did on Thursday, that no useful purpose could be served by raising Treasury bill rates, is to miss the vital point—which is that a policy of restricting the general volume of credit (a policy that could be widely pervasive in its effects) would incidentally involve some increase in these rates. As recent articles in these columns have demonstrated, this particular rise would be an incidental consequence, not a specific objective, of the policy that is needed.

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Prices and Logic

Mr Gaitskell's attitude towards price control is even more astonishing—because it is a complete *volte-face* from the basic principle of his Budget. All his reckoning was then based on the thesis that the rise in domestic prices caused by the leap in import costs would do the job that otherwise would have called for still heavier taxation (or, what he did not admit, for honest retrenchment). Now, in effect, the Chancellor is hoping to ensure by extended price control that prices will not do that job. Each rise is to be deferred as long as possible, thereby providing consumers with a positive inducement to expand their purchases, increasing their effective purchasing power, and simultaneously depleting the pool of savings that accumulates in company profits—and, of course, also eating still further into the real capital of industry by preventing manufacturers from relating their prices to replacement costs. Worse still, the techniques to be employed are the obnoxious methods of differential pricing and cost-plus that the authorities have been steadily and wisely relinquishing in the past four years. Mr Gaitskell puts back the clock and rewards the inefficient.

All this, it is scarcely necessary to add, results from political fear and party doctrine. There must be no retrenchment (because it is "impossible"). There must be no honest monetary policy (because Labour still regards it as a vicious instrument of "capitalism"). And there must be no admission of the truth that real incomes cannot rise in present circumstances, and may, in fact, be reduced willy-nilly.

* * *

Anxiety about Coal

If anxiety were the measure of Ministers of Fuel and Power, Mr Noel-Baker this year might be shaping as the best of the succession. Accusations in the House this week that he might be forgetting the lesson of last winter's coal shortage would seem to be quite misplaced: the Minister lets no week go by without a dire warning or a doleful appeal. But anxiety is something less than vigilance; and there has been little in his public utterances to suggest that his control of fuel difficulties in any way matches his painful awareness of them. The enforced cuts in domestic consumption that the Chancellor announced this week constitute the usual surrender to circumstances, not a policy. Possibly the most disturbing factor in the coal industry today is the profound lack of confidence at the top of the industry and the National Coal Board that anything can really be done—in the short run—about production.

Efficiency in consumption is always desirable; but it cannot be put forward as the only remedy for a failure of output to fulfil demand. Considerable savings in coal might be brought about by new fuel installations in industry or by the wider and more efficient use of solid fuel for space-heating. Both objects might be promoted by more realistic pricing of different fuels; and such economic comparisons, and not the mere promotion of various fuel-saving devices for which adequate backing already exists, should be the central task of the Minister's new fuel economy committee. But such measures must be complemented by purposive action on the other side of the equation—by getting more coal.

A final decision whether or not to import American coal again this winter will not be easy to take: but it cannot be long delayed. Even if most districts of the coal industry allow Saturday working to be resumed before September (as the miners' executive still appears to hope) it will not be easy to decide in good time whether the famous "autumn spurt" that disappointed last year's hopes will materialise this year. Last winter pointed the lesson that arrangements for shipping should be made well in advance. The coal industry is just holding its labour force at the coal face: but for three months past total manpower has been slowly declining. Between now and the beginning of the coal winter in November it is hoped to add more than 4,500,000 tons to distributed coal stocks, raising them to 18 million tons. This seems to be a rather generous figure, though perhaps not an excessive one, given the present rate of consumption. An estimate based upon applying current rates of output and consumption to last year's figures, and assuming that the modest export and bunkering programmes are fulfilled, suggests that the industry might fall slightly short of this figure, whatever the effect of official measures to cut domestic coal consumption.

* * *

American Coal for Europe

Other European countries, at any rate, have no doubt that they must go on importing American coal this winter. For the third quarter of this year Europe's total coal deficit, according to estimates of the Economic Commission for Europe, will be 9,000,000 tons of coal and 2,000,000 tons of coke. America's port capacity to move coal to Europe is generally put at some 7,000,000 tons a quarter, and though the limit might be stretched, it is doubtful whether the whole 9,000,000 tons could be supplied. Apart from this total, moreover, Germany is now making a claim to be allowed to import 3,000,000 tons of American coal. The United States does not export coke; and coke will present the most difficult shortage in the European fuel economy. It has inevitably brought up again the constant argument between the consumers of metallurgical and domestic coke: the steel-making countries want priority for their needs, while countries such as the Scandinavian group, for example, argue that their domestic heating is based upon coke and they can no more afford to be deprived of coke than can the steel industries. Given these gaps between requirements and supplies, it is not surprising that for the first time since the war the delegations to ECE have failed to reach agreement about allocation of the available supplies; further meetings are planned, but there is no sign that the disagreement will be resolved.

Much of the dispute concerns the sharing of German coal exports. Until August last year this sharing was based on a formula set by the coal committee of the Economic Commission for Europe; since that time Germany has been free to include coal in the trade agreements it has made with other European countries, notably Italy. Certain of the other importing nations that partly depend upon coal from Germany—they include Norway, Denmark, Yugoslavia and Austria—have been seriously hit by the pre-emption of German supplies for these favoured customers. Part of the attraction of German coal is its low price; and the German Government's proposal to increase export prices by some 25s. a ton (bringing them slightly above British export prices) may have some effect upon importing countries' claims.

Marshall Aid is now being granted for the purchase of American coal, and the United States is providing ships from its reserve fleet. Since the spring an attempt has been made to co-ordinate shipping requirements of European countries, in order to disturb the freight market as little as possible in coming months: and European importers are now reporting that tonnage is at present not difficult to obtain. A further suggestion on these lines is that countries well suited to import American coal, such as those on the western seaboard, might take more of their requirements in this way, giving up claims to the export pool of European suppliers. Such a scheme might benefit the Continent as a whole by reducing transport costs to a minimum; but in view of the sharp difference in price between American and European coal it could not be arranged without some sort of financial compensation.

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Recap on Rearmament

Detailed criticism in Parliament of the progress of rearmament is, in principle, indispensable: in practice, it can seldom be effective. The Select Committee on Estimates, whose first report on rearmament was debated in the House of Commons this week, heard its last evidence in mid-March and presented its conclusions at the beginning of May. In so far as those were of urgent value to the programme, they should have taken effect upon the civil servants organising it well before now (though belated organisation of the advisory council for the radio industry, discussed below, does not suggest any frantic haste). In so far as the conclusions were general in nature, the circumstances upon which some of them were based have changed fairly radically since. Provision of machine tools, for example, upon which the Committee's and other criticisms fastened early this year, would since appear to have been satisfactorily handled—so far as placing orders goes—by the Ministry, who in particular justified its policy of obtaining many of the tools from America by obtaining from the United States Government priorities and many of the dollars too. The Committee's recommendations about allocation of scarce materials have in the meantime largely been covered by parallel action. Such instances re-emphasise the value of the Select Committee's report; but they make it no easier for the Commons to discuss very profitably nearly three months after.

Mr Strauss's statement that 51,000 defence contracts have so far been placed was one of the few scraps of new information the debate provided: and his assurance that "by and large, we shall carry out the (1951-52) defence programme, with some variations between items, to the extent that it was included in the defence estimates and forms part of the budget" is interesting if conveniently evasive. From the circular argument about double-shifting at arms factories in which he and Mr Hudson involved it continued to be apparent that the Government would like half a million workers to turn to defence production but that it has still no idea how to induce those who would need to change jobs to do so. Upon one of the technical recommendations of the Select Committee, concerning the price of steel scrap, the Minister still seemed to prejudge the issue he had handed over to his Iron and Steel Corporation; in rejecting suggestions that full lists of reserve machine tools should be sent to all defence contractors and that another census of machine tools in the country should be carried out, he appeared to be on firmer ground.

* * * *

Inadequate Exports

Details of the United Kingdom's trade in June have not improved the disappointing impression given by the provisional figures. Exports of almost all categories were down on the figures for May. Pottery was significant among the few exceptions, since it is one of the consumer goods industries on which the Government is now relying for increased exports. Exports were £2,237,000 compared with exports in May of £2,123,000, an increase that is hardly enough to be gratifying. Total exports of vehicles in June by value were lower than the average of the first six months; the number of private cars exported was well below last year's rate. Exports of machinery and metal goods also fell in June. Textile exports in June were valued at £42.5 million, which was decidedly lower than in the previous two months and only a little more than the average for the first quarter. Because of the high April and May figures, the total for the second quarter was 13 per cent higher than in the first. Textile exports, however, have increased in price by some 37 per cent over 1950, which is far more than other manufactures; the volume of textile exports in the first six months of the year has been only a little higher than the average rate of 1950. Imports were seasonally high in the second quarter. In June the increase in value resulted from the import of larger supplies of cotton, as well as of timber and woolpulp. Imports for the half-year have been about 10 per cent by volume above the 1950 rate.

The only news that is at all reassuring is that the terms of trade moved slightly in Britain's favour from May to June. This might well be the beginning of a trend in this country's favour. Raw material imports cost no more in June than in May, whereas the price index for exported manufactures continued to rise. The effect of the fall in commodity prices since February and March is at last being reflected in import prices, and it seems likely that the import prices index will fall in coming months.

The problem that faces the Government unless imports are to be limited is how to increase exports that are already about 70 per cent above the prewar volume. Targets are being prepared for 1952, but it is clearly too late to announce any for the current year. In any event, targets will not produce exports. With the full impact of rearmament still to be felt on exports of machinery, metal goods and vehicles the main onus of any expansion must clearly be on exports of consumer goods, of which textiles provide the major part. Raw materials for the wool and rayon industries may be limited, whereas cotton supplies are likely to be good. Moreover, cotton exports are only two-thirds of the 1938 total. The limitation in cotton has been the shortage of labour since the war and the refusal of the unions to agree to double shifts. An alternative to increasing output, however, is to limit home consumption. The high retail sales of most consumer goods at the beginning of the year are partly responsible for the failure of exports to reach the levels hoped for. It remains to be seen whether recent pointers in the retail trade mean that higher clothing and other prices are beginning to have some effect in curtailing home consumption.

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Less Meat from Argentina?

Conflicting reports are coming out of Argentina about the prospective flow of Argentine meat exports to Britain. It will be remembered that the protocol signed after long haggling last April laid down that Argentine shipments to Britain in the present contract year would be at least 200,000 tons of carcase meat and 30,000 tons of corned beef. Immediately after the signing of the protocol, there was a welcome increase in activity at Argentine ports. Shipments of beef to all destinations from these ports in May have been estimated at 364,000 quarters, compared with a monthly average of less than 120,000 quarters in the previous three months; shipments of mutton and lamb in May have been estimated at 18,500 and 185,000 carcases respectively, compared with previous monthly averages of only about 2,000 and 1,000 carcases respectively. About two-thirds of the beef shipments in May, and nearly all the mutton and lamb shipments, were destined for Britain. As a result, about 30,000 tons of meat of all types arrived in British ports from Argentina in June—arrivals that were considerably above the monthly average postulated by Argentina's yearly commitment of 230,000 tons.

At this stage, however, difficulties began to crop up. First, unofficial reports indicate that activity at Argentine ports was much reduced in June—which suggests that the large shipments in May may have come from accumulated stocks. Then, the Argentine Livestock Institute—a Government controlled body presided over by the Minister of Economic Affairs—announced that exports of frozen beef to all destinations in the four months from July to October would be limited to rather less than 9,500 long tons a month and that exports of canned and preserved beef would be limited to 20 per cent of their previous monthly average. It has been suggested that Britain may secure only about 55 per cent of these reduced exports. Although exports from Argentina usually do decline at this period of Argentine winter, this year's decline seems to be greater than had been expected. In part, the decline is due to losses of cattle in the 1949-50 drought; some local observers believe that this has brought total Argentine cattle herds down to 35 million from the total of 45 million assessed in the 1947 census. In part, however, the decline in available supplies for export must also be due to the ill-judged increase in selling prices of small cattle (of the sort preferred in the domestic market) during last year's trade deadlock; this increase encouraged producers to send young cattle to market instead of fattening them for this year's export sales. The indications are, in short, that although the long trade deadlock last year did not cause other countries to supplant Britain as customers for Argentine meat—as some people feared it would do—it did result in a disastrous fall in Argentina's total export potential. The implications of this for Argentina's foreign exchange position are as obvious as they are disquieting. So are the implications for the negotiations for opening the Argentine market to "inessential" imports from Britain and for future sterling remittances. The negotiations about "inessential" imports now seem to be relapsing into deadlock, while arrears of remittances have still been cleared only up to August, 1950, approximately; those that accrued in the fourteen months before that have been remitted only at a penal "free" exchange rate.

* * *

Expanding Cement Output

Although cement stocks are showing their usual seasonal decline, there should be no recurrence of last summer's cement "famine"—assuming always that sufficient transport can be found to carry the cement to the more remote districts. This year the industry expects to bring 640,000 tons of new capacity into operation. The largest single plant to be put up since the war, the Associated Portland Cement Company's plant at Shoreham, built at a cost of £2,500,000, came into operation just after Christmas and is now working to its full capacity of 350,000 tons a year. During 1951, the Shoreham plant, together with extensions to be completed within the year, should produce about 400,000 tons, bringing the industry's estimated output to about 10 million tons.

The Ministry of Works calculated that home consumption this year would exceed 9,000,000 tons. Exports of cement have been kept down during the past two years to 1,800,000 tons in order to maintain deliveries to the home market. Since it is generally agreed that it would be impolitic to reduce exports below this figure, the industry made provision for meeting the Ministry's high estimate of home consumption by arranging to import larger quantities of cement from Europe. Imports during the first half of this year amounted to more than 185,000 tons. The average price per ton for these imports works out at more than £6 13s. compared with a domestic selling price of 84s. in the London area and an average export price of about £5 2s. a ton.

The difference between import prices and the ruling home price at which the imported cement is sold is made good by a levy of 4s. a ton on home-produced cement. If the industry could dispense with imports, a marked reduction in prices would thus become possible. Although it is now obvious that home consumption will be well below the Ministry's estimate, the industry does not think that it is desirable on that account alone to cancel its import orders; it will instead use the extra cement to increase exports this year to about 2,000,000 tons. A further 500,000 to 600,000 tons of new capacity, including plant to be built in connection with the new anhydrite plants for sulphuric acid, has yet to be completed. Some time next year the industry may feel that there is sufficient capacity to dispense with imports without thereby running the risk of losing its export markets to European competitors. A price reduction should then follow. The buyer can secure a reduction in price now by dispensing with bags and accepting delivery of cement in bulk. Consumers are being offered a rebate of about 18s. a ton—equal to the value of the bags—for bulk supplies, but the response so far has not been active.

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You certainly have! Do you remember you told me to look specially for the fine *South African sherries. Since then I've found some which are just exactly to my taste.*
And don't you find them easy on the pocket, too? That means something these days!
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Well, there are two reasons: that amazing climate of theirs at the Cape, and then the Preferential Duty.
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I suppose we can now say, then, that South Africa is one of the leading wine producing countries?
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Courtaulds' Plans in America

Sir John Hanbury-Williams, at Courtaulds' annual meeting this week, added a few touches of detail to the recent announcement that the company is to establish a viscose rayon plant once again in the United States. He was able to announce that Treasury permission to acquire dollars for the project had already been granted; and though he made no estimate of the total cost, he did say it would be well in excess of the $10 million suggested last week in America.

Ever since it was forced to surrender its interest in American Viscose during the war, Sir John recalled, it had been the ambition of the company to re-establish its participation in rayon manufacture in the United States, and "all possible methods of achieving this objective had therefore been carefully considered." He was confident that the plant would one day be a good dollar earner as well as a satisfactory investment: and, as expected, he added that the possibility of extending the scope of the American venture to cover other products in addition to the initial 50 million lb a year of viscose rayon staple would always be in the minds of the Board.

* * *

Financial Agreement with Pakistan

A new six-year financial agreement between the United Kingdom and Pakistan is to be signed in the near future. In recent discussions in London Mr Gaitskell and the Finance Minister of Pakistan reviewed the whole field of Anglo-Pakistan financial relations and made a number of arrangements about the future of Pakistan's sterling balances. They agreed, in the first place, that £30 million should be transferred at once from Pakistan's No. 2 (or blocked) account, to its No. 1 (or current) account. This is a once-for-all transfer. The £30 million concerned will be regarded as a minimum currency reserve, and the Pakistan Government has no intention—at present—of drawing on it. Pakistan has given an assurance that, should it ever become "necessary" to make such drawings, this would not be done without first consulting the British Government. The British Government has also arranged for annual releases of £4,000,000 from the No. 2 to the No. 1 account to help to finance Pakistan's development programme during the six years of the Colombo Plan. If during this period Pakistan's "essential requirements" call for larger releases, the two governments will consult together with a view to arranging any "necessary acceleration."

These provisions for the release of Pakistan's sterling might become important—and their apparent vagueness might become dangerous—if the Dominion's trading position deteriorated. For the moment Pakistan is abundantly supplied with sterling in its current account as a result of its favourable balance of payments, not only with the sterling area but with the dollar world; there is a tendency in Pakistan, however, to regard the formal immobilisation of part of its sterling as something of a stigma so that the new agreement will carry some prestige significance. A more immediately interesting feature of the new agreement is that the British Government is to sell £4,000,000 worth of gold to Pakistan as an addition to the independent reserves that its State Bank holds as part of the backing for the note issue. This follows the precedent set in the last agreement with Ceylon. It reflects the growing tendency among the dollar earners in the sterling area not to leave the whole of their hard currency earnings in sterling balances in London.

* * *

South Africa's Reserves—and Imports

Three years ago, when South Africa's external finances were gravely threatened by the sudden cessation of the inflow of foreign capital and by the extravagant boom in imports, its government showed great reluctance to check these imports by physical controls. Now that the tide has turned, it is showing an equal reluctance to relax these defensive measures. In his annual survey as governor of the South African Reserve Bank, Dr de Kock remarked that the inflow of capital has far exceeded all expectations, and yet comprised investment funds as distinct from the hot money that played so large a part in the earlier movement. During 1950, there was a net inflow of £78 million, and the balance of payments—apparently including capital movements—showed a final surplus of £71 million, in contrast with a deficiency of £63 million in 1949. The gold and foreign reserve mounted to the very high level of £172 million by the end of the financial year (March 31st) though it has since declined to around £150 million, or not much above the figure shown at this time last year. Exports, excluding gold, rose in 1950 by £65 million, while imports declined by £9,000,000. This relatively moderate net decline in imports conceals, however, the very sharp fall that occurred in those from hard currency countries; these were reduced by no less than £46 million, while there was also a fall of £5,000,000 in those from Britain. It is noteworthy that purchases from Germany, Japan and Italy contributed £20 million of the increase of £42 million in imports from other countries.

Sales of gold at premium prices, of great importance to the mines themselves, are now beginning to play a significant part in the Union's balance of payments. They amounted to £51½ million, or to more than one-third of the industry's total sales, and the net premium produced was £3.6 million (equivalent to about 7½ per cent on the monetary gold price). Of the sales made by the Bank itself, 91 per cent, or £74 million, was made to Britain, and, of this, £68½ million was sold under the terms of the financial agreement between the two countries. Hence the proportion (47 per cent) of the Union's total gold output that was secured by Britain under this agreement proved to be appreciably above the minimum that it laid down. Despite the present strength of South Africa's reserves, Dr de Kock emphasises that the pressure upon the Union's terms of trade, and the possibility that the inflow of funds may slacken makes it desirable for a developing economy to walk warily—hence his conclusion that the present mechanism of import control should be retained for the time being.

* * *

FCI's Problems Reviewed

In his annual address to stockholders of the Finance Corporation for Industry Lord Bruce explained in some detail why the Corporation considered it prudent to apply last year's available balance of income to writing down its investments—thus showing neither profit nor loss. As noted in *The Economist* of July 7th, the FCI has always followed a policy of making advances at very low rates of interest to projects that are still in the development stage; in return, however, it takes conversion options in the equity of such ventures, so that it receives an adequate return for its risk-bearing if and when its customers reach the stage of full and profitable production. One case in which this method of operation has proved highly successful is that of F. Perkins, the diesel engine manufacturers, which has now matured sufficiently to approach the public capital market for finance; as a result of the new issue, announced last week, the advances made by FCI to this company will be repaid, and a substantial profit should accrue to FCI through its holdings in the equity. Unfortunately, however, some other borrowers from FCI have run into the common bugbear of finding that development is a much more expensive business in inflationary conditions than they originally budgeted for. The outstanding example among FCI's bigger customers is Petrochemicals Ltd.; the primary plant of this venture should have reached the stage of full operation by the end of this year, but Lord Bruce countered that "it has still to be demon-

strated whether the basic products can be produced at a profitable and competitive price, not only under present conditions but in face of a recession." Lord Bruce drew comfort, however, from the fact that the gloomy predictions now made by some people about Petrochemicals' future are reminiscent of those made at this time last year about the Ultramar oil project in Venezuela; Ultramar, whose equity FCI can claim to have saved for Britain, has now repaid all but £1,100,000 of its advances from FCI.

Lord Bruce made little direct reference to the reduction of investment outlets that FCI has suffered through the nationalisation of steel. He did indicate, however, that the Corporation expects to get a "substantial amount of compensation" as a result of the waiving of the equity conversion rights that were attached to its £40 million of pre-nationalisation steel advances. This compensation money, together with the profit that FCI expects from the transfer to the market of its advances to F. Perkins, will provide a buffer against any losses that may arise from FCI's other existing commitments.

* * *

Belgian Congo Central Bank

A new central bank and bank of issue is to be established within the next few weeks in the Belgian Congo. The new bank will have a capital of Frs. (Congo) 150 million, of which one half will be subscribed by the Governments of the Congo and of Ruanda Urundi, 25 per cent by the National Bank of Belgium, and the other 25 per cent by Belgian private interests; its ultimate headquarters will be at Leopoldville. Hitherto the functions of a central bank have been performed in this territory by a mixed central-commercial bank, the Banque du Congo Belge. This bank, which is owned by the Société Generale de Belgique, will henceforth concentrate on its commercial business. At present much of this business is handled by its subsidiary, the Banque Commerciale du Congo, which was set up in 1911. Now that the parent bank's central banking functions are to lapse, it will not be debarred in any way from commercial operations and there would seem to be little justification for maintaining two separate institutions.

* * *

New Machinery for Radio Orders

The Minister of Supply's announcement in the House on Monday of the impending establishment of a Radio Advisory Council and the appointment of a Director-General of Radio Production has been welcomed by the industry. The need for a step of this kind has been apparent for some time. Although the Radio Industry Council, the manufacturers' organisation, has had its own rearmament committee, there has been no opposite number inside the Ministry with which common problems could be discussed. Responsibility for placing orders for radio equipment was divided between those sections of the Ministry acting for the Air Ministry and those acting for the Army, and was a comparatively minor aspect of each section's work. Members of the industry have complained, on occasions with considerable vehemence, that there was no one of authority within the Ministry with whom they could deal and that they suffered accordingly in negotiating contracts.

Some of the consequences of this lack of central responsibility were brought to light in the industry's evidence to the Select Committee on Estimates last February. They ranged from apparent ignorance of impending material shortages to cuts in material allocations made without prior consultation with the industry, and lack of any guidance to producers in deciding between conflicting home and export demands. The Select Committee asked in May for urgent action to improve the "present system of negotiation between the Ministry of Supply and the radio industry."

Neither the name of the new Director-General nor of the members of the Council had been announced at the time *The Economist* went to press, but the Council is expected to consist of about eight industry representatives and one or two members of the Director-General's staff. The centralisation of responsibility implied in the creation of this new post should go a long way to meet the industry's complaints on that score, but the work of the committee may prove to be even more important. The timing of radio orders needs great care, for the industry's products include key components for most major items of military equipment. The Government's plan for the radio industry requires a smooth transition from civilian to military production; and it may involve maintaining civilian production at a high level until military equipment can replace domestic sets on the assembly lines. This may not come about for at least eighteen months; and it will need the closest co-operation between the Ministry and the industry to see that there is no serious interruption to output—and possible loss of labour—before then.

* * *

Surplus Tin?

On Tuesday, Mr Symington, the chairman of the Reconstruction Finance Corporation, announced that agreement had been reached to pay Bolivian tin producers $1.12 a pound. This price is 6 cents above the level of $1.06 at which the RFC has kept its selling price since the middle of June. Mr Symington mentioned that the new Bolivian price of $1.12 is equivalent to a Singapore price of $1.08 a pound or £864 a ton. The RFC informed Dutch and Belgian producers only last week that it would not pay more than $1.03 for their tin. Thus the object of the RFC's policy seems not merely to reduce the price it has been paying for tin but also to offer differential prices to different suppliers. Indonesia and the Belgian Congo have agreed to supply the United States with tin concentrates instead of metal under their contracts; as a result, the supplies of Belgian and Dutch tin that the London market had expected will not arrive. Additional supplies of concentrates from Belgium and Indonesia will enable the United States Texas smelter to increase its output from about 37,000 long tons a year, the rate at which it has been operating in recent months, to some 55,000 tons; this would still be below the theoretical annual capacity of the smelter.

Since supplies of concentrates are assured from Bolivia, the Belgian Congo and Indonesia, the United States could easily postpone all purchases of tin metal for as long as twelve months if it wished. Consumption in the United States has been running at about 70,000 tons, but is likely to be reduced by at least a tenth as a result of the restrictions imposed on the use of tin. The RFC's stocks were published as 31,000 tons at the end of last year. Since then, stocks have been depleted by some 8,000 to 9,000 tons, leaving about 22,000 or 23,000 tons, apart from tin held in the stockpile. Moreover, at the beginning of this year the American Government restricted the amount of tin that could be held by producers of tinplate to three months' supply, and by other users to two months' supply; as a result some 10,000 to 15,000 tons of additional stocks are probably held by large consumers in addition to the stocks officially allowed. Since the RFC will under-deliver by this amount, this tonnage is equivalent to a further reserve. Thus, with RFC stocks of 23,000 tons, smelter output of 55,000 tons and consumers' additional stocks of 10,000-15,000 tons, American supplies of tin available in the next twelve months could total 88,000 to 93,000 tons. These supplies would meet consumption and leave a surplus, without touching the large strategic reserve.

If America should hold aloof from the world market, except for the purchase of concentrates under existing agreements, a serious surplus of tin would result. World output of tin metal is currently at the rate of 165,000 to 170,000 tons a year. Excluding the United States, the amount available for the rest of the world would be about 110,000 tons. This calculation assumes that the additional concentrates to be supplied to the American smelter would result in a corresponding reduction of Dutch and Belgian smelter output. World consumption, again excluding America, is at the rate of 75,000 to 80,000 tons. Thus a surplus of 30,000 tons or more might be in prospect in the coming year, and the surplus would be even larger if some countries decided to buy no more than enough to meet current consumption. On Thursday tin had risen to £895 a ton compared with £862½ a ton a week ago. The rise has followed the announcement of the price fixed under the Bolivian agreement. The Straits price has also risen. The present price is clearly vulnerable.

* * *

Increase in Shipbuilding

Merchant ships under construction in the world increased by nearly 250,000 tons gross in the second quarter of this year, according to Lloyd's Register of Shipping, whose returns for the end of June record a world total of 5,331,214 tons. Nearly 40 per cent of this tonnage is under construction in Great Britain and Northern Ireland, where the total is 2,114,319 tons, an increase of 41,596 tons. Shipbuilding in Japan increased during the quarter by a similiar amount; Japan now has 520,665 tons under construction, and is the second largest shipbuilding country in the world, displacing France, whose total of 439,363 tons is some 46,000 tons less than in March. The largest increase in shipbuilding activity during the quarter, however, was in Germany, where tonnage building increased by 126,568 tons to a total of 387,853 tons. Germany now ranks fourth in the world. Returns are not available for China, Poland or Russia.

Of the tonnage under construction in Great Britain, 34.5 per cent is for export. The export total is 729,313 tons, of

NATIONAL TRUST COMPANY LIMITED

BARCELONA TRACTION LIGHT & POWER COMPANY LIMITED

NATIONAL TRUST COMPANY LIMITED of Toronto, Canada, announces that as holder of all the shares of Ebro Irrigation & Power Company Limited and Catalonian Land Company Limited, both of which are Canadian Companies incorporated under the Dominion Companies Act, it has delivered protests to the persons in Spain purporting to act as Directors of these two companies, protesting against the notice which has been advertised in Spain by these persons stating that new shares must be applied for to them within thirty days of the notice, after which the present outstanding shares of these companies will become valueless.

National Trust Company Limited states in these protests that it does not recognise the validity of any such exchange of shares as is called for by the notice and points out that the legality of the appointment of the persons at present purporting to act as Directors of these companies and the validity of all their actions has been challenged in the Spanish Courts where the relevant issues have not yet been heard.

National Trust Company Limited has sent similar protests to the persons purporting to act as Directors of two Spanish Companies, namely Union Electrica de Cataluna S.A. and La Electricista Catalana S.A., of whose capital National Trust Company Limited is also a shareholder.

National Trust Company Limited also points out in these protests that the shares in question of the two Canadian and two Spanish Companies are held by it under the Trust Mortgages securing the sterling bonds of Barcelona Traction Light & Power Co. Ltd., as security for these bonds and that it holds the certificates for these shares at its Head Office in Toronto.

BARCELONA TRACTION, LIGHT & POWER COMPANY, LIMITED

A statement issued to-day by the National Trust Company Limited of Toronto draws attention to the most recent development in the Spanish "bankruptcy" of Barcelona Traction—namely, the announcements in the Spanish press of the proposed issue in Spain of fresh share certificates of Ebro Irrigation and Power Company Limited and other companies of the Barcelona Traction Group, and the purported invalidation of the existing share certificates.

The Board of Barcelona Traction desire to make it clear that these announcements and the issue of fresh share certificates which they threaten are wholly unauthorised. The shares and bonds of Ebro, the chief operating company of the Group, and shares of the other companies form directly or indirectly the principal security for Barcelona Traction's issues of Prior Lien and First Mortgage Bonds. The bonds and certificates for shares of Ebro and with minor exceptions the certificates for shares of the other companies, are in the physical custody in Canada of National Trust Company Limited or of the Receiver and Manager appointed by the Supreme Court of Ontario.

Puppet Boards of Ebro and the other companies, set up in Spain, are now proposing to issue pieces of paper described as "shares" to supplant the real shares held in Canada. The manoeuvre is all the more transparent in that the Spanish announcements do not state that in order to obtain the new shares the old shares must be presented for exchange. It is to be inferred that the new share certificates will be issued to three Spaniards (who are acting as *sindicos* in the "bankruptcy" of Barcelona Traction), without regard to the rights of the trustee for the Prior Lien and First Mortgage Bonds, let alone those of Barcelona Traction itself.

If this threatened manoeuvre were successful it would render ineffective the security to which the holders of Barcelona Traction's sterling bonds are entitled under English and Canadian law and enable the Company's assets to be disposed of in Spain without any remedy. As is well known, the Barcelona group of companies is earning large revenues in Spain and owns immensely valuable physical assets. It is significant that the threatened manoeuvre follows hot foot upon the publication of the Joint Declaration of 11th June, 1951, to which the United Kingdom and Canadian Governments were parties and which is claimed by the Spanish Government to be a complete justification of the treatment accorded to foreign investors in Spain.

In commenting upon the Joint Declaration, the Board of Barcelona Traction, in addition to other criticisms, pointed out that it appeared to be irreconcilable with the Report of the independent British and Canadian experts upon which, *inter alia*, it purported to be based. The Board accordingly invited the British and Canadian Governments to publish the Report.

So far the Governments despite the obvious urgency of the situation have not agreed to do so. The Board of Barcelona Traction considers that the immediate publication of the Report is essential not only in justice to the management of the Group which has been traduced by the Joint Declaration but also for the protection of the shareholders and the independent bondholders of the Company whose only safeguard against yet further illegal action in Spain is that the truth, and the whole truth, should be known.

which 344,938 tons are for Norway, 62,690 tons for Panama and £58,910 tons for Liberia; the largest part of this export tonnage consists of tankers. Tonnage being built in all countries for export amounts to 1,510,710 tons, of which 48.3 per cent is being built in Britain; the largest importers are Norway, Brazil, Panama and France. The largest additions to merchant fleets are being made by Great Britain (1,385,006 tons), Norway (645,492 tons), France (542,829 tons) and Japan (490,895 tons).

A table introduced for the first time into these Lloyd's Register returns gives an analysis of ships under construction in Great Britain by types. It shows that more than half of the total under construction is tanker tonnage, amounting to 103 vessels of 1,181,755 tons gross. There are also 69 cargo liners (491,350 tons), and 20 passenger ships (220,900 tons). Dry-cargo tramps account for 23 vessels (141,300 tons); there are 7 colliers (13,770 tons), 39 coasters (30,415 tons) and 86 miscellaneous craft totalling 34,829 tons, making a total of 345 vessels. In addition there are 255 vessels, totalling 1,840,851 tons gross, for which plans have been approved or material ordered. In this category the proportion of tankers is even larger (1,247,020 tons, or 67.7 per cent) but there are only 8 passenger ships, totalling 95,100 tons. Thus, of 600 vessels totalling nearly 4,000,000 tons that are under construction or in preparation, over 2,400,000 tons consist of tankers, which make heavier demands on steel per ton gross than almost any other type of vessel. The British shipbuilding programme is thus heavily weighted by tanker orders, the proportion of tankers at present under construction being 55.9 per cent in Britain and only 26.9 per cent in shipyards abroad.

* * *

Plentiful Timber

Agreement has at last been reached with Russia upon the supply of 128,600 standards of softwoods, with an option until September 1st for an additional 64,000 standards. Some 22,000 standards are to come from the Kara Sea and the balance from the White Sea. Original Russian stipulations concerning transport of the timber and the timing of the cargo ships' arrival at Archangel have not been met; but Britain's Timber Control conceded that payment should be in convertible sterling. Prices in the agreement are as originally proposed. The landed price of White Sea timber will be about £95 or £96 a standard, slightly lower than the landed price (about £100 a standard) of timber from British Columbia. A new Jugoslav contract has also been made for the supply of some 60,000 standards before June, 1952; but there have been no shipments yet. The Russian agreement has now ensured that softwood supplies should be plentiful, compared with the present rate of consumption, in the latter part of this year. Some 231,000 standards were imported in the first six months; but something nearer 1,500,000 standards, including the Russian supplies, should be shipped in the remainder of this year. This compares with 796,000 standards in 1950 and 1,072,000 in 1949. This country's prospects of adequate supplies from elsewhere, together with the knowledge that some 260,000 standards are still to be sold in Sweden and Finland, made it possible for the Timber Control to resist most of the Russian demands. Britain is the most likely purchaser of the Baltic timber outstanding. There is likely to be some difficulty in the dock handling of the large quantities of timber expected in coming months. A shortage of lighters and barges in June caused delays in the unloading of timber at the Surrey Docks, and many of the quays are too weak to have large quantities of timber unloaded on to them.

The trade is anxious lest a surplus should accumulate. It is urging a more liberal grant of licences for the use of timber and an increase in the housing programme. The surplus will depend on how large the Government's stockpile is to be: at the present rate of consumption, however, it might amount to one or two hundred standards. Additional uses for timber may be found to relieve pressure on steel supplies, and the export packing trade will need more if its shortage of labour can be eased. Apart from these essential outlets there may be a case for a change in Government policy, but it would be wise to ensure that all promised supplies arrive first.

The new demands on shipping resulting from the Russian contract have postponed a fall in Baltic freight prices, which recently showed a tendency to weaken. Present rates are about £17 a standard for Middle Gulf ports. Pacific Coast rates have also eased from £45 to £35 a standard, but a recovery is expected if the Government imports more American coal. There has been little change on the liner rates from South America or Africa.

Shorter Notes

After a meeting of the International Wheat Council it was announced on Tuesday that the United Kingdom is to purchase under the International Wheat Agreement 95 million bushels of wheat and 350,000 tons of flour (equivalent to some 18 million bushels of wheat). At the end of September the two countries will consider a transaction outside the agreement for a further 9,000,000 bushels of wheat. No settlement has yet been reached whether Britain is to pay the 6 cents carrying charge which Canada wishes to impose on all wheat exports.

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From the end of this month the special 50 per cent strike surcharge on freights to New Zealand is to be withdrawn: lines serving New Zealand are now confident that they will soon be able to maintain at least as many regular services—fortnightly to ports in the north island, and three-weekly to the south—as before the New Zealand dock strike. Their confidence reflects the greater success now attending the New Zealand Government's handling of the strike: and also the effectiveness of recent emergency docking arrangements by which ships arriving have discharged all their cargo through one port, instead of moving consignments to the port most convenient to New Zealand importers. Special rates set for several ships that the lines have recently been obliged to charter will not, however, be altered.

Company Notes

Patons and Baldwins.—The key to the report of Patons and Baldwins for the year to April 28th is to be found in the rise in wool prices until March this year and the subsequent fall. Excluding the trading results of the Shanghai branch and after reducing the valuation of stocks held in Britain by £417,115, the company's trading surplus has risen by £1,370,902 to £3,826,061. This surplus, however, cannot "be looked upon as a normal trading profit," for, as the chairman points out, it is greatly influenced by sales in a rising market of stocks previously purchased at lower prices. These stocks have then had to be replaced at the new higher values.

There could be no clearer illustration than these accounts of the inroads of the so-called income tax into the real capital of industry during a period of rising prices. Higher prices for wool largely account for the rise in the book value of stocks. At the end of April last year, stocks held in Britain by the company were valued at £10,401,527; in the latest year, the total value of stocks, including those held in Shanghai, is £13,992,606, "after writing off £557,290 to reduce to market values at 28th April and a further £417,115 to write U.K. wool and tops stocks down to market values at June 11, 1951."

Rising costs have stretched liquid resources to the limit. Bank overdrafts and acceptance credits have only been slightly reduced from £2,536,571 to £2,353,334 and cash has fallen from £605,803 to £199,143, despite the issue of £3,000,000 debenture stock, replacing the original £500,000 issue. It is not, therefore, surprising that the ordinary dividend has been merely maintained at 20 per cent. Nor is it surprising in view of the present downward trend in wool prices that £804,648, against £750,000, has been transferred to a contingencies reserve.

The fall in wool prices has coincided with widespread consumers' resistance to high prices. Evidently the current year is likely to be a difficult one, but the chairman welcomes the fall in wool prices and expects that "it will result in a healthier basis for trade throughout the industry." Consumers may already have benefited from the fall in price, for at the beginning of June several of the leading manufacturers of knitting wool, including Patons and Baldwins, the largest

	Years Ended April 29, 1950	Years Ended April 28, 1951
Earnings:—	£	£
Trading surplus	2,455,159	3,826,061
Total income	2,759,980	3,872,331
Depreciation	223,459	279,722
Taxation	1,060,059	2,011,423
Earnings for ordinary stock	*695,243*	*962,461*
Ordinary dividends	250,271	280,376
Ordinary dividends (per cent.)	20	20
Contingencies reserve	750,000	804,648
Added to carry forward	112,800	81,215
Balance sheet analysis:—		
Fixed assets, *less* depreciation	7,313,753	8,092,157
Net current assets	8,581,342	10,918,168
Stocks	10,401,527	13,391,677
Cash	605,803	199,143
Reserves	7,865,465	7,851,996
Ordinary capital	2,638,829	2,638,829

£1 ordinary stock at 69s. 6d. xd. yields £5 15s. per cent.

single producer, reduced prices by 3d. or 4d. below the ceiling price of 3s. 1d. an ounce which became effective in March.

Since the end of April constructional work at the new Darlington factory has been completed. The combing and finishing sections are now fully equipped, but some £350,000 worth of machinery for the spinning section has yet to be delivered. In the latest financial year the net book value of the Darlington factory and plant has increased by £1,098,634 to £6,666,033.

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Bleachers Association.—The years between 1931 and 1947 were barren ones for holders of Bleachers ordinary stock, but since 1947, when a dividend of 3 per cent was paid, the ordinary dividend has gradually been increased as profits have improved. In the latest year the dividend has been raised from 7½ per cent (including a 2½ per cent jubilee bonus) to 8 per cent. This decision, however, came as a sharp disappointment to many stockholders and the 10s. units fell 1s. 9d. to 11s. 3d. and later to 10s. 9d. The further fall reflects the general weakness in textile shares brought about by fears of Japanese competition. In a year of rising prices and of greater output in the textile industry, the increase in Bleachers' group trading profits from £1,073,290 to £1,244,211 is satisfactory rather than outstanding, though these figures are after charging repairs and maintenance of £485,964 in the latest year, against £440,398.

	Years to March 31, 1950	Years to March 31, 1951
Consolidated earnings:—	£	£
Trading profit	1,073,290	1,244,211
Total income	1,146,700	1,332,348
Depreciation	144,675	150,592
Taxation	418,783	523,518
Group earnings for ordinary stock	*166,850*	*259,487*
Ordinary dividends	78,762	80,193
Ordinary dividends (per cent.)	7½	8
Added to group general reserves and carry forward	88,088	179,294
Cons. balance sheet analysis:—		
Fixed assets, *less* depreciation	5,645,465	5,709,294
Net current assets	1,661,656	1,935,567
Stocks	1,170,384	1,374,206
Cash	192,459	338,574
Reserves	1,545,838	1,850,549
Ordinary capital	1,909,368	1,909,368

10s. ordinary stock at 10s. 9d. xd. yields £7 9s. per cent.

An appropriation of £100,000 to a fixed assets replacement reserves and in the rise in stocks from £1,170,384 to £1,374,206 both mark the year's rise in prices. Allocations to reserves have led to some improvement in the group's liquid position and cash has risen from £192,459 to £338,574. Attention at the moment is concentrated on the ultimate revival of Japanese competition. Exports from Lancashire, however, have been well maintained and Bleachers in recent years has extended its activities to the finishing of artificial silk and to the preparation of cotton cellulose. These interests should stand the company in good stead if and when the industry has to face Japanese competition in a more vigorous form than is the case today.

*

Distillers.—Large industrial undertakings scarcely without exception have reported peak profits this year; Distillers' group trading profits have soared from £12,837,691 to £17,934,520. But record levels of profits have sometimes encouraged investors to assess the prospects of bigger ordinary dividends more optimistically than seems justifiable to certain boards of directors. Distillers is a case in point. The widespread view was that Distillers' ordinary dividend would be stepped up from 20 to 25 per cent; these sanguine hopes have only partially been satisfied by the announcement of a 22½ per cent dividend.

At first sight, with trading profits of nearly £18 million and group earnings of the order of £6.8 million, this decision might be criticised as ultra-conservative. To do so, however, would be to ignore many of the lessons that this year of record profits has made clear. Before making any appropriations to reserves, Distillers have to provide more than half of the trading profits to meet taxation, which absorbs the staggering sum of £9,515,576, against £6,421,948. After this burden has been met, reserves have to be built up to meet the inflated replacement costs of fixed and working capital.

In Distillers' case the necessary sums are retained by subsidiaries or held in general reserves, in contrast to the practice in certain other cases of strengthening specific reserves. In addition, the group has been rapidly expanding its interests in industrial spheres other than distilling; these developments in

	Years to March 31, 1950	Years to March 31, 1951
Consolidated earnings:—	£	£
Trading profit	12,837,691	17,934,520
Total income	14,082,826	18,411,095
Depreciation	953,078	1,103,627
Taxation	6,421,948	9,515,576
Group earnings for ordinary stock	*5,332,741*	*6,839,749*
Ordinary dividends	2,479,265	2,701,960
Ordinary dividends (per cent.)	20	22½
Retained by subsidiaries	2,795,134	2,977,137
Added to general reserves and carry forward	683,558	1,173,361

4s. ordinary stock at 23s. 0d. yields £3 18s. per cent.

themselves require the careful conservation of resources. The borrowing of £10 million last year by the issue of unsecured loan stock in order to finance the extension and modernisation of distilling plant underlines the importance and capital cost of these new activities.

Rising prices in the latest year may well have given an extra lift of profits, but it is too often forgotten that working capital has then to be replaced at the higher price levels. In a year when British output of potable spirits showed little change, White Horse and John Dewar, both Distillers' subsidiaries, earned higher profits. This advance in profits may owe a good deal to the adjustment in export prices of whisky after devaluation. At the same time, costs have risen and it would not be surprising if the remarkable jump in group profits was largely connected with the company's other industrial activities. If, therefore, Distillers' dividend policy can be called conservative, the latest profits provide good evidence of the success of the company's policy of branching out into chemicals, drugs, and industrial raw materials.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 18, 1951	Price, July 25, 1951	Net Yield, July 25, 1951 (a)	Gross Yield, July 25, 1951
			£ s. d.	£ s. d.
War Bonds 2½%.....	101⅛	101⅛	...	0 11 4d
Mar. 1, 1951-53			0 13 2	1 15 4d
War Bonds 2½%.....	101⅛	101⅛	...	0 7 2d
Mar. 1, 1952-54			0 17 2	1 19 10d
Exchequer Stk. 2½%	101⅛	101⅛	0 16 5	1 17 3
Feb. 15, 1955				
War Bonds 2½%....	101⅛*	101⅛*	0 14 2	1 17 3d
Aug. 15, 1954-58			0 18 10	2 2 1d
Funding 2½%.....	101⅛	101⅛	...	1 5 1d
June 15, 1952-57			1 3 9	2 10 2d
Nat. Defence 3%....	102⅛	102⅛	0 16 10	2 6 3d
July 15, 1964-58			1 5 1	2 13 4d
War Loan 3%.....	102⅛	102⅛	1 0 0	2 10 1d
Oct. 15, 1955-59			1 5 5	2 14 7d
Savings Bonds 3%..	97*	97*	2 6 8	3 15 2d
Aug. 15, 1955-65			1 16 3	3 5 1d
Funding 2½%.....	97⅛	97	2 1 4	3 7 1d
April 15, 1956-61			1 13 10	2 18 10d
Funding 3%.....	94	93⅛	2 10 6	4 1 5d
April 15, 1959-69			2 0 5	3 10 9d
Funding 3%.....	94⅛*	94*	2 0 9	3 10 3d
Aug. 1, 1966-68			1 19 10	3 9 4d
Funding 4%.....	103⅛	103⅛	1 15 8	3 14 3d
May 1, 1960-90			2 0 1	3 17 10d
Savings Bonds 3%..	93⅛	91⅛*	2 11 5	4 0 11d
Sept. 1, 1960-70			2 1 9	3 11 6d
Savings Bonds 2½%	90⅛	90⅛	2 4 2	3 9 11d
May 1, 1964-67			2 1 1	3 6 9d
Victory Bonds 4%..	105	103½*	1 16 5	3 13 2d
Sept. 1, 1920-76				
Savings Bonds 3%..	89⅛*	89⅛*	2 8 8	3 18 10d
Aug. 15, 1965-75			2 2 4	3 12 8d
Consols 4%.....	97⅛*	97⅛*	2 2 11	4 1 9d
(after Feb. 1, 1957)				
Conversion 3½%....	89⅛	88⅛	2 1 8	3 19 10d
(after Apr. 1, 1961)				
Treasury Stk. 2½%..	65⅛	65⅛	2 0 4	3 17 3d
(after Apr. 1, 1975)				
Treasury Stk. 3%....	77⅛	77⅛	2 0 11	3 18 4d
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	95⅛	95⅛	2 1 9	3 16 4d
June 15, 1977-80			2 1 4	3 15 11d
Redemp. Stk. 3%..	84⅛	84⅛	2 4 10	3 17 4d
Oct. 1986-96			2 2 8	3 15 4d
War Loan 3½%.....	87⅛	87⅛	2 2 3	4 0 9d
(after Dec. 1, 1952)				
Consols 2½%.....	66	65⅝	2 0 1	3 16 4d
Brit. Elect. 3% Gtd..	91⅛	91⅛	2 5 1	3 16 0d
April 1, 1968-73			2 2 4	3 13 3d
Brit. Elect. 3% Gtd..	90⅝	90⅛	2 3 1	3 14 3d
Mar. 15, 1974-77			2 1 11	3 13 1d
Brit. Elect. 3½% Gtd.	96⅛	96⅛	2 0 10	3 15 4d
Nov. 15, 1976-79			2 0 6	3 15 0d
Brit. Tpt. 3% Gtd..	84⅛	83⅜	2 8 2	4 0 2d
July 1, 1978-88			2 4 7	3 16 10d
Brit. Tpt. 3% Gtd..	91⅛	91⅛	2 5 2	3 16 2d
April 1, 1968-73			2 2 5	3 13 4d
Brit. Gas Gtd. 3%..	83⅞	83⅛	2 4 5	3 17 0d
May 1, 1990-95			2 3 5	3 16 1d
Brit. Gas Gtd. 3½%	97⅛	97⅜	1 19 8	3 15 5d
Sept. 10, 1969-71			1 19 5	3 13 2d
Brit. Iron & Steel				
3½%.....	94⅛*	94⅛*	2 1 11	3 16 3d
Feb. 15, 1979-81			2 1 8	3 16 0d

(e) To earliest date. (f) Flat yield. (t) To latest date are calculated after allowing for tax at 9s. 6d. in £.
(s) Assumed average life 13 years 7 months.
* Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, July 18, 1951	Price, July 25, 1951	Yield, July 25, 1951
%	%					£ s. d.
20	40	*b*	Anglo-Am. 10/-..	7⅜	7⅜	5 15 7
5	25	*b*	Anglo-Iran £1..	5¼	5¼	5 9 1
5	15	*b*	Assoc. Elec. £1..	93/9	92/6	4 6 6
22½	27½	*c*	Assoc. P. Cem. £1	107/6	105/-	5 4 9
40	35	*c*	Austin 5/-.....	35/-	33/9	5 3 8
†20	15	*a*	Bass £1.....	150/7½	150/-	6 7 3
40	40	*c*	Boots 5/-.....	27/9	26/6	3 15 6t
10	8	*a*	Br. Celanese 10/-	36/9	33/6	2 19 8
8	12	*b*	Br. Oxygen £1..	99/8	98/-	4 1 8
5	7½	*b*	Coats £1.....	61/10½	60/7½	4 2 6
5	6½	*b*	Courtaulds £1..	53/6	51/3	4 7 10
6¾	16⅔	*c*	Distillers 4/-....	24/6	23/-	3 18 3
15	17½	*c*	Dunlop £1.....	67/-	65/-	5 7 8
10	12½	*c*	Ford £1.....	58/9	58/9	4 5 2
17½	17½	*c*	Gen. Elect. £1..	92/6	91/6	3 16 6
11	21	*b*	Guinness £1....	152/6	150/-	4 5 4
15	17½	*b*	Hawker Sid. £1	38/4½	37/7½	5 6 4a
3	9	*b*	Imp. Chem. £1..	53/-	51/3	4 13 8
18½	13¾	*a*	Imp. Tobacco £1	100/-	97/6	6 11 4
7½	5	*a*	Lancs. Cotton £1	51/3	48/9	5 2 7
10	13⅓	*c*	Lever £1.....	54/4½	51/10½	5 4 1
15	15	*a*	Lon. Brick £1..	58/9	58/9	5 2 2
15	60	*b*	Marks & Sp. A 5/-	99/3	93/9	4 0 0
8	8	*b*	P. & O. Def. £1..	63/6	62/6	5 2 5
7½	17½	*b*	P. Johnson 10/-..	42/6*	41/6*	6 0 6
15	17½	*b*	"Shell" Stk. £1..	96/10½	94/4½	5 0 11
12½	12½	*a*	Tube Invst. £1..	6⅞	6⅞	3 15 5
3⅓	16⅔	*b*	T. & Newall £1..	100/7½	97/6	4 2 1
8	10	*c*	Union Castle £1	37/6	37/-	5 8 1
17½	50	*c*	U. Sua Betong £1	64/4½	64/4½	15 10 8
2½	10	*b*	Vickers £1.....	54/6	52/-	4 16 2
27½	15	*a*	Woolworth 5/-..	49/-	47/-	4 10 6

* Ex dividend. (a) Yield basis 10%.
(b) Yield basis 20% after capital bonus

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 21, 1951, total ordinary revenue was £92,411,000, against ordinary expenditure of £75,365,000 and issues to sinking funds £350,000. Thus, including sinking fund allocations of £3,918,000 the surplus accrued since April 1, 1951, is £30,487,000 compared with a surplus of £39,393,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to July 22, 1950	April 1, 1951 to July 21, 1951	Week ended July 22, 1950	Week ended July 21, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	256,315	265,100	15,785	18,644
Surtax	128,000	26,100	26,800	900	900
Estate, etc., Duties	180,000	60,050	65,400	2,600	4,000
Stamps	55,000	15,415	20,200	1,000	1,300
Profits Tax / E.P.T.	312,650	55,720 / 4,200	78,000 / ...	3,400 / 300	6,300 / ...
Other Inland Rev.	500	50	55	...	...
Special Contributn.	1,500	1,870	1,150	100	70
Total Inland Rev.	2302400	399,720	456,705	24,085	31,214
Customs	950,500	264,509	301,857	15,231	20,008
Excise	720,500	186,000	195,100	8,600	5,600
Total Customs and Excise	1651000	450,509	496,957	23,731	25,608
Motor Duties	62,000	6,757	7,971	141	134
Surplus War Stores	20,000	10,446	8,795	...	...
Surpl's from Tradg.	50,000	25,974	57,500	...	32,500
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	15,600	2,450	2,700	...	...
Sundry Loans	27,000	5,172	6,765	544	1,978
Miscell. Receipts	105,000	19,782	17,072	23	977
Total Ord. Rev.	4236400	920,811	1054446	48,524	92,411
SELF-BALANCING					
Post Office	179,431	48,900	52,900	4,000	4,000
Income Tax on E.P.T. Refunds	4,900	2,885	1,598	35	96
Total	4420731	972,596	1108962	52559	96,507

Expenditure	Estimate 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to July 22, 1950	April 1, 1951 to July 21, 1951	Week ended July 22, 1950	Week ended July 21, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	119,276	124,104	1,530	6,225
Payments to N. Ireland	38,000	9,464	9,644	...	...
Other Cons. Fund	11,000	3,622	3,957	11	...
Total	584,000	132,362	137,704	1,541	6,225
Supply Services	3612921	745,358	882,556	48,100	69,140
Total Ord. Expd.	4196921	877,720	1020060	49,641	75,365
Sinking Funds	...	3,698	3,918	40	350
Total (excl. Self-Bal. Expnd.)	4196921	881,418	1023978	49,681	75,715
SELF-BALANCING					
Post Office	179,431	48,900	52,900	4,000	4,000
Income Tax on E.P.T. Refunds	4,900	2,885	1,598	35	96
Total	4381252	933,203	1078476	53,716	79,811

After increasing Exchequer balances by £528,492 to £3,365,312, the other operations for the week decreased the National Debt by £4,486,639 to £26,312 million.

NET RECEIPTS (£ thousand)

Film Production (Special Loans) Act, 1949	55
European Payments Union (Financial Provisions) Act, 1950	163
	219

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	760
E.P.T. Refunds	117
Export Guarantees Act, 1949, s. 3(2)	115
Local Authorities Loans Act, 1945, s. 3(2)	5,600
Cotton (Centralised Buying) Act, 1947	5,000
Finance Acts, 1946 and 1947: Postwar credits	319
	11,901

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	32,812	2½% Def. Bonds	420
Nat. Savings Certs.	500	Other Debt :—	
3% Def. Bonds	365	Internal	604
Tax Reserve Certs.	645	Ways & Means Advances	37,785
	34,322		38,809

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
July 22	3130·0	2025·9	396·2	...	380·0	5932·1
1951						
April 21	3220·0	1779·5	450·5	...	344·0	5794·0
" 28	3230·0	1789·8	434·3	...	319·5	5773·7
May 5	3220·0	2040·3	439·0	...	319·5	6018·8
" 12	3230·0	2015·2	448·6	...	319·5	6013·3
" 19	3230·0	2035·1	436·4	...	319·5	6021·0
" 26	3230·0	2043·5	434·8	...	319·8	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
" 9	3220·0	2114·4	370·4	...	320·0	6024·8
" 16	3220·0	2090·9	385·4	...	345·0	6041·2
" 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
" 30	5352·2		353·0	0·8	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
" 14	3230·0	2129·1	373·2	...	344·5	6076·8
" 21	3230·0	2161·9	335·4	...	344·5	6071·9

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
July 21	240·0	335·4	240·0	10 2·78	60
1951					
April 20	240·0	354·5	240·0	10 2·60	54
" 27	230·0	359·0	230·0	10 2·44	48
May 4	240·0	364·8	240·0	10 4·52	15
" 11	250·0	350·3	250·0	10 2·79	60
" 18	260·0	350·9	260·0	10 2·80	63
" 25	250·0	336·6	250·0	10 2·98	65
June 1	250·0	349·5	250·0	10 2·78	60
" 8	260·0	355·2	260·0	10 2·80	62
" 15	250·0	344·0	250·0	10 2·88	62
" 22	250·0	344·0	250·0	10 2·81	62
" 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
" 13	250·0	245·2	250·0	10 2·81	61
" 20	230·0	323·8	230·0	10 2·84	60

On July 20th applications for 91 day bills to be paid from July 23 to July 28, 1951, were accepted dated Monday to Saturday as to about 60 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million are being offered for July 27th. For the week ending July 28th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 15 Weeks ended July 15, 1950	Totals 15 Weeks ended July 14, 1951	Week ended July 14, 1951
Savings Certificates :—			
Receipts	26,050	61,000	3,000
Repayments	38,800	45,000	2,500
Net Savings	*Dr12,750*	16,000	500
Defence Bonds :—			
Receipts	5,290	14,054	855
Repayments	16,288	14,415	940
Net Savings	*Dr10,998*	*Dr 361*	*Dr 85*
P.O. and Trustee Savings Banks :—			
Receipts	189,820	200,110	13,117
Repayments	201,586	250,133	17,443
Net Savings	*Dr11,766*	*Dr50,023*	*Dr4,326*
Total Net Savings	*Dr35,514*	*Dr34,384*	*Dr3,911*
Interest on certificates repaid	8,352	10,905	612
Interest accrued	35,905	36,339	2,592

BANK OF ENGLAND RETURNS

JULY 25, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1340,376,463	Other Govt. Securities	1384,721,955
In Banking Department	19,480,360	Other Secs.	752,355
		Coin (other than gold)	3,510,612
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,825
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	367,032,863
Rest	3,725,859	Other Secs.:—	
Public Deps.:—	17,092,343	Discounts and Advances	7,076,345
Public Accts.*	14,934,395	Securities	23,803,996
H.M. Treas. Special Acct.	2,257,958		
Other Deps.:—	383,231,609		
Bankers	294,361,809	Notes	19,480,360
Other Accts.	88,869,710	Coin	607,258
	418,600,811		418,600,811

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

COMPARATIVE ANALYSIS (£ million)

	1950 July 26	1951 July 11	1951 July 18	1951 July 25
Issue Dept. :—				
Notes in circulation	1319·7	1365·5	1367·9	1380·9
Notes in banking department	30·6	34·9	32·5	19·5
Government debt and securities*	1349·3	1395·8	1395·8	1395·7
Other securities	0·7	0·7	0·7	0·8
Gold and Coin	0·4	3·9	3·9	3·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	14·5	19·4	13·9	14·8
Treasury Special Account	2·37·1	0·7	0·7	2·3
Bankers	286·8	292·0	305·8	294·4
Others	97·9	89·6	84·1	88·9
Total	6.56·3	401·7	404·5	400·4
Securities :—				
Government	572·7	351·2	356·7	367·0
Discounts, etc.	18·0	9·6	10·2	7·7
Other	26·5	23·5	22·7	23·8
Total	617·2	344·3	389·6	398·5
Banking dept. res.	37·6	35·5	33·0	20·1
"Proportion"	% 5·8	% 8·8	% 8·1	% 5·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,350 to £1,400 million on January 10, 1951.

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

	July 25, 1950	July 10, 1951	July 24, 1951
Cereals and meat	151·5	165·3	169·8
Other foods	156·0	184·1	180·6
Textiles	234·0	303·5	291·9
Minerals	287·5	333·4	340·7
Miscellaneous	174·2	195·6	196·4
Complete Index	**192·4**	**224·6**	**224·9**
1913 = 100	*264·4*	*308·7*	*309·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 5d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 19	78·5	90·16	201 10	113 12
" 20	78·5	90·16	No trading	
" 21	Market Closed		201 0	113 0
" 23	78·5	90·16	198 0	112 15
" 24	78·5	90·16	195 0	112 14

BRITISH INSURANCE

THIS year's Survey of British Insurance is again divided between *The Economist* and the *Records and Statistics* Supplement. Three articles follow on topics of particular interest to the insurance offices and their customers. *Records and Statistics* contains detailed analyses of every branch of insurance business.

Freedom and Facts

PARLIAMENT has always allowed the insurance industry very wide freedom of action. It has been wise to do so, and the industry has not abused the trust reposed in it. Insurance depends upon the unquestioning faith of the insured in the skill and financial strength of the insurer. The fact that the British public allows insurers a degree of freedom from state regulation far greater than that permitted in many other countries is a tribute to the public's good sense and to the integrity of British insurers. In large measure the Assurance Companies Act, 1909, still regulates the business and subsequent legislation affecting insurance (apart from industrial life assurance) has been concerned with such matters as Board of Trade powers of investigation and winding up and bringing of motor, marine and aviation insurance within the ambit of the 1909 Act.

Perhaps the greatest freedom enjoyed by insurance companies in this country is the unfettered power to invest their assets as and, subject to Exchange Control regulations, where they please. In sharp contrast, life insurance companies in the United States have until recently been compelled to invest substantially the whole of their assets in Government and other bonds, or in mortgages and real estate. They are now permitted in most, but not all, states to purchase equities up to a small proportion (about 3 per cent) of their total assets. On the other hand, assets relating to other classes of insurance may be invested in the United States without restriction, and some insurance companies hold equities representing up to 40 per cent of their total assets. Life assurance contracts are long-term, but fire, accident and marine liabilities are short-term and should, on broad grounds, be covered by easily realisable or "near-cash" assets to meet sudden claims. The distribution of the investments of American insurers is exactly the reverse of that which is—at any rate to British eyes—logical; though it should be added at once that no British life assurance company holds as much as 40 per cent of its assets in ordinary shares.

Although the Act of 1909 works well enough, there can be no harm in taking a quick look at some of its provisions and in inquiring whether it could not be strengthened. This is not to be construed as a suggestion that new legislation is urgently needed or that legislation in the spirit of the Labour Party's earlier proposals would be other than a disaster. It is rather an exercise to see whether anything could or should be done to improve a piece of machinery that has stood the test of more than forty years and two wars.

Statutory requirements regarding the form of the revenue accounts and balance sheets, which must be deposited annually with the Board of Trade, are far from onerous. Assets may be valued in any manner that may be thought fit, so long as the certificate to the balance sheet states "how the values of the Stock Exchange securities are arrived at." But those signing the accounts must certify that "in their belief the assets set forth in the balance sheet are in the aggregate fully of the value stated therein less any investment reserve fund taken into account." As the certificate is required in respect of life assurance business only when an actuarial valuation is made (which may be at intervals of up to five years) significant fluctuations in the value of the assets representing the life and annuity funds (which account for about three-quarters of the total liabilities of British insurance companies) may occur in the intervening years. Such fluctuations would in practice no doubt be covered by hidden and disclosed reserves, but the absence of the certificate in non-valuation years removes the proof that this is so: at the end of 1949, when the insurance companies had experienced a considerable depreciation on their Stock Exchange securities, some companies thought it proper to state in the directors' statement or chairman's speech that the depreciation was in fact so covered. The certificate about investment values is intended to mean, and is undoubtedly taken by the public to mean, that on the basis of market values for quoted Stock Exchange securities together with up-to-date valuations of other assets, the aggregate value of the assets at the date of the balance sheet was not less than the balance sheet total less any disclosed investment reserves. If there were a shortfall between the current value of the assets and the balance sheet total less investment reserves, would the certificate be improperly given provided that, in the honest opinion of those giving it, the intrinsic value—as distinct from the present value—of the assets as a whole was greater than the current value by at least the amount of the shortfall? The basis of the valuation of all categories of assets might with advantage be clearly set out and certified.

Because confidence is the essence of the business, insurance companies, like the banks, are not under obligation to disclose the amount of their hidden reserves and the Companies Act, 1948, maintains this principle. That there should be secrecy about the extent of inner

reserves is unquestionably right, but this principle has to be interpreted in circumstances that differ from any that could have been foreseen or intended in 1909. Because of the worldwide spread of British insurance and the exchange control restrictions in force today in so many countries, it is the practice, dictated by prudence if not by local legislation, to cover liabilities in foreign currencies as far as possible with local investments in the same currency. It follows, therefore, that provisions which were perfectly adequate when one currency could be freely exchanged into another might not be wholly applicable today. The omnibus sterling figures shown in insurance company balance sheets in fact represent the sterling equivalent of assets held in a wide variety of currencies, some of which may be virtually blocked. Again, a change in the exchange value of a given currency against sterling (such as that of United States and Canadian dollars in 1949) may substantially increase the sterling value of those assets held in that currency, although they may be wholly, and certainly are substantially, hypothecated against liabilities in that currency. As the present certificate covers total assets, it would be possible to count such appreciation in sterling terms against any depreciation in other securities. On these grounds, the form of certificate might be worth re-examination. The point that should be made clear is that assets held in a given country are of sufficient value to meet the liabilities in that currency, or, if this is not so, that adequate free reserves are held in some other currency which can be freely changed into the currency in which there is a deficiency.

The Assurance Companies Acts 1909 to 1946 require that the liabilities under various types of insurance must be shown under separate funds, but there is no obligation to separate the assets. Whatever may have been the justification for this in the past, it is widely accepted today that life and annuity assets and those covering the liabilities under all other classes of insurance should be separate and distinct. This, at any rate, is common practice though it is not the law. Some companies have carried this division into effect in their accounts but, whilst most others publish separate balance sheets for life and annuity business, many merely apportion common investments between the life and annuity and other funds. In view of the very large amounts invested by the insurance companies on behalf of their lives assured and annuitants (at the end of 1949 the life and annuity funds of the companies established within Great Britain making returns to the Board of Trade under the Assurance Companies Acts aggregated £2,244 million) it may be worth asking whether the doctrine against the segregation of assets does not require consideration afresh.

Companies transacting life assurance business must publish annually details of new life assurance policies issued, but there is no obligation to give information regarding new annuity contracts. In 1909, annuity business was relatively unimportant, but in recent years, and in particular within the last five years, deferred annuity contracts issued in connection with staff pension schemes have become of growing importance, and now form a large part of the total life and annuity business of some companies. Many of the offices in fact give quite full information of their new annuity business each year and differentiate between that effected under staff pension schemes and individual contracts. But because of the lack of an official form of return, this information is not always given nor, if given, is there always sufficient detail. Staff pension schemes now cover pension rights for a large number of people and are thus of substantial importance to the insurance industry and to the public. A statutory form of return of new business of this type transacted each year and the separation of details relating to it from other annuity business in the valuation returns would seem desirable. Group life assurance, commonly effected in conjunction with pension schemes, should also be stated separately from individual life assurance business.

Upwards of 70 per cent of fire, accident and marine insurance is transacted abroad or written in London for overseas account. At present it is necessary in the revenue accounts to differentiate between home and overseas business only as regards life assurance, and although over 10 per cent of the total life premium income comes from outside the United Kingdom, overseas business is relatively of minor importance. The aggregation of home and overseas business in the fire, accident and marine departments which is permitted under the 1909 Act is wise. Insurance depends for its success on the operation of the law of averages both over a period of time and through the geographical spreading of risks. It often happens that in one year a run of losses in a given area is offset by better than average profits elsewhere, whilst in the other years the position is reversed. With the growing sense of nationalism throughout the world and increasing discrimination against foreign insurers, it would be unwise to disclose the experience in different classes of business in different countries abroad. From the point of view of the public relations of the insurance industry in the United Kingdom, however, the inability to publish details of the home experience alone in individual classes of insurance is sometimes unfortunate. There has, for instance, been criticism of the recent 12½ per cent increase in motor insurance premiums. This increase was in fact fully justified by motor insurance experience in the United Kingdom, but that fact could not be demonstrably proved from published facts and figures.

It is hardly to be expected that, after its experiences of the past two years, the insurance industry would regard with enthusiasm any proposal by a Labour Government to introduce fresh legislation concerning its business. Yet it may still be true, politics quite apart, that the Assurance Companies Act, 1909, could with advantage be brought up to date in certain respects and consolidated with the other legislation affecting the insurance industry. The freedom of the industry to conduct its affairs with the minimum of statutory interference, under which it has prospered so much, should be preserved. The price of that freedom is not high—it is the protection of the insuring public by the provision of information in accord with modern requirements. A draft Bill, the Insurance Undertakings Bill, was brought out between the wars by a Departmental Committee upon which the insurance offices were represented; this contained, amongst other matters, provisions for the segregation of life and non-life assets. Is there any good reason why a new committee should not reconsider the detailed application of the Assurance Companies Acts? Or, better still, might not the industry itself be able to bring forward an agreed measure for consideration by Parliament? It would have nothing to lose, and conceivably much to gain.

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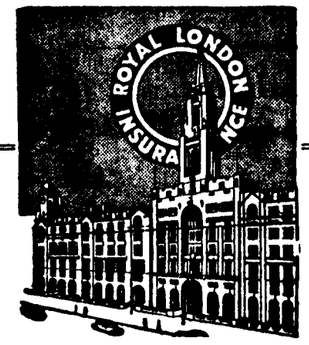

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The Growth of Pension Schemes

DURING the last two decades, pensions schemes have been established in increasing numbers, and the rate of growth has been greatly accelerated since the war. No up-to-date statistics are available to measure the relative popularity of privately administered pension funds on the one hand and pension schemes arranged with life offices on the other hand. An investigation by the Ministry of Labour in 1936 showed that out of some 6,500 employers (excluding government departments and local authorities) who had by then established employees' pension schemes, one-half had done so by insurance through a life office. At that time private pension funds covered 1,362,000 employees and life office schemes no more than 255,000 employees. To-day the number of employees under the two types of scheme is probably much more nearly equal, and the employees covered numbered several million.

There are no official statistics of the amount of staff pension scheme business undertaken each year by the life offices, or of the total amount of such policies in force. The following table, extracted from a paper recently read by Mr G. W. Pingstone to the Institute of Actuaries, relates to five of the principal offices transacting group life and pension business. They should be an accurate guide to the trend, for the five offices underwrite a good proportion of total staff pension business; indeed, the entry of other offices into staff pension business suggests that the actual rate of growth may have been more rapid than the table indicates:—

GROUP PENSION BUSINESS—5 OFFICES

Year Ended December 31st	Total Net Group Business in Force in Great Britain			
	Number of Lives Assured	Amount of Group Life Assurance	Annual Premium Income	
			Life Assurance	Pensions
		£	£	£
1934	120,300	17,060,000	197,000	1,083,000
1939	366,000	57,310,000	661,000	4,395,000
1944	500,100	93,680,000	1,234,000	7,846,000
1949	709,200	216,860,000	2,702,000	18,818,000

The annual premium income from group life and pension schemes of these five offices alone represented some 13 per cent of the total ordinary life home premium income and consideration for annuities of all British life offices in 1949. In addition, a substantial number of staff pension schemes are arranged with life offices under endowment assurance policies carrying a guaranteed annuity option, of which the magnitude is not known.

The rapid spread of staff pension schemes amongst industrial employers marks a growing sense of social responsibility towards employees. But without the taxation concessions granted for approved schemes the growth would have been far slower. The net cost of a superannuation scheme to an employer is very substantially reduced by his ability to secure, in normal circumstances, relief from profits tax and income tax to the extent of his contributions. The employee can obtain relief from tax in respect of his contributions, up to certain limits of contribution. Pension schemes are sometimes criticised on the ground that they may tend to restrict mobility of labour, already curtailed by the housing shortage and other factors. Pension schemes would not have this effect, if they provided for the transfer of an employee's accrued pension rights from the old to a new employer's pension fund. A statutory scheme of transfer values already exists within government, local government and public board superannuation schemes, and a growing number of privately administered pension funds now include transfer rules in their trust deeds. A recent sample taken by the Association of Superannuation and Pension Funds showed that one-third of the privately administered funds provided for transfer values. An employee withdrawing from a life office scheme usually has the option (which is seldom exercised) of taking a fully paid-up pension or other benefit for a reduced amount on leaving the service or alternatively of accepting, as he usually does, the actuarially less valuable cash surrender value.

What are the relative attractions of privately administered funds and staff pension schemes arranged with life offices? The life offices offer virtually absolute security, expertise in investment and—an attraction to many employers—the assumption of all the work involved in launching and administering the scheme. On the other hand, life office pension schemes tend to be more rigid than privately administered funds and, provided that such funds are skilfully managed, may also be more expensive. Because the contributions paid on behalf of a given employee and the benefits to which he is entitled must be closely related in a life assurance scheme, any subsequent modification of benefits is a difficult matter. For instance, early retirement can be provided for in a private scheme and the contributions throughout calculated accordingly, whereas under a life office scheme only such reduced pension can be paid in these circumstances as the contributions standing to the employee's credit will permit. A life office must allow a safety margin in calculating the contributions and, if the actual experience turns out to be more favourable than that expected, will retain this margin as profit, together with any investment profits. Further, it is the practice of life offices never to pay over the full reserve held against a contract if it should be prematurely terminated by the assured. This is a matter of importance if there is a marked turnover of staff; employees' contributions will usually be returned in full but employers receive back less than they have paid in. Should a substantial death benefit be required a life office scheme is normally necessary.

Many employers prefer to insure their pension scheme with a life office and thus avoid the not inconsiderable responsibility of organising and running a private scheme. A privately administered scheme can succeed only if the number of employees is sufficiently large to give a statistical probability of normal experience for the fund. It also needs the technical services of an actuary and an investment consultant. Although the life offices undertake the largest pension schemes, their services are indispensable to the smaller concerns.

Staff pension schemes can be arranged in a wide variety of ways to suit the needs of employers and employees. They may be contributory or non-contributory on the part of the employees; the large

majority are contributory, but the difference between the two types is psychological rather than real. Life office group pension schemes usually provide for the purchase during each year of service of a given pension dependent upon the current salary of the employee. The employee's contribution is a fixed amount per week or month, the balance of the cost of each year's pension (the unit cost increases with age) being met by the employer. In addition there is usually a group life assurance benefit of approximately one year's salary. Recent life office developments include group family income benefits under which an annual payment (by monthly instalments) of the order of one-fifth of his salary is made from the date of death until the employee would have attained a given age, say, sixty-five. Many life office pension schemes are based upon endowment assurances. This arrangement has the advantage that the benefit payable upon premature death is much larger than under a group scheme (when it is normally limited to the group life benefit together with a refund of the employee's contributions) and there is the additional attractive option of receiving a capital sum at maturity instead of a pension, the amount of which is, however, limited to 25 per cent of the total benefit by the Finance Act, 1947. Under group pension schemes, whereby the pension is secured by a deferred annuity, there is normally no cash option at the retiring age in lieu of a pension.

*

Apart from schemes secured by endowment assurances applicable to all eligible employees, in recent years a substantial number of supplementary pension schemes for directors and higher paid executives have been arranged by the life offices by means of endowment assurance policies. Such schemes are known as "top hat" pension schemes in that they are commonly superimposed on a group scheme applicable to all personnel. The Inland Revenue will permit no more than 25 per cent of the total pension benefits of an employee under all superannuation schemes to be taken in the form of a capital sum at retiring age, and "top hat" schemes are, therefore, arranged to secure this result. As it is possible to arrange such an additional pension scheme so that the employer pays the whole of the contribution, and secures relief from taxation on it, whilst such contribution is not assessed on the employee for income tax or surtax, the attraction of such an arrangement is obvious. Because no separate new business figures of these special endowment assurance pension schemes are published the total number in force cannot be ascertained; from the new business figures of certain offices known to specialise in them, however, it would seem that a substantial volume of this business is being transacted.

An interesting development in life office group pension schemes has recently been announced by the Prudential. This office will now undertake such schemes on a participating basis (which will not, however, be extended to group life assurance benefits). The contributions will be rather higher than those charged under normal fixed benefit schemes, in the same way that the premiums under individual with-profit policies are higher than those charged under non-participating contracts securing the same initial benefit. Any profits accruing from the business taken as a whole will be distributed as annual additions to the accrued pensions together with a special final bonus addition to the pension when it commences. It remains to be seen how far the experiment will prove popular. A participating scheme offers a smaller guaranteed initial pension than a fixed benefit scheme, for the same contribution; on the other hand, a participating life assurance policy is almost invariably more profitable than a non-participating contract.

The taxation concessions for superannuation schemes are particularly attractive today; they have been grafted piecemeal on to a code of taxation which was conceived before taxation of the present severity or the widespread adoption of staff pension schemes were contemplated. But they are also extremely complicated. Three separate enactments—the Income Tax Act, 1918, the Finance Act, 1921, and the Finance Act, 1947—have a major effect on pension schemes. To obtain income tax concessions, a scheme must be approved by the Commissioners of Inland Revenue under the Finance Act, 1947, and must also either conform with Section 32 of the Income Tax Act, 1918, as subsequently amended, or comply with the requirements of, and be approved by the Commissioners of Inland Revenue, under the Finance Act, 1921; thus it is hardly surprising that there are numerous anomalies and inequities (some of which were discussed in an article on Retirement and Taxation in the issue of *The Economist* of August 19, 1950). Very broadly, under the Income Tax Act, 1918, the employee's contribution qualifies for life assurance premium relief, the employer's contributions are relieved of profits and income tax, and, whilst pensions are taxed, capital payments and refunds to employees leaving the service are not. Schemes approved under the Finance Act, 1921, on the other hand, secure full abatement of taxation on both the employee's and the employer's contribution, the interest income of the fund is tax free (in a privately administered fund) and pensions are taxed. In addition tax at one-quarter of the standard rate is levied on the net amount of any refund of contributions to employees leaving the service. The Finance Act, 1947, is restrictive as regards pension schemes: in particular it provides that at least three-quarters of the benefits must take the form of a non-commutable non-assignable life annuity. Because of the income tax position, it is usually best to arrange a life office scheme under the Income Tax Act, 1918, where the employees are comparatively low paid or where there is a high rate of labour turnover; for a more highly paid and stable staff the benefits obtainable under the Finance Act, 1921, tend to be greater.

A committee was set up last August under the chairmanship of Mr. J. Millard Tucker, K.C., to review the treatment for income tax of superannuation and pension fund schemes. Its terms of reference extend to the consideration of whether tax relief should be given for payments made by individuals for retirement or for their dependants after death. The report of the Tucker Committee should in due course lead to the establishment of uniform principles for all superannuation schemes; certainly the complications and inequities of the present law require remedy. Individuals can at present provide for their old age only out of taxed income which is virtually impossible. Similarly, those who own directly or indirectly more than 5 per cent of the ordinary capital of a director-controlled company are debarred by the Finance Act, 1947, from benefit under an approved pension scheme. Equity demands that some way should be found of repairing the anomalies that at present exist in the tax law as it affects pensions schemes.

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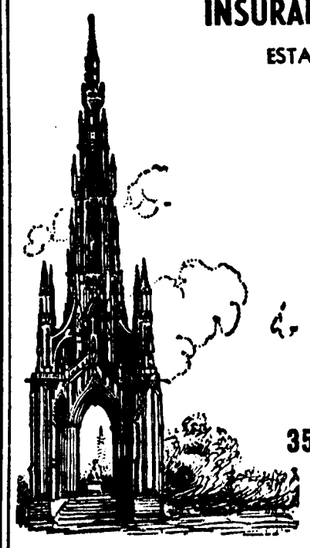

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Insurers as Investors

FOLLOWING the sharp setback in Stock Exchange securities in the closing months of 1949 there was a modest recovery last year. By the end of 1950, the aggregate market value of the British Stock Exchange securities of the insurance companies had risen by an amount equivalent to about 2 per cent of the total assets whereas during 1949 there was a fall equivalent to approximately 7 per cent of the total assets. These estimates are based on the average distribution of insurance assets and the movements of the Actuaries Investment Index during 1950. This estimate of last year's investment experience of the offices takes into account the movement in British marketable securities only, and the composite offices, which have substantial overseas investments have fared differently. The life and annuity funds, which account for about three-quarters of the total assets of the British insurance companies are, however very largely invested in this country, so that there is no reason to suppose that the average appreciation differed markedly from 2 per cent. Those offices with a higher concentration of ordinary stocks in their assets must have done better than the majority.

Unfortunately the whole of the welcome replenishment of hidden reserves which took place last year was dissipated during the first six months of 1951, the average depreciation of United Kingdom Stock Exchange securities over the first half of this year being about the same as the appreciation in 1950. Those offices holding about the average proportion of equities (which appreciated, according to the Actuaries Investment Index, by 14.1 per cent compared with an average depreciation in fixed interest securities of about 5 per cent), comfortably held their own, but those with a smaller proportion of their assets in ordinary shares can hardly have avoided some depreciation this year. Margins between balance sheet and market values cannot now, on the whole, be too comfortable, particularly where life and annuity funds have expanded substantially since the end of the war, involving a correspondingly heavy investment programme during the cheap money period.

The distribution of insurance assets between the various categories requires careful interpretation. Only one office, the National Mutual Life, revalues its assets each year at market values; thus if all the other offices have varying margins between market and book values for each category of investments, the distribution between categories is to that extent affected. Secondly, the distribution of investments in British Government and Government guaranteed securities between short-, medium- and long-dated stocks is unknown, save that the guaranteed stocks are all long-dated. Last year there was a marked rise in the holdings of guaranteed stocks and a fall in British Government direct obligations which may indicate a general lengthening of maturity dates. The ordinary shares held by some life offices against sterling liabilities include United States and Canadian equities.

In previous years, this survey has presented an analysis of the holdings of the total funds of each office; thus the figures for the composite offices have represented both the life and annuity funds and also the fire, accident and marine funds. Life and annuity contracts are essentially long-term liabilities, whereas other types of insurance provide an essentially short-term cover, with the ever-present hazard that catastrophe may involve very heavy claims. Non-life funds, therefore, tend to be held in much more liquid form than life and annuity fund investments, with a higher proportion of short-dated securities and cash. In this year's survey, the assets pertaining to the two classes of fund have been separately analysed; table IIa shows the distribution of life and annuity funds and table IIb the distribution of fire, accident, marine and capital redemption funds of certain leading composite offices. The book values of total assets, together with those for 1949, appear in the current issue of *Records and Statistics*.

About 70 per cent of non-life insurance business is transacted overseas, predominantly in North America. Because of exchange control restrictions in many countries, uncertainty as to the future value of currencies and local legislation in many countries, it is the usual practice of insurance companies to cover liabilities in a given currency as far as possible with assets in that currency. Table IIb shows the effect of this factor in the sterling equivalent of investments in foreign currencies, largely in foreign Government and especially of United States Government bonds. Particularly high percentages are shown for Employers' Liability, Liverpool and London and Globe and Royal. Gilt-edged holdings vary in importance, but tend to be a good deal lower relatively than life-fund holdings, whereas cash holdings vary from 16 per cent to nearly 40 per cent. In no case does the cash holding of any of the 41 life funds exceed 6 per cent.

The reduction in the importance of gilt-edged portfolios which commenced in 1949 gathered pace last year. The percentage of total assets invested in gilt-edged fell from 37.7 per cent in 1949 to 35.1 per cent last year and, even more significantly, the absolute amount fell by £4.3 million to £991 million, thus reversing the trend of many years. The whole of the increment of £184.3 million during last year in the assets of the offices included in Table I was, therefore, invested outside the gilt-edged market. By far the largest rise was in debentures and mortgages; the former rose by £54.6 million to 10.4 per cent of total assets (9.1 per cent in 1949) whilst mortgages increased by £34.7 million to 10.2 per cent of total assets (9.6 per cent in 1949). The rise of £26.0 million in ordinary shares to 10.3 per cent of total assets compared with 10.1 per cent in 1949 was perhaps rather less than might have been expected; but there are grounds for believing that the life offices have increased their equity investments further this year.

Table III shows a further small rise in the average net yield on the life and annuity funds of the leading offices. Although new money could be invested advantageously last year the annual increment in the funds is small compared with the total assets, and the improvement in average yield modest. Experience so far this year suggests that the slowly rising trend of net yields may be expected to continue. It will be noted that some offices show net yields differing materially from the average.

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ANALYSIS OF INSURANCE INVESTMENTS AND INTEREST RATES

TABLE I.—DISTRIBUTION OF INSURANCE ASSETS
TOTAL CONSOLIDATED ASSETS OF 43 OFFICES

Class of Assets	1948	1949	1949	1950	1950
	Per cent	*£mn.*	*Per cent*	*£mn.*	*Per cent*
Mortgages, including policy loans	9·5	253·1	9·6	287·8	10·2
British Government and Government guaranteed securities	39·1	995·3	37·7	991·0	35·1
British Municipal and County and Overseas Government and Municipal securities	10·4	261·8	11·0	316·6	11·2
Debenture stocks	9·1	240·9	9·1	295·5	10·4
Preference shares	7·6	205·0	7·7	212·1	7·5
Ordinary shares	9·8	266·8	10·1	292·8	10·3
Other investments	1·8	37·0	1·4	41·9	1·5
Property	5·6	154·1	5·8	174·6	6·2
Cash, agents' balances, etc.	7·7	200·4	7·6	224·4	7·6
TOTAL ASSETS OF 43 OFFICES	100·0	2,642·4	100·0	2,822·7	100·0

TABLE II.—PERCENTAGE DISTRIBUTION OF LIFE ANNUITY AND SINKING FUND ASSETS OF 41 OFFICES—END 1950

Company	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Mutual Life Offices									
Equitable	14·5	18·9	4·9	22·1	9·0	8·7	11·9	7·8	2·2
Friends' Provident(a)	24·2	15·9	2·6	18·1	8·8	12·7	7·4	6·8	3·5
London Life	14·9	42·8	7·3	8·5	6·8	9·2	...	8·6	1·9
Marine & General	14·5	20·1	2·6	12·7	20·7	14·0	...	10·3	6·1
National Mutual	12·7	28·6	0·9	13·2	14·5	15·4	...	11·0	3·7
National Provident	11·1	19·3	6·1	13·5	10·8	24·8	0·1	11·0	3·3
Norwich Union	46·8	14·6	6·4	4·1	1·1	2·1	7·6	14·0	3·3
Provident Mutual	5·0	36·2	5·3	10·7	16·0	20·6	...	2·5	3·8
Scottish Amicable	16·4	35·9	2·7	11·6	10·5	18·1	...	2·0	2·8
Scottish Equitable	23·9	26·2	1·2	14·6	10·2	20·0	...	0·8	3·1
Scottish Mutual	9·8	23·6	2·7	10·3	19·9	16·2	3·1	8·4	6·0
Scottish Provident	3·8	40·4	5·6	12·8	12·2	17·4	0·1	5·4	2·3
Scottish Widows'	8·4	23·4	3·0	12·7	17·9	30·2	...	2·4	2·0
Standard	4·7	29·8	11·6	20·2	11·1	15·8	5·1	0·5	1·2
U.K. Provident	11·7	10·1	14·1	4·6	3·8	24·1	0·4	28·5	2·7
Average	17·1	25·1	6·6	12·4	9·6	15·6	3·3	7·8	2·6
Proprietary Life Offices									
Clerical, Medical & General	21·1	8·2	1·1	5·9	5·9	15·9	22·9	17·1	1·9
Equity & Law	12·9	15·7	1·4	23·4	12·4	23·5	13·1	5·2	2·4
Scottish Life	5·6	28·0	0·9	16·6	26·2	18·8	...	1·1	2·8
Sun Life	19·0	43·7	4·7	24·8	2·3	2·3	0·1	0·9	2·2
Average	16·8	30·5	3·1	18·6	7·2	10·6	6·6	4·4	2·2
Industrial-cum-Ordinary Offices									
Britannic	18·0	49·4	5·3	2·7	3·8	14·4	0·1	1·8	4·5
Co-operative(b)	21·8	52·9	3·6	3·2	4·1	4·9	4·1	2·2	3·2
Pearl(b)	2·6	46·3	10·4	12·6	7·9	13·4	0·1	2·0	4·7
Prudential(b)	4·2	47·4	6·0	12·0	7·7	10·3	0·3	8·3	3·8
Refuge	13·8	50·1	3·8	9·0	13·6	5·1	...	1·3	3·3
Wesleyan & General	24·6	45·1	6·3	5·4	11·5	...	...	3·9	3·2
Average	8·0	48·1	6·2	10·2	7·8	9·8	0·6	5·4	3·9
Composite Offices(c)									
Alliance	13·4	38·8	3·3	24·6	8·1	6·2	...	2·3	3·3
Atlas	12·2	30·2	9·7	12·3	5·9	11·6	0·3	10·1	2·7
Caledonian	11·4	42·0	4·0	7·6	6·3	16·8	...	5·4	4·5
Commercial Union	14·9	35·7	5·9	14·5	9·9	8·8	...	6·7	3·6
Eagle Star	5·2	41·2	3·5	7·2	13·2	19·5	...	5·3	4·9
Guardian	26·2	15·0	0·9	12·9	13·0	18·7	...	9·6	3·7
Law Union & Rock	24·6	41·0	8·1	6·6	7·5	6·0	...	4·5	1·7
Legal & General(b)	13·7	28·6	8·0	7·3	6·0	5·5	0·3	23·5	7·1
Liverpool & London & Globe	4·5	52·4	7·3	12·9	5·1	11·1	...	4·4	2·3
London Assurance	28·9	16·0	2·7	20·4	11·6	13·6	...	4·9	1·9
North British & Mercantile	15·6	49·5	12·3	6·4	3·3	6·8	1·4	1·1	3·6
Northern	20·1	21·1	8·2	18·3	11·7	14·1	0·2	3·3	3·0
Phoenix	17·6	40·5	7·0	8·9	5·6	11·0	...	3·5	5·9
Royal	8·8	52·7	12·3	10·6	3·7	8·7	...	0·8	2·4
Royal Exchange	9·1	22·1	4·6	30·5	12·5	9·5	0·4	8·1	3·0
Yorkshire	30·8	25·3	2·4	2·3	4·2	10·0	11·3	11·2	4·5
Average	14·7	34·9	7·1	11·3	7·4	9·6	0·6	5·9	4·5
Average of 41 Offices	12·0	39·1	6·3	11·5	8·0	11·0	1·6	6·9	3·6

(a) Excluding Country assets. (b) Including fire, accident, etc. assets (which in no instance exceeded 5 per cent. of the total assets). (c) Excluding redemption fund assets.

TABLE IIB.—PERCENTAGE DISTRIBUTION OF ASSETS OTHER THAN LIFE AND ANNUITY ASSETS OF 16 OFFICES—END 1950

Company	Mortgages including Policy Loans	British Government and Government Guaranteed Securities	Home and Overseas Government and Municipal Securities	Debenture Stocks	Preference Shares	Ordinary Shares	Other Investments	Property	Cash, Agents' Balances, etc.
Alliance	8·4	34·4	10·0	9·3	6·1	5·5	0·1	4·8	21·4
Atlas	7·3	10·3	27·5	9·6	1·5	6·2	0·4	5·0	32·2
Caledonian	...	22·0	25·6	5·1	3·8	2·4	...	3·2	38·9
Commercial Union	1·4	18·4	28·9	5·6	6·9	10·0	...	3·6	25·2
Eagle Star	4·3	4·9	12·9	5·0	5·9	35·4	1·4	10·2	20·0
Employers' Liability	...	4·6	60·5	1·0	1·5	5·7	2·0	3·2	21·5
Guardian	3·8	18·6	17·1	7·5	5·8	9·3	...	3·8	34·1
Liverpool & London & Globe	3·4	10·1	50·8	4·3	6·1	7·5	0·6	0·7	16·6
London & Lancashire	1·8	15·2	32·9	4·3	6·8	5·2	...	3·9	29·9
London Assurance	3·6	18·0	20·5	4·6	5·7	9·7	6·3	4·9	28·7
North British & Mercantile	0·7	22·6	34·7	7·3	4·6	6·1	2·5	1·3	20·0
Northern	0·9	29·3	20·9	7·3	5·3	5·0	...	0·5	30·8
Phoenix	2·5	12·9	31·4	12·6	5·4	5·8	0·2	4·3	24·9
Royal	2·0	18·0	42·3	4·2	5·5	7·0	2·6	2·3	16·1
Royal Exchange	2·0	28·3	21·2	9·4	2·6	3·7	1·7	1·6	29·5
Yorkshire	2·1	23·7	25·2	4·6	3·5	3·6	...	5·8	31·5
Average of Non-Life Assets of 16 Offices	2·4	18·0	31·9	6·2	5·2	7·7	1·1	3·5	24·2

TABLE III.—NET RATES OF INTEREST PER CENT—LIFE AND ANNUITY FUNDS OF 41 OFFICES

Company	1948	1949	1950
	£ s. d.	£ s. d.	£ s. d.
Mutual Life Offices			
Equitable	3 14 2	3 15 11	3 14 4
Friends' Provident	4 13 10	4 9 9	4 12 9
London Life	3 4 6	3 5 1	3 5 7
Marine & General	3 18 6	3 16 3	4 0 0
National Mutual	3 10 1	3 12 4	3 12 11
National Provident	4 2 0	4 3 4	4 5 6
Norwich Union	3 14 10	3 16 9	3 16 7
Provident Mutual	3 6 11	3 9 11	3 10 10
Scottish Amicable	3 16 4	3 15 0	3 14 6
Scottish Equitable	3 12 1	3 11 10	3 14 11
Scottish Mutual	3 9 6	3 10 0	3 9 10
Scottish Provident	3 8 8	3 8 8	3 9 8
Scottish Widows'	3 16 2	3 15 4	3 18 1
Standard	3 18 2	3 17 5	3 18 5
United Kingdom Provident	3 17 3	3 19 8	3 19 3
Average	3 14 10	3 14 11	3 16 3
Proprietary Life Offices			
Clerical, Medical & General	3 11 11	3 12 0	3 12 10
Equity & Law	3 14 9	3 15 4	4 1 8
Scottish Life	3 12 11	3 11 4	3 14 7
Sun Life	3 4 7	3 3 0	3 3 1
Average	3 11 0	3 10 5	3 13 0
Industrial-cum-Ordinary Offices (a)			
Britannic	3 4 10	3 3 7	3 2 8
Co-operative	3 5 11	3 4 9	3 5 2
Pearl	3 10 3	3 10 1	3 9 7
Prudential	3 9 4	3 10 3	3 11 1
Refuge	3 8 2	3 6 1	3 5 11
Wesleyan & General	3 10 2	3 3 7	3 4 2
Average	3 8 1	3 6 5	3 6 5
Composite Offices			
Alliance	2 17 2	2 18 2	2 16 5
Atlas	3 9 3	3 6 9	3 5 5
Caledonian	3 3 1	3 2 10	3 2 11
Commercial Union	3 3 2	3 3 4	3 2 3
Eagle Star	3 17 0	3 13 4	3 11 10
Guardian	3 10 5	3 14 8	3 17 11
Law Union & Rock	3 9 8	3 7 3	3 6 3
Legal & General	3 9 8	3 10 1	3 10 9
Liverpool & London & Globe	3 1 7	3 2 0	3 0 6
London Assurance	3 4 5	3 3 9	3 6 0
North British & Mercantile	2 14 5	2 13 8	2 15 10
Northern	3 6 2	3 5 5	3 3 5
Phoenix	3 0 4	3 1 0	2 18 2
Royal	3 3 1	3 4 4	3 5 3
Royal Exchange	3 4 0	3 1 0	3 2 5
Yorkshire	3 11 9	3 12 4	3 9 4
Average	3 5 3	3 4 11	3 4 8
Average of 41 Offices	3 9 9	3 9 4	3 10 0

(a) Excluding industrial life funds.

COMPANY MEETINGS

FINANCE CORPORATION FOR INDUSTRY LIMITED

CONTRIBUTION TO INDUSTRIAL PROGRESS

PROBLEMS ARISING FROM REARMAMENT PROGRAMME

SMOOTH-WORKING INDUSTRIAL MACHINE ESSENTIAL

NATIONALISATION *v.* PRIVATE ENTERPRISE

LORD BRUCE ON NEED FOR GOOD SENSE

The sixth annual general meeting of members of Finance Corporation for Industry Limited was held on July 25th in the Conference Hall of The Chartered Insurance Institute, 20, Aldermanbury, London, E.C., the Rt. Hon. Viscount Bruce of Melbourne, P.C., C.H., F.R.S. (the chairman), presiding.

The chairman said:—Gentlemen, the notices which we sent out were signed by Mr A. E. Owen, the secretary of the company. Unhappily, Mr Owen died on July 14th. He had been secretary for some three years, he rendered very great service to the corporation, and his death is a very deep loss to all of us.

You will have observed that during the year there have been a number of changes in the board.

In December last Sir Thomas Frazer, having retired from his position as general manager of the North British and Mercantile Insurance Company and proposing to live in the country, intimated that he felt he could no longer continue his active association with the corporation. About the same time, Mr Ivan Spens, owing to increasing responsibilities in other directions, indicated that he felt he could no longer devote the time he felt desirable to the corporation's affairs. More recently Lord Westwood informed me that he was desirous of lightening the burden he was carrying and did not wish his name to be submitted for re-election to the board.

These resignations your board has accepted with deep regret. Sir Thomas Frazer, Mr Ivan Spens and Lord Westwood were all original directors when the corporation was formed. I am sure it would be your wish that I should convey to them your deep appreciation of the valuable services they have rendered to the corporation during the early and formative years of its existence. To this appreciation I desire to add my thanks and deep gratitude for the help and encouragement they have so generously extended to me during the years since I became chairman.

Against these losses, we can set off the return to our ranks of Sir Robert Sinclair, after his highly successful term of duty as President of the Federation of British Industries and the acceptance of seats on the board by Sir Archibald Forbes and Mr Pollen. To them on your behalf I extend a very warm welcome.

ADVANCES AND COMMITMENTS

From the balance sheet you will see that the investments by way of loans and participations at cost less amounts written off totalled £54,506,992. You will also have observed from the first note that at March 31st the company had undertaken to make further loans amounting to £13,945,000. The actual advances and commitments at that date therefore totalled £68,451,992.

The comparable figures twelve months before were investments £32,702,386, commitments £34,160,255, total £66,862,641.

These figures, however, require a little explanation. The 1950 figures included the full amount of advances and commitments to the iron and steel companies, amounting to £53 million. The 1951 figures include only the actual advances of £40,175,000. The £13 million of commitments in respect to which advances had not been made have been eliminated, owing to the fact that these commitments were cancelled after February 15, 1951, when the iron and steel companies were vested in the British Iron and Steel Corporation, as a result of nationalisation.

The actual figure of advances (less amounts written off) and commitments at the date of the balance sheet, apart from the £40,175,000 which is repayable in cash by the Iron and Steel Corporation, was £28,276,992, against a comparable figure of £13,812,641 last year.

I do not think there is anything else in the balance sheet calling for comment.

In the profit and loss account, you will see that the result of the year's operation is that we have shown neither a profit nor a loss. The reason for this somewhat remarkable result is to be found in Note 4 on the balance sheet. From the directors' report you will see that the available balance of income has been applied in writing down our investments. Whether or not losses will be incurred up to or beyond the amounts written off it is not possible to estimate at present.

That briefly is the position on the profit and loss account and it arises from the nature of the business which your corporation conducts, combined with the necessity to prepare accounts for the relatively short period of one year. However, taken with Note 4 on the balance sheet and the statement in the auditors' certificate that "investments by way of loans and participations include interests in companies in the development stage, upon the value of which we are unable to express an opinion" it may have caused a certain feeling of concern.

It is desirable that I should give some explanation of the position to the shareholders, while at the same time drawing attention to Note 3 on the balance sheet, which from my later remarks will be seen to be of considerable importance in relation to Note 4.

BOARD'S POLICY

Twelve months ago, in my address at our annual meeting, after giving figures with regard to the advances made and our commitments I suggested that, from the facts I had given, shareholders would appreciate that our affairs cannot be considered on an annual basis—as is customary in respect to most financial concerns—but must be judged over a period of years. The reason why this has to be done is that the corporation's advances are in most cases financing either the expansion programmes of existing businesses or the development of entirely new activities in the U.K. economy. In respect to such projects—which take a period to materialise—it is impossible to assess the results until they are in production on a commercial basis. In these circumstances it is extremely difficult to determine, save over a period of years, how successful or unsuccessful the operations of the corporation may have been. Accordingly we consider that the proper policy for the time being is to apply any net surplus of income in the writing down of such holdings.

I can, however, give you certain facts with regard to the present state of the corporation's affairs which will enable shareholders to form their own judgment.

At a previous meeting I pointed out to you that our policy was to make advances to projects for expansion or new development, at as low a rate of interest as was possible during the period of construction and equipment. I pointed out that when we made these advances it was our practice to take conversion options in the equity of the ventures, so that if our pioneering efforts should prove successful we would receive an adequate reward for the risks we had to take.

I would now like to give you some examples of how this has worked out in practice.

All of you will have observed during the last few days that F. Perkins Limited of Peterborough, the diesel engine manufacturers, is now approaching the market for the provision of the finance required for this extremely progressive and successful business. As a result of the provision of this permanent finance through the market, the advances made by F.C.I. to F. Perkins Limited will be liquidated and a substantial profit should accrue to F.C.I. through its holding in the equity of the company, acquired partly by conversion rights and partly by cash subscription. I suggest that the amount of financial assistance we have accorded to this business, supported by an equity of only some £100,000, could not have been provided by any organisation in the City other than F.C.I. The great business, particularly in the export trade, that F. Perkins Limited is now transacting, and which I am confident will continue to expand, is of great benefit to the whole U.K. economy and more than justifies the action of your board.

IRON AND STEEL INDUSTRY

I now turn to the position with regard to the advances we have made to the iron and steel industry.

Our policy there was also to provide loans at the lowest possible rate of interest during construction and equipment, with conversion rights in the equity should the venture prove successful. The advances to iron and steel companies to which we were committed, as I indicated earlier totalled no less than £53 million and in fact £40 million had been advanced when vesting day arrived. Attached to these advances were valuable conversion rights in the equity of the companies concerned.

In the case of the Steel Company of Wales alone, these conversion rights are up to £10 million in the equity of the company.

We are at the moment negotiating with the Iron and Steel Corporation to determine the compensation payable to us under the Iron and Steel Act in respect of the conversion rights of which nationalisation has deprived us. These negotiations are being actively pursued and we anticipate that the result will be the payment to F.C.I. of a substantial amount for compensation.

The amounts accruing to F.C.I. in respect to our equity conversion rights in the iron and steel companies and the profits we will derive from the transfer to the market of our advances to F. Perkins Limited, will constitute a buffer against any loss that may arise in respect to our existing commitments —to which I will refer later—and should such losses not materialise will constitute a valuable reserve against our future operations.

PETROCHEMICALS LIMITED

I will now deal with our other investments and commments.

In the directors' report we indicate that the ultimate value of some of our investments in the companies in the development stage cannot yet be measured. The outstanding example is Petrochemicals Limited, to which the corporation has made large advances. This company was formed to operate the catarole process and to develop the production of a wide variety of chemical products from petroleum. The advice which your board received was that this was a field with great possibilities which the U.S.A. was already developing and in which it was of national importance that Britain should participate.

After obtaining the best possible scientific advice as to the soundness of the proposals, your directors agreed to participate in the finance.

In its conception the project was divided into two parts—a primary plant to produce certain basic chemicals and subsidiary plants to produce what are generally known as "end products." The primary plant was not expected to do much more than earn depreciation and interest on the capital employed. The subsidiary plants were to produce chemicals of high commercial value which could be marketed on a most remunerative basis.

A predominant part of the loan finance for the plant has been provided by F.C.I. The ordinary capital, amounting to approximately £2750,000, has been found from other sources, with a limited participation by F.C.I.

Like most large-scale new projects in these days—and particularly in the extremely complex chemical industry—the cost has far exceeded the original estimates. Your directors are providing the finance necessary to bring the primary project through to the full operational stage. That stage has not yet been attained but will it is hoped be reached by the end of the year. In the meantime we believe that the company is justified in claiming that the scientific soundness of the basis on which the plant has been conceived is now established. What has still to be demonstrated is whether the basic products can be produced at a profitable and competitive price, not only under present conditions but in face of a recession. By this time next year we should have a clearer picture of the operational efficiency of the plant and its commercial possibilities.

No project of this magnitude in a new scientific field can be financed without risk and therefore some anxiety and concern to those responsible. I am not going to indulge in prophecy today. Nevertheless, although there is no direct comparison, since there are major differences in character, it is not wholly irrelevant to refer in this context to what I heard eighteen months ago with regard to the investment that F.C.I. had made in Ultramar.

THE ULTRAMAR INVESTMENT

The same gloomy predictions were made and many of our shareholders had great anxiety with regard to the Ultramar investment. Today the position is that the greater part of our advances have been repaid, reducing the amount outstanding to £1,100,000. I am certain that this balance will be repaid, together with all the accrued interest which we agreed to postpone.

I believe that the action of F.C.I. in assisting in the financing of Ultramar at a critical moment saved the equity in this great Venezuelan project for Britain. Equally I believe that the investment in Petrochemicals Limited was the carrying out by F.C.I. of the task it was set to perform.

Having dealt with what I would describe as the "domestic affairs" of F.C.I., I now turn to wider questions which must affect our operations in the future. Before doing so I must make it clear—as I have had to do on previous occasions—that I and I alone take the full responsibility for what I am about to say.

Our activities cannot be separated from the financial and economic conditions prevailing in the country.

EFFECT OF REARMAMENT PROGRAMME

Since our last meeting, the Government has announced its rearmament programme of £4,700 million over the next three years.

Apart from the financial burden involved, this places a tremendous strain on industry. To meet it, vast problems of manpower, raw materials and capital investment have to be faced and solved if the rearmament programme is to be carried through side by side with the maintenance of the necessary flow of exports upon which our whole economy depends.

All these difficult questions are receiving the consideration not only of the Government but also of the Federation of British Industries, the Council of the T.U.C., and many other bodies associated both with management and employment in industry.

I do not desire to detract from all these earnest and I believe devoted efforts. Neither do I propose to attempt to deal with the multitudinous issues involved. I desire solely to address myself to the one point on which in my view all the others depend.

NEEDS OF THE NEW WORLD

Without an efficient, generally accepted and smoothly working industrial machine, our task is an impossible one. Unhappily at the moment that is just what we do not possess. At this time, when we are facing the greatest economic crisis in our history, we are hopelessly divided as to whether the basis on which that machine should operate should be government ownership or private enterprise. This question has become a political issue and unquestionably will play a major part when an election comes. This is wrong, and would not be tolerated if the people really understood the facts.

The first one is that we are living in a new world, requiring clear and constructive thinking. Accepted theories and current shibboleths have to be critically examined and where necessary ruthlessly discarded. The reason for this is that two world wars have completely destroyed the equilibrium of the financial and economic systems which had been built up prior to those wars. As a result, nations have been forced to adopt national economic policies for which the governments of individual countries are responsible and of which governments have to ensure the implementation.

This necessity has been recognised and acted upon by all countries, irrespective of whether their internal economies are based on the theory of government ownership or private enterprise. In face of this, the activities of private enterprise have to be conducted within the overall national economic policy.

Nowhere is this more clearly marked than in the United States, where in respect to agriculture control and direction is as rigid, if not more so, than in any country outside the Iron Curtain.

In this new world, with all the changes that have come about, are we not being extraordinarily stupid in allowing this question of nationalisation versus private enterprise to become a great political issue? Can we not exercise our traditional British commonsense and political instinct and recognise that neither one nor the other is the answer to our difficulties and that each has its part to play?

For certain great utilities, public ownership is probably the right answer. Production, particularly of consumer goods and goods entering into international trade, is clearly a field for private enterprise.

I again remind you that under modern conditions the activities of private enterprise must be integrated into the overall national economic policy. Here once more I feel we are not living up to our reputation for good sense.

I suggest the answer has been found of how, while retaining the experience, initiative and vision of private enterprise, to integrate it into the overall economic policy and to achieve in a whole industry the co-operation of the government, management, trade unions and employees.

THE MARGAM PROJECT

I refer to the iron and steel industry. Last week I was privileged—as probably were many of you—to attend the inaugural ceremony of the Steel Company of Wales at Margam. All who did so must have been deeply impressed by what has been achieved.

In May, 1945, Mr Churchill invited the Iron and Steel Federation to prepare a plan to meet Britain's needs for iron and steel over the next five years. In response to that invitation, the Iron and Steel Federation—a body composed of all the great iron and steel companies—prepared a plan of modernisation and expansion, providing for a capital expenditure of £160 million, which has since been increased to £240 million. This plan, with certain modifications, was approved by the Iron and Steel Board which had been set up, composed of representatives of the Government, private enterprise, trade unions and consumers, under the chairmanship of Sir Archibald Forbes. Embraced in this scheme was the £60 million project for the Steel Company of Wales, sponsored by four of the great steel companies. The public, through the great issuing houses of the City, contributed £15 million and F.C.I. no less than £35 million towards the required finance.

I regret that the speeches which were broadcast to the nation at the inaugural ceremony paid no tribute to the initiative and vision of private enterprise and private finance, which was responsible for this valuable development. I am confident that this great industrial plant will provide an ever increasing source of production, employment and profit. I trust that when it does politicians will not forget and will in fact admit that its success is founded on private enterprise and private finance and will not be tempted to claim it as evidence of the success of nationalisation.

The achievement at Margam should be an inspiration to British industry. I go further and say that the organisation and co-operation which was achieved in the iron and steel industry should be the model for other industries. On such a foundation I believe we can build the industrial machine—to which I referred earlier as being essential if we are to reconcile the needs of rearmament and the export trade and overcome the tremendous financial and economic problems that face us.

The report and accounts were adopted.

The retiring directors (Sir John Morison, C.A., Sir Archibald F. Forbes, Mr J. A. Pollen and Sir Robert J. Sinclair, K.C.B., K.B.E.) were re-elected, and the fee of the auditors (Messrs Deloitte, Plender, Griffiths and Company) having been duly fixed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

THE AUSTRALIAN ESTATES COMPANY

INCREASED PROFITS DUE TO HIGH WOOL VALUES

THREAT OF COMPETITION FROM NEW SYNTHETIC PRODUCTS

The annual general meeting of The Australian Estates Company, Limited, was held on July 12th at 96, Leadenhall Street, London, E.C.3.

In the course of his review the Chairman said:

The net profit for the year 1950 is £353,855 as compared with £247,156 for 1949, and, after adding £144,237 brought forward from last year, there is an amount of £498,092 available for appropriation.

In view of the good results, the board recommends a dividend of 9 per cent. and a special bonus of 3 per cent. on the ordinary stock. After paying dividends and making the appropriations set out in the profit and loss account, including the transfer of £60,000 to general reserve, the amount to be carried forward to 1951 is £181,782.

The increase in profits is due mainly to the extraordinarily high wool values which ruled during the year, bringing high returns to our sheep properties, and also good earnings from our agency department consequent upon the high prices for wool and stock.

Expenses again rose and a very high sum for taxation has had to be provided from the year's profit. This substantial rise in expenses (including in particular wages and salaries) is a disturbing feature as, should the prices which we receive for our primary products fall later on, it will be very difficult to secure a corresponding reduction in our overall expenses.

A further disturbing feature is that the extremely high level to which wool prices have risen is bound to accentuate the production of substitutes; and there is every indication that new synthetic products, in particular those emanating from the United States of America, may be serious competitors during the course of a few years.

PASTORAL

Exceptionally heavy rains fell throughout the greater part of the year in nearly all areas of New South Wales, which resulted in floods and unhealthy conditions for sheep. Heavy loses were caused by blowflies, and wet weather interfered with the destruction of rabbits.

Queensland also experienced continuous wet weather, resulting in a rank growth of grass on which stock did not do as well as usual. Blowflies were responsible for some loss of sheep in this State.

The company's total wool clip from all stations was 9,083 bales, as compared with 9,328 bales in 1949. The cut per head was almost the same as for 1949 and the reduction is due partly to the disposal of sheep from areas resumed, and partly to losses through blowfly.

The average price realised for the wool clip was more than double that for 1949.

The total number of sheep owned by the company shows a reduction on the previous year. Lambing has again been disappointing this year; and it will be necessary to take energetic steps to try and restore our flocks to the previous level. The average price realised for sale sheep was higher than in 1949.

RESEARCH

The company's research organisation continues to give valuable service to our sugar mills, and assists in our agricultural experiments at our stations in the South-West and North-West of Queensland. With the aid of research, our aim is to increase the number of sheep and cattle carried in those districts and to minimise the effects of severe drought. Scientific assistance is becoming increasingly important in the management of pastures, and problems of animal husbandry. Our research staff also works continuously on problems arising from the milling of sugar cane.

SUGAR

The sugar districts of Queensland experienced one of the wettest years on record, which caused many stoppages at the mills, and the season was prolonged into the beginning of 1951. Although every effort was made to harvest all the available cane, a considerable quantity had to be left standing, and it is estimated that at least half a million tons in Queensland could not be harvested, despite higher crushing rates than usual at the mills and special efforts by farmers.

The total sugar production in Queensland during 1950 was 889,000 tons, as compared with over 896,000 tons in 1949.

Planting and cultivation operations were made unusually difficult owing to continuous rain and it is expected that the 1951 crop will be lighter.

AGENCY

All branches of our agency section—wool-broking, produce stock and station, merchandise and insurance—as well as the sub-branches in Victoria and Queensland, again enjoyed a large turnover. The company's Victorian produce business, comprising the auctioning of furred skins, hides, tallow and sheepskins, had an exceptionally good year.

During 1950, new branches were opened at Longreach in Queensland, and at Mansfield, Yea and Kyneton in Victoria.

We also acquired the whole of the shares in John McNamara and Co. Pty., Ltd., the largest stock-selling agents in Melbourne. This old-established and well-known business will continue under the capable direction of Mr Maurice McNamara, who is favourably known in all Eastern Australian States. He is being ably assisted by his son, Mr Keiran McNamara.

The company's agency connections in Victoria and Queensland are now widespread, and the services rendered are of great value to clients.

WOOL

The total Australian wool clip for the season July 1950-June 1951, was estimated to reach 3,560,000 bales, which will slightly exceed the previous year's clip.

At the end of May 3,353,102 bales had been sold, which realised £616,238,187 at an average price of 148.63d. per pound. It is likely that the Australian wool cheque will exceed £640,000,000 for the 1950-51 selling season, as compared with £286,919,294 for 1949-50.

In 1938-39, the last prewar year, the clip averaged 10.58d. per pound, and realised £39,123,031.

All wool-using countries competed throughout the season, Great Britain being the largest purchaser, and substantial quantities being taken by France, United States and Belgium.

It is believed that the United States operations had a very considerable influence on the market during the season, although their purchases were not as heavy as expected.

A suggestion to allot a certain portion of the Australian clip for defence purposes was considered at a conference in Australia during November, but no workable arrangement could be agreed upon.

At December 31, 1950, Joint Organisation stocks totalled 172,664 bales. These were to be offered in the six months January-June, 1951, and have now nearly all been sold. It is interesting to recall that, at July 31, 1945, Joint Organisation holdings were 10,407,000 bales, of which 6,796,000 bales comprised Australian wool. That this volume of wool, in addition to the yearly production of the various growing countries, has been so readily absorbed at record prices indicates the sound statistical position of the industry today, and would seem to point to a further period of satisfactory prices, subject to the question of substitutes to which I have already referred.

OUTLOOK

New South Wales has had very little rain since the beginning of 1951, and pastoralists were becoming concerned at the dry conditions until relieved by falls at the end of May; should these be followed up during the winter, the 1951 season should be satisfactory.

Early in 1951, in order to deal with the rabbit menace, a disease known as Myxomatosis was deliberately spread among rabbits in some districts in Victoria and New South Wales. This was carried by mosquitoes, and the highest mortality among rabbits was in areas adjacent to water. On our "Buckiinguy" station, large numbers died from the disease and that property is now comparatively free from rabbits; it did not spread on our other properties. The disease has diminished with cold weather and the drying up of water courses, but may recur later. This method of dealing with the problem was the result of many years of investigation by the Commonwealth Scientific and Industrial Research Organisation which will continue the work when conditions again become favourable.

Dry conditions exist in Queensland in both sheep and cattle districts, and it is likely that it will not be a good year in that State.

We expect, however, to have a good wool clip, and to dispose of about the same number of cattle as last year, although possibly their condition will not be so good.

The prospects in the sugar industry are for a reduced crushing, due to a long interval of dry weather at a time when rain was specially needed.

STAFF

The company is fortunate in its staff in all departments, and their energy and ability have contributed materially to the good results. We pay special attention to staff welfare; have a good provident fund; and a sickness fund which bears the major portion of hospital or medical expenses incurred by officers or their families. These funds are available, not only to the permanent staff but to all the company's employees at stations, mills and stores, with whom good relations exist.

The company is again greatly indebted to Mr Colman for his very able and inspiring leadership. The fine results achieved during the last twelve months are the result not only of his hard work during that period, but also the excellent foundations which he has laid over a long period of years. The board commends his services and those of his managers and colleagues most warmly to the shareholders.

The report and accounts were unanimously adopted and the other formal business having been duly transacted the proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

ROLLS-ROYCE LIMITED

INCREASED DEMAND FOR PRODUCTS

ADJUSTMENT OF CAPITAL STRUCTURE

LORD HIVES' SURVEY OF ACTIVITIES

The forty-fourth annual general meeting of Rolls-Royce Limited was held on July 24th at the Midland Hotel, Derby, the Rt. Hon. Lord Hives, C.H., M.B.E., D.Sc., the chairman, presided.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts:

The operations of the company's various divisions during the past year have been carried on against a very unsettled background. Whereas in the early part of 1950 we were actively planning to widen our interests in commercial markets generally, we finished the year with the emphasis once again on military work.

REARMAMENT

It could be anticipated that in the rearmament programme any expansion on aircraft engines would mean that Rolls-Royce products would be in great demand.

The major expansion plan for aero engines in this country is based on the Rolls-Royce "Avon." The Ministry of Supply is arranging to place direct contracts with the Bristol Aeroplane Company, Limited, D. Napier and Son, Limited, and possibly with the Standard Motor Company, Limited, to manufacture these engines. On our side, we are handing over unreservedly not only our designs but also our manufacturing technique and experience for the use of the nation. We have very friendly relations with all of these companies whereby we pool our manufacturing knowledge.

In the War Office rearmament programme the Rolls-Royce range of engines has been chosen for a large number of vehicles. Direct contracts have been placed on the Austin Motor Company, Limited, to manufacture additional engines. Here, again, all our designs and manufacturing technique and experience have been made available to the nation.

In addition to the increased demands for our products in this country, expansion is also planned in countries where engines are built under licence. In the U.S.A. it has been announced that the Chrysler Corporation will work with Pratt and Whitney to manufacture the J.48, which is a licensed engine. Increased demands are also being made on our licensees in Australia, Belgium and France.

This year marks the tenth anniversary of the first flight made by a plane powered by a gas turbine engine—the first Whittle engine.

The energy which your company has put into the subsequent development of the gas turbine engine has permitted, during the last year, at least one of Sir Frank Whittle's dreams to be realised, namely, the non-stop transatlantic crossing made by the "Canberra" aircraft at an average speed of 450 miles per hour. Many of you will be aware that this aircraft is a product of the English Electric Company, Limited, and is powered by our "Avon" engine.

In addition to the many military applications for the "Avon" engine there is every prospect that it will, in due course, find its place in future civil air liners. The Ministry of Supply is planning for a "Comet" to be fitted with "Avon" engines for development flight.

It has fallen to your company's "Dart" engine to be the first propeller gas turbine engine which will make its appearance in scheduled airline use. The "Dart" is fitted in the Vickers "Viscount," a number of which have been ordered by British European Airways, who anticipate that the aircraft will be coming into use during 1953.

The motor-car division has continued to operate under conditions which are both difficult and largely unpredictable. The reduction in purchase tax from 66⅔ per cent. in April, 1949, resulted in a substantial and necessary improvement in the order book, but economic restrictions, and more latterly, those arising from the general material supply position, have limited production. It is too early to forecast the full impact of the recent budget which has reimposed the higher rate of purchase tax, but sooner or later the effect is bound to be serious, and it is hoped that the matter will be reviewed early enough to ensure that no permanent damage is done to us and other similarly placed manufacturers. In the meantime we are operating under worsening conditions of material supply and ever-increasing costs.

During the past few years your company has been developing a series of medium-powered oil engines for industrial service.

Good progress has been made in this new branch of the company's activities in developing a range of rationalised engines, with the maximum number of common parts, which are readily adaptable to a wide variety of applications.

CAPITAL STRUCTURE

The past year has seen two important events in connection with the capital structure of the company. The first was the issue of new capital by way of a Rights Issue to existing stockholders. It had been apparent for some time that the introduction of more permanent capital was fully justified by the very substantial increase in the scope of the company's activities compared with the years before the war.

The second event was the recent announcement that the board is recommending the issue of a scrip bonus which is designed to bring the nominal capital of the company more nearly in line with the capital employed. This step is also overdue.

The volume of turnover was practically the same as in the previous year, but much of it returned lower margins of profit. This was largely the result of rising costs, not only in respect of raw materials but also in the provision of practically all essential services and supplies. We deferred as long as possible making any alteration in the selling price of our motor-cars, but during the latter part of the year this became inevitable, and increased prices were effective from October.

DIVIDEND

Your directors have given a great deal of thought to the dividend which they should recommend, having regard to the earnings record of the past, the problems of the present, and the possibilities of the future. The directors feel that the time has come when the stockholders' contribution to this state of affairs should be recognised by a modest increase in the dividend. Your board therefore recommends a final dividend of 15 per cent. which, together with the 10 per cent. paid last December, will restore the rate of distribution to the 1938 level.

The report and accounts were adopted.

At the subsequent extra-ordinary general meeting the proposed increase of capital and scrip bonus was approved.

ALLIED IRONFOUNDERS

RECORD TRADING RESULTS

The twenty-second annual general meeting of Allied Ironfounders, Limited, was held on July 19th at Caxton Hall, Westminster, S.W., Mr James Shaw (chairman and managing director) presiding.

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

The trading profits of the group are given in the consolidated profit and loss account at £1,926,276 (last year £1,714,598).

For some years now your directors have felt it incumbent upon them in the interests of the national economy to refrain from recommending any increase in the ordinary dividend, but they feel justified this year in recommending to you a final dividend of 11½ per cent., making 17½ per cent. for the year. Since our revenue reserves now exceed in total the amount of the issued ordinary capital, on balance sheet values this dividend is slightly less than 8¾ per cent. on capital employed. If the total capital employed were computed at today's money values the yield would be substantially less.

It is quite clear that the present penal taxation cannot fail to enforce restraint in future dividend payments and must inevitably discourage investment in risk capital.

The financial strength of the group is apparent when you compare the total current assets of £5,233,604 with our current liabilities of £1,315,735 and our liability for income tax in January of next year of £701,528.

With reserves at more than £2,500,000, the shareholders' interest in the group now exceeds £6,000,000. If our fixed assets were re-valued this figure of £6,000,000 would, of course, be correspondingly increased.

REVIEW OF THE YEAR

The results reflect a successful year's trading and are a record for the company both in volume of output and profit earning. This performance, over a period of labour and material shortages, coupled with rising costs without a proportionate advance in selling prices, is evidence of steadily increasing efficiency and productivity throughout the organisation.

All our units have been profitably employed during the year and harmonious working through all grades of our personnel has contributed to the advancement of those plans for development of which I have advised you in my previous annual reports.

Our shipments abroad for the period created a record for the company, a considerable share of the trade being with dollar areas.

Special visits have been made to Commonwealth and other countries which have led to a reorganisation in some of our representation. We see good prospects of a further expansion of this trade.

We ended last year fully employed in all our works and present orders will keep us busy for a long time ahead.

There is a shortage of some essential materials and although our output has not so far been seriously affected any further deterioration in the position would give cause for concern.

So long as the housing policy of the present Government is maintained our goods will be required and the means to make them ought to be available.

The company is well equipped with resources which, in normal times, would ensure its success, and your directors plan to employ these assets energetically. We shall pursue programmes for improvement and development while sharing with you the hope that the company will continue to be fully employed in peace-time activities.

The report was adopted.

THE A.P.V. COMPANY

GREAT DEMAND FOR PRODUCTS

The forty-first ordinary general meeting of the A.P.V. Company, Limited, was held on July 25th in London, Dr. Richard J. S. Seligman, Ph.nat.D., F.C.G.I., F.Inst.Met., F.I.M. (the chairman), presiding.

The following is an extract from his circulated statement:

Once again I am privileged to present a very satisfactory report. The parent company earned a trading profit of £484,700 and the trading profit of the group amounted to £551,013. The contribution of your subsidiary companies amounted to £66,313.

The balance sheet of your parent company discloses a strong financial position. Current assets amount to £2,829,495, against current liabilities of £1,385,606. The consolidated balance sheet shows that current assets exceed current liabilities by £1,495,651. This satisfactory liquid position will not be maintained in the future by reason of the fact that the additional capital raised last year was specifically for the erection and equipment of the new factory at Crawley, in respect of which no expenditure had been incurred at the date of the balance sheet.

Last year I drew attention to the strains put upon your factories by the great demand for the company's products. This difficulty has persisted and despite the appreciable increase in our turnover as compared with 1949, the orders on the company's books at January 1, 1951, were over 12½ per cent. higher than in 1950 and have increased appreciably since then. Your company's efforts to meet the national need for exports continued unabated. Despite competition the orders received from abroad amounted to over £1,250,000 and the export orders executed during the period have exceeded 37 per cent. of the total sales invoiced.

Having dealt at length with the activities of the associated and subsidiary companies the statement continued:

FUTURE PROSPECTS

So far the facts and figures I have given you have, in the main, been favourable. Now I must bring matters to your notice which carry a serious threat to the development and even the well-being of your company. I refer to the shortage of raw materials. As you will appreciate the raw materials used by your company are, for the most part, also the raw materials required for rearmament and it so happens that some of those most valuable to us are also those in shortest supply. This applies to some of your subsidiaries and notably to Paramount Alloys Limited, as well as to your main factory.

Your board has of course kept before it the part which your company should play in the rearmament programme itself and close contact has been maintained with the Government departments concerned.

The present output of your company is being achieved in the face of excessive difficulties arising from congestion and lack of space while the increased production necessary to enable us to give better deliveries is impossible. Your directors decided that it would be desirable to concentrate the whole of its manufacturing activities in the new town being constructed at Crawley in Sussex and contracts have been entered into with the Crawley Development Corporation for the lease of 17 acres of ground on which our factory is to be installed.

Building and the subsequent transfer of our work to the new premises is to be done in stages. Contracts have been let for the first stage of building and despite the interference of abnormally bad weather building is going on apace.

The report was adopted and the ordinary dividend of 15d. per share was approved.

LONSDALE INVESTMENT TRUST LIMITED

INCREASED REVENUE AND PROFIT

MR T. L. McC. LONSDALE'S STATEMENT

The fourth annual general meeting of Lonsdale Investment Trust Limited was held on July 25th at 22, Old Broad Street, London, E.C., Mr T. L. McC. Lonsdale, the chairman, presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended February 28, 1951:

There has been during the year a substantial improvement in the valuation of the Trust's securities and in its revenue. The gross revenue of the Trust amounted to £176,003 against £158,020 last year, an increase of £17,983. The net profit, after payment of expenses, debenture interest and taxation, amounted to £86,668 compared with £78,427 a year ago. After adding £3,822 representing refunds of taxation in respect of previous years arising from reciprocal tax agreements, and £1,500 received from a subsidiary company in respect of a previous year, and after paying the preference dividend and the dividend of 10 per cent. on the ordinary stock, the revenue balance carried forward is increased by £17,196.

The revenue of the Trust included a dividend of 7½ per cent. received from Robert Benson, Lonsdale & Co. Limited, the same as last year. After payment of this dividend the unappropriated revenue balance carried forward in Robert Benson, Lonsdale & Co. Limited is increased by £26,483. The combined revenue balances of the Trust and Robert Benson, Lonsdale & Co. Limited have therefore been augmented this year by £43,679 after allowing for taxation.

Since the close of the year the ordinary stock units of Manchester Oil Refinery Limited, with which the Group has been closely identified since that company was formed, have been introduced on the Stock Exchange. In order to facilitate that operation the Group has disposed of part of its substantial interest in the company. Manchester Oil Refinery Limited, which in its inception represented a pioneer development, now fulfils an important function in its particular industry.

PETROCHEMICALS LIMITED

Another large development interest of the Group, Petrochemicals Limited, has been undergoing teething troubles inseparable from setting up a complicated chemical unit and aggravated by the effect of inflation on the cost of construction. We are given to understand, however, that although there are still running-in problems, the operation of the plant is showing gradual improvement and its products are finding a ready market. There is no doubt of the importance of the future development of the petroleum-chemical industry, and we are confident that Petrochemicals Limited will ultimately prove itself to be a successful enterprise of national importance. It may be of interest to say that the Group's investment in Petrochemicals Limited (included among unquoted securities) has been valued in our accounts as at February 28th at a low figure. This was done both as a matter of prudence and on account of the long-term nature of the project, but should not be taken as indicating any lack of confidence in the ultimate future of the company.

According to present estimates it appears likely that the revenue from the Trust's general investments during the current year will show an increase on last year's figures.

SUCCESSFUL ISSUES

Robert Benson, Lonsdale & Co. Limited has had a busy year and has again sponsored a number of successful issues in widely varying fields of industry and commerce. This activity is being well maintained during the current year. Much has already been said in reports of industrial and other companies about the depreciation on fixed assets being based for taxation purposes on historical costs rather than on replacement values. This factor together with the incidence of high taxation and inflation is forcing industrial companies more and more to seek fresh capital, not merely for developing their businesses but also for maintaining them at their present level. Up to date the capital market has been able to meet the demands of industry. If, however, the factors referred to above continue to operate, the time will inevitably arrive when the demand for new capital will exceed the supply, with the result that industrial activity may be restricted.

The report and accounts were unanimously adopted.

ELLAMS DUPLICATOR COMPANY, LIMITED

LARGER TURNOVER

The annual general meeting of Ellams Duplicator Company, Limited, was held on July 23rd in London, Mr Frederick Ellam, the chairman, presiding.

The following is an extract from his circulated statement for the year ending December 31, 1950:

Since the last annual meeting both turnover and net profits have shown improvement, but in view of the uncertainties affecting both supplies and customers' demands, it is difficult to make any forecast of future results, except to state that the improved trend of sales which commenced in about the middle of 1950 is continuing.

The ever-rising cost of raw materials is a serious factor, but equally serious is the difficulty of obtaining adequate supplies. We are fortunate in having a keen purchasing department which, together with an extensive and well-equipped laboratory and research section, has enabled us to overcome most of our difficulties and, at the same time, maintain production and the high standard of quality with which the products of your company have always been associated.

We have again considered it advisable to increase our stock reserve by £10,000 and the general reserve by a similar amount, bringing it up to £125,000. Your directors have decided to recommend an increase in the final dividend, making 33⅓ per cent. for the year.

As you will gather from the foregoing, our difficulties have not eased during the past 12 months, and I particularly wish to record our obligation to our staff in all grades, who have continued to serve the organisation with unfailing zest and loyalty and in thanking them on your behalf for their efforts, it is proposed to allocate the sum of £3,000 to the staff fund.

The report was adopted.

RHODESIA BROKEN HILL DEVELOPMENT COMPANY, LIMITED

RECORD SALES AND PROFITS

The forty-first annual general meeting of this company will be held in Northern Rhodesia on August 8th.

The following is an extract from the statement of the chairman, Sir Ernest Oppenheimer, circulated with the report and accounts for the year to December 31, 1950:—

The year under review was again a very successful one; in fact, the sales proceeds and the resulting profits earned by your company both constitute a record. The demand for your company's products, particularly zinc, continues to be very strong.

TRANSFER OF CONTROL

There are two principal reasons for transferring the seat of control from the United Kingdom. In the first place it was evident that an increase in administrative efficiency could be effected, and in the second it was possible to make a very substantial saving in taxation by obviating the amount payable in the United Kingdom by way of income tax and profits tax. Since virtually the whole of the company's profits are made in Northern Rhodesia and an important part of the capital of the company is held outside the United Kingdom, this move was considered entirely justifiable.

The dividend payable in respect of the year under review will be regarded as a free of tax dividend by the United Kingdom revenue authorities. Thus, although the declared rate of dividend for 1950 is 45 per cent., against 40 per cent. for 1949, it is necessary, in order to obtain a true comparison of the two dividends, to express the dividend for the earlier year in similar terms, and on this basis it would have amounted to 22 per cent. This is a non-recurring feature arising from the change of control and briefly is due to the fact that the dividend is payable in respect of the final year during which the company was assessable to United Kingdom taxation (although by reference to the results of earlier years) and is therefore deemed to be a distribution of taxed profits.

TAXATION BENEFITS

The measure of the taxation benefits arising from the change of control is given by a comparison of the proportion of profits absorbed by tax in the two years 1949 and 1950; the accounts show these figures to be approximately 54 per cent. and 36.5 per cent. This saving is due partly to the lower rate of income tax payable by the company and, to a greater extent, to the fact that it is no longer liable for the payment of profits tax which, incidentally, in terms of the United Kingdom 1951 Finance Bill, is due to be increased still further to 50 per cent. on distributed profits.

The production of fused vanadic oxide recommenced in April of this year. As a result of the serious world shortage of sulphur consideration is at present being given to extending the activities of the Iron Duke mine with a view to supplying pyrites, hitherto used only in the company's own works and on the copperbelt, to large scale users in the Union of South Africa. Metallurgical investigations are proceeding with a view to determining whether your company should undertake the production of refined cadmium. The profits for this year show a substantial improvement on those for the corresponding period of last year and there is every indication that this improvement will continue.

NCHANGA CONSOLIDATED COPPER MINES LIMITED

INCREASED PRODUCTION

The fourteenth annual general meeting of this company will be held in Northern Rhodesia on August 8th.

The following is an extract from the statement by the chairman, Sir Ernest Oppenheimer, circulated with the report and accounts for the year to March 31, 1951:—

The transfer of this company's control from the United Kingdom was effected with a view to bringing the seat of management and control to the territory where the mining operations are carried on, so as to secure increased administrative efficiency; a further benefit resulting from the move was the avoidance of the very heavy burden of United Kingdom income tax and profits tax.

The dividend rate of 37½ per cent. is not strictly comparable with that of 20 per cent. for the previous year, which would have been expressed at a considerably lower rate had it been paid under the same special circumstances as apply to this year's dividend.

During the latter part of the year under review, production of copper was running at the increased rate envisaged in the 1947 extensions programme. Sales were increased and profits were further augmented by the rises which occurred during the year in the price of copper. The increased rate of production has also enabled unit costs to be kept down in a period of rising price levels.

In order to maintain this increased rate of production, adequate coal supplies must be available. On the basis of foreseeable coal supplies it may be difficult to maintain the overall production of copper for the remainder of the year.

EXPANSION PLANS

Members will recollect that Mr S. S. Taylor, in his speech at the last annual general meeting, gave details of the proposals for further increasing the company's production from 64,000 long tons per year, provided by the 1947 extensions, to 108,000 long tons. Construction work on these further extensions, known as the third stage extensions, was commenced during the year under review and will, it is hoped, be completed towards the end of 1952, although, owing to increased supply and transport difficulties, it is possible this date may prove to be unattainable.

The estimated total cost of these extensions was stated last year to be £5,700,000. Since that time a new forecast has been made of the future milling grade of ore, and in consequence it has been decided that the fourth unit of the Leach and Electrolytic plant will not now be required though it will be necessary to install additional washing and flotation plant in the concentrator. The revision of requirements for the third stage extensions programme is expected to reduce the cost substantially.

It is the intention to finance this and other capital expenditure commitments in part out of profits but mainly by raising fresh capital, and consideration is now being given to the form the additional finance should take. As a first step in providing finance out of profits £700,000 has been transferred to general reserve during the year under review.

It will be noted from the consulting engineers' report that the ore reserves at March 31, 1951, were estimated to be approximately 137,000,000 tons, averaging 4.65 per cent. copper, including approximately 43,000,000 tons in respect of the Nchanga West ore-body. The latter figure is based on a reserve calculated in 1931, and includes only part of the known ore contained in the Nchanga West ore-body, the balance being excluded because insufficient drilling had been done to justify an attempt to calculate the tonnage and grade with accuracy.

THE TRUSTEES CORPORATION, LIMITED

A SUCCESSFUL YEAR

The sixty-third annual general meeting was held on July 25th in London. Mr L. A. Stride, the chairman, in the course of his speech said:—

The accounts in themselves are entirely satisfactory.

Total revenue for the year amounted to £368,173, compared with £313,262 for the previous year, an increase of £54,911. Taxation takes £138,416, as compared with £111,366 a year ago. We recommend a final dividend of 7 per cent. with a bonus of 2 per cent., both less income tax, on the ordinary stock (making a total of 16 per cent.).

Reserves and the carry-forward now aggregate more than £836,401, against the corporation's total capital of £1,750,000—eloquent testimony to a sound past policy and present strong position.

The Chancellor of the Exchequer has recently announced that by next October this country will have repaid in full the $425 million American Reconstruction Finance Corporation Loan of 1941. He added that as a general rule such American securities as are vested in the Treasury and will then become released are to be retained in Treasury ownership, but in a few certain cases he may be prepared to consider resale to former British holders at current market prices. I would urge very strongly that in the interests both of the original holders, the taxpayers and the country, the Treasury should divest itself as quickly as possible of all such securities when October arrives.

The formal business was transacted and the proceedings ended with a unanimous vote of thanks to the chairman, directors and staff.

BRITISH BORNEO TIMBER COMPANY, LIMITED

SATISFACTORY RESULTS

The thirty-first annual general meeting of The British Borneo Timber Company, Limited, was held on July 26th in London, Mr H. W. Hörner (the chairman) presiding.

The following is an extract from his circulated address:

The results for the past year may be considered satisfactory. The indications that prospects as regards disposal and prices were good, to which I referred almost a year ago, have proved to be correct. Prices have advanced in all markets and the upward tendency continues, but, regrettably, largely for reasons connected with the international situation and the war in Korea in particular. Markets continue to be governed by the world shortage of timber for urgent peacetime uses and would be better without the added stimulus of the threat of war, which brings with it countervailing shortages and dislocations of costs of production, coupled with general uncertainty and lack of confidence.

The net profit for the year is £62,625. The amount available for appropriation is £85,412. We have ahead of us an extensive programme for building up facilities for increased production, involving heavy expenditure, and it is necessary to continue to conserve our financial resources. The board have transferred £50,000 to general reserve and recommend a dividend of 20 per cent. This will leave a sum of £16,242 to be carried forward.

The company is going ahead steadily with its programme of re-equipment.

The balance sheet reflects improved financial strength, but no greater than is necessary in present circumstances.

The report was adopted.

TOERANGIE (SUMATRA) RUBBER AND PRODUCE

MR A. L. MATHEWSON ON INDONESIAN PROBLEMS

The thirty-ninth annual meeting of Toerangie (Sumatra) Rubber and Produce Estates, Limited, was held on July 26th in London.

Mr A. L. Mathewson, O.B.E., the chairman, who presided, after dealing with domestic affairs and referring to the possibilities of a distribution by way of an interim and only dividend for 1949-50, went on to say: Latex stealing by our own workers has reached staggering proportions. The loss of crop is not limited to that stolen by the labourers, as we are informed that people from the neighbouring villages are illicitly tapping the rubber trees in our uncleared areas. The loss thus incurred cannot be estimated, but we do know that serious damage is being done to the trees by these intruders. The facts are constantly being reported to the local authorities, who seem powerless to take effective counter measures.

Another serious problem is the large-scale illegal occupation of estate lands in East Sumatra. This infiltration of squatters has grown apace and so far the authorities have not taken effective action to stem the tide or to give the leaseholders like ourselves the protection to which they are entitled.

A CRITICAL PERIOD

As was to be foreseen, the early years of Indonesia's independence are proving difficult and indeed critical. There is, however, no doubt that patriotic and intelligent Indonesian leaders are under no illusion as to the very formidable political and economic difficulties to be surmounted if the new Republic is to avoid chaos and is to succeed in utilising its rich natural resources progressively and adequately for the needs of its great and rapidly growing population.

So far as Sumatra is concerned, perhaps the misuse of the trade unions by communistic elements and the wholesale theft of estate crops are the problems which by reason of their immediate and grave threat to economic stability may be signalised as most urgently requiring prompt and effective action by the new Government.

SUBVERSIVE PROPAGANDA

Subversive propagandists make great play of alleged "enormous" profits made by estate employers; they keep dinning into the ears of estate workers—that they are underpaid and overworked and that they have been and are still exploited by foreign capital. This company, which cannot be regarded as unrepresentative of scores of others in the same field, has now worked its plantations in Sumatra for thirty-nine years and the net dividend paid during that period is no more than 3¼ per cent. in average.

Needless to say, these unscrupulous agitators do not publicise to estate workers the fact that about half the value of all estate produce (except what is stolen from estates and smuggled) goes in one form or another not to the owners but to the Indonesian Government, leaving the former to meet the entire cost of production, including all labour remuneration, as also home taxation, out of the other half. Nor are workers reminded that despite such a penal governmental levy on estate enterprise it is not their Government, but estate employers who provide them over and above their pay with free or heavily subsidised food and textiles, free housing, free medical care, besides other benefits and amenities.

ATTITUDE OF GOVERNMENT

Undoubtedly the new Indonesian Government is aware of the prospect of tea producers, unable to meet enormously increased labour and other costs, being compelled, in the absence of prompt remedial measures, to suspend production; and it cannot but be mindful of the precarious situation which a continuation of rising costs and falling world prices for other estate products would create for the country. Desirous as the Indonesian authorities are of attracting investment from overseas they cannot fail to note and appreciate that capital which is now denied essential security and the prospect of fair reward in Indonesia is seen to be finding ad providing employment in other countries.

The report and accounts were adopted.

SPEAR AND JACKSON, LIMITED

(Saw and Tool Makers)

ANOTHER SUCCESSFUL YEAR

CONTINUED DEMAND FOR PRODUCTS

MR A. K. WILSON'S REVIEW OF ACTIVITIES

The forty-sixth annual general meeting of Spear and Jackson, Limited, was held on July 20th at Sheffield, Mr A. K. Wilson (chairman and managing director) presiding.

The following is an extract from his circulated statement.

The year 1950 has again been a successful one, both as regards sales and profits. The turnover for the group has again exceeded £1,000,000. Our Canadian and American subsidiaries have both enjoyed a good year.

Our registered office is once again at Aetna Works, Savile Street, and accommodates the whole of our staff. The move from "The Towers," Sandygate Road, Sheffield 10, took place in December.

Considerable reorganisation has been made in the various manufacturing departments enabling the flow of work to be improved.

Towards the middle of the year under review there was a shortage of steel, giving rise to difficulties in processing it into billets, bars and sheets. These shortages, and delays in cogging and rolling grew greater and greater as the year progressed and have caused all concerned great anxiety.

Costs of manufacture continue to increase; coal and coke have risen to alarming proportions, and in their wake follow gas, electricity, oil, rail and haulage rates and materials of all descriptions.

The accounts have been prepared on similar lines to those of last year. Certain modifications in wording and in layout which it is thought will make the accounts more easily understood have been introduced.

PROFIT AND LOSS ACCOUNTS

Consolidated Account of the Group.—My opening remarks are reflected in the figures in this account. The trading profit of the group (after allowing for the small trading loss of a new subsidiary from the date on which it became a subsidiary) is £278,770 compared with £210,649. The net profit after meeting all charges and providing for inter-company profits on unsold stocks, £5,000, and for the estimated taxation liabilities on the profits of the year is £104,173 compared with £105,427.

The balance carried to the appropriation account of Spear and Jackson, Limited, is £72,172 compared with £99,238, the reduction being due to the heavier debit for taxation and an initial contribution to the pensions scheme, inaugurated during the year, by way of a lump sum payment in respect of past service pensions.

Appropriation Account of Spear and Jackson, Limited.—After bringing forward from last year, £26,153, and adding Spear and Jackson's own profit, £69,142, and the net dividends from subsidiaries, £6,572, the amount available is £101,867 compared with £126,965 last year.

The appropriations and recommendations of the directors are set out in the directors' report. It has been thought fit this year to make an initial appropriation of £15,000 to a reserve to be used for the purpose of keeping our plant and buildings up to date on the most modern lines.

DIVIDENDS

The dividend on the preference shares for the year has been paid, which required a net sum of £2,150.

The directors recommend a dividend on the ordinary shares [illegible] per cent. requiring a net sum of [illegible], against 15 per cent. requiring a net sum of £13,612 for last year.

After giving effect to these appropriations and recommendations the balance to be carried forward to next year is £30,808, compared with £26,153 last year

BALANCE SHEETS

The form of these balance sheets is similar to that of last year and little comment is therefore necessary.

Taxation liabilities on the profits of the year have been provided for and adequate reserves made in respect of outstanding matters affecting excess profits tax liabilities.

The liquid position of the company and of the group is again very satisfactory, as is the position as a whole shown by the two balance sheets.

PENSION SCHEME

I referred to this in my last year's statement. The resolution, which I proposed at the annual general meeting, was unanimously approved and the scheme is now operating.

GENERAL

The difficulties encountered in the export trade, to which I made reference twelve months ago, have not diminished. Nevertheless, a high figure has been reached. The demand for our products remains as great as ever and production is not able to meet the demand. Many offers of new business have had to be turned down, our main aim being to try and satisfy our regular customers by sending them as much as possible.

There is still a scarcity of labour in all sections of our works and every effort is being made to encourage new entrants.

FUTURE PROSPECTS

It is difficult and dangerous to forecast far ahead under conditions as they exist to-day. However, for the first five months of 1951 the turnover has been maintained, and, unless something unforeseen occurs, the current year's prospects appear satisfactory.

Finally, I would express to the company's management, staff and employees, the board's appreciation for the high standard of workmanship maintained and the output obtained.

The report and accounts were adopted.

HICK, HARGREAVES AND COMPANY, LIMITED

RESULTS AGAIN SATISFACTORY

WORKS IN FULL PRODUCTION

MR W. D'ARCY MADDEN ON THE HEAVY ORDER BOOK

The sixtieth annual ordinary general meeting of Hick, Hargreaves and Company, Limited, was held on July 25, 1951, at Bolton.

Mr W. D'Arcy Madden, chairman and managing director, who presided, said:—

I am pleased to report that the results for the past year are again most satisfactory. The final profit, after taxation and all charges, is £140,050, a moderate increase of 8 per cent. over the previous very good year.

In my speech a year ago I referred to the large undistributed profits accumulated in the reserve fund. At an extraordinary general meeting, held on March 28th last, it was decided to distribute a part of these profits and to issue one bonus share in respect of every five shares held, thereby increasing the capital of the company to £288,000 and reducing the reserve fund by £48,000.

DIVIDEND POLICY

Your directors have given very considerable thought to the question of dividend for the past year and they have decided to recommend to you the payment of a final dividend of 13 per cent. (less tax) on the company's increased capital. This will give a total distribution for the year of approximately 4 per cent. (gross) on the capital actually employed in the business during the year, which cannot be regarded as in any way excessive, and it is felt that the increase now proposed is, in all the circumstances, fully justified.

Your directors have under consideration the more equal distribution of the interim and final dividends. It may, therefore, be decided, in the future, to distribute a somewhat greater proportion of the total dividend as interim.

SUBSTANTIAL TRANSFERS TO RESERVE

As you see from the accounts, the transfers to the reserve funds are again substantial. £50,000 is added to the general reserve and another £50,000 is allocated to a new plant extension reserve fund, which we propose to build up to meet the cost of certain extensions to the works which are now under consideration. It is not thought necessary to increase further the stock reserve, which now stands at £10,000. The stocks of raw material and finished parts which we carry are turned over at comparatively short intervals, and the amount reserved should, therefore, be sufficient to cover any unexpected depreciation in values.

In consideration of the larger profit which has been earned, the employees' bonus is this year increased to £14,000; thus, in accordance with our policy of profit-sharing, all the company's employees benefit from the higher profits. In addition, a grant of £5,000 is again made to the benevolent and welfare trust fund. The capital of this fund has now been built up to £30,000.

IMPORTANT CONTRACTS

The works have been in full production throughout the year and a heavy order book includes important power station contracts for the British Electricity Authority covering condensing plant and feed-heating equipments required for commissioning at intervals from the present year to the end of 1956. We have also important contracts for the Admiralty and for the Ministry of Supply in connection with the rearmament programme. We are fortunate to be engaged on work of national importance and, consequently, of high priority, but even so our production is ever more dependent on adequate supplies of raw materials and on the deliveries of subsidiary parts and equipments from our suppliers and sub-contractors.

The load on the engineering industry of the country is today enormous. There is no surplus of labour to draw upon, and the demand far exceeds the supply. With these limitations of both materials and labour it appears essential that some policy must be adopted nationally to ensure that both be utilised to the best advantage if essential production is to be maintained.

COMPANY'S PREMIER POSITION

The works and plant have been fully maintained during the year. Your directors are now seeking authority to build and equip an additional heavy bay to the main engineers' shop. This will enable us to deal with the larger power station equipment now contemplated and will ensure the company maintaining its present premier position in the manufacture of condensing plant and other equipment of the most up-to-date design and construction.

In conclusion, I am sure you will wish me to express your thanks to all our staff and workpeople for their loyal and efficient service which has contributed so much to the excellent results of the past year.

The report and accounts were adopted.

TIMOTHY WHITES AND TAYLORS

The twenty-second ordinary annual general meeting of Timothy Whites and Taylors, Limited, was held on July 19th in London. In the absence of the chairman, Mr Louis Nicholas, J.P., F.C.A., owing to indisposition, Mr G. I. Rushton (vice-chairman and managing director) presided.

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

The retail sales for the year exceeded those of the previous year and were the highest in the history of the companies.

No decision has yet been given by the Whitley Council on the appeal by the chemists against the arbitrary reduction in May, 1950, from 33⅓ to 16⅔ in the "on-cost" allowed to be charged on goods supplied under the National Health Service and, of course, this reduction adversely affected the group's profits for the year.

The trading profit and sundry income of the group for the year amounted to £1,135,360 as compared with £1,153,711 for the previous year. The net profit for the year was £336,467 as compared with £335,668.

The dividend on the ordinary shares has been maintained at 32½ per cent. while the balance carried forward is £136,997.

During the year several new businesses have been acquired and the fixtures in many shops modernised.

The negotiations with the War Damage Commission on the claim for loss of the company's warehouses and offices in Portsmouth were finalised during the year and the claim agreed at £250,288 which has been received by the Company.

With regard to the current year I am pleased to say that up to the present sales are in excess of those of the corresponding period last year.

The report was adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

AMALGAMATED DENTAL

The forty-sixth annual general meeting of this company was held on July 27th in London, Mr C. Clifford Reeves, the chairman, presiding.

The following is an extract from his circulated statement for 1950:—

I am able to report a satisfactory year's trading over the widespread sphere of the company's operations. Notable progress has been made in the overseas territories, with consequent benefit to the export business.

The net profits for the year, before charging taxation and after placing £5,550 to freehold property reserve, are £510,315 (against £589,274). Provision for taxation requires £282,005 (against £316,404), leaving net profit £228,310 (against £272,870), from which the directors have placed £100,000 to general revenue reserve.

In Great Britain the effect of the impact of the National Health Act, has in a degree subsided and we now approach a state of affairs which will enable us more accurately to assess the demand as reflected by the call for dental professional services. The directors are confident that unless our efforts are hampered by shortage of raw materials or rising costs, over which we have no control, the company may reasonably look forward to a period of successful trading.

The year under review saw the issue of the report of the Monopolies Commission. In addition to an Order laid before Parliament, the effect of which would be to prevent exclusive dealing and collective boycott, the Government has issued a White Paper with proposals of general application. These proposals would not only deal with the same matters but also would prevent your company, by direct contract, maintaining the normal end price fixed for its products.

The report was adopted.

WILLIAM HANCOCK AND COMPANY

EFFECT OF PROFITS TAX

The sixty-fourth annual general meeting of William Hancock and Company Limited, was held on July 26th at Cardiff, Col. J. G. Gaskell, T.D., D.L. (chairman and managing director), presiding.

The following are extracts from the chairman's circulated statement.

The year's trading has resulted in a net profit of £71,977, compared with £78,474. The increase in profits tax on distributed profits imposed in the last two Budgets is mainly responsible for the reduced net profit. The trading profit is actually higher than last year at £253,379.

The increased profit referred to is not due to increased beer sales—this latter shows a slight decrease—but is due to improved trade in other branches of our business, such as the wine and spirit department and the hotels and managed houses departments.

The directors recommend a dividend of 14 per cent. against 16 per cent. last year.

This has been a difficult year and so, I am afraid, will be the next. In this area and actually in almost all other areas, the price of beer has been increased by one penny per pint, and the profit derived by this advance in price will be shared between the wholesaler and retailer and the general public, the latter in the form of a slightly increased gravity. I do not think this is likely to result in any increase in sales, on the contrary, the higher cost may mean a reduction, but it does allow for a margin to meet the further costs in production which seem to be inevitable as a result of the Government's failure to reduce their own expenditure which obviously requires high taxation.

The report was adopted.

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London Office: 9, Gracechurch Street, E.C.3

London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, H. A. Mabey, O.B.E.

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June, 1951 STANLEY DUMBELL, Registrar.

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Cold Class War

THE statement that the Chancellor of the Exchequer made to Parliament on Thursday of last week purported to be one of economic policy. Mr Gaitskell's lecture in economic analysis was, as always, lucid, though incomplete; but his proposals for action contained very little that is likely to affect the economic situation of the country. The difficulties in which the British economy finds itself are, in their main outline, neither very difficult to identify nor open to much dispute. The direction in which economic policy should point is also apparent and agreed. As soon as the terms of trade turned so sharply against this country after the Communist aggression in Korea and the necessity for rearmament was generally accepted, it was obvious that the aggregate of expenditure on things other than defence would have to be reduced, either deliberately by economic policy or blindly and unjustly by inflation. What categories of expenditure are to be cut? And by what means? Virtually the whole of economic policy in the past twelve months has revolved round these two questions. The alarms of the last few weeks have arisen because the Budget in April was insufficiently clear and effective in the answers it gave. Mr Gaitskell did not then say emphatically enough that the standard of living was his choice for the cut; and in any case consumption, instead of falling, has risen. His new statement, if it was to make any contact at all with economic policy, should have defined more clearly what sort of expenditure was to be reduced, and proposed effective means for reducing it.

When this very simple test is applied, Mr Gaitskell's statement is left without any substance at all. Tighter price control will not reduce expenditure, but will simply divert it. The restriction of bank credit by verbal pressure has been supposed to be in force for some time past; it is unlikely to be any more effective henceforward. The same can be said for export exhortation. The amount of expenditure that can possibly be stopped by dividend limitation is negligibly tiny. And the "reasonable restraint" which is all that is asked of the unions is unlikely to extend beyond speech-making.

In short, the Chancellor's statement hardly impinged on the economic problem at all. Why then was it made? One can only suppose that the impulse behind it was political, and it deserves analysis more for the light that it sheds on party politics than for any perceptible effect that it is likely to have on the course of economic events. Ministers are evidently much more concerned at the effect that the Bevanite defection is having within the ranks of their party than they have hitherto been willing to admit. As the real burdens of rearmament begin to show themselves in a steadily mounting cost of living, many members of the Labour party are feeling the temptation to escape into wishful thinking. It has become necessary for Ministers to do something to restore their popularity in the party. This explains both the negative and the positive side of last week's statement. If it was designed to court popularity in the party, it could not contain

any real measures of policy, because real policy at the moment would consist precisely in making the burdens of rearmament more precise and defining their incidence. On the other hand, dividend limitation, though negligible in effect and indefensible in equity so long as wages are not equally frozen, could be relied upon to raise a cheer in the party. But the trade unions had to be handled with kid gloves, since it is on their block votes that Mr Gaitskell will rely at Scarborough.

But what a dreadful light this sheds on the motives by which Ministers are inspired. It is quite enough to bring the Gaitskell boom to an abrupt end. There was a moment, at the time of the Budget, when the Chancellor surprised even his friends by his readiness to stand up for what his intelligence told him was right. His actions, it is true, were nothing sensational ; indeed, it is now clear that they were far below the needs of the situation. But it was refreshing to see anyone making a stand, and it brought him some of the respect that, in his time, Sir Stafford Cripps used to inspire in independent public opinion. But it is now apparent that the Chancellor's stock of moral courage was exhausted by the one effort. It is now clear that, faced with the ultimate horror of unpopularity in the party, he is as ready as any hack to do what he must know to be intellectually untrue and morally unjust. It is not perhaps so much for itself but as a symbol of Labour thinking that dividend limitation is most calculated to infuriate ; the harm it does to shareholders as a class, whom it deprives of all chance of defending themselves against inflation, is compensated by no comparable good to the national economy as a whole.

It is not only individuals, but parties, whose characters are revealed when they are under pressure. Once again the Labour party has given a demonstration that when it is in a fix it turns nasty. When Labour Ministers are faced with a situation in which they do not know what to do, they seem always to conclude that at least it must be safe to take another crack at profits. Mr Gaitskell must know perfectly well that his party's long list of penal measures against profits, and particularly against the equity profits of enterprise, are damaging to the country ; he as good as admitted it in his Budget speech, when he explained that profits are, and would remain, the mainspring of three-fourths of the national economy. He knows how much damage would be done to the country by open hostility between the classes ; but he still lends himself to the cold class war. His defence is that attacks on profits are necessary to secure a mood of moderation in the unions. But if it is really true that the unions demand that injustice be done to others before they will do their own duty, it should be the part of statesmanship to resist the demand, not to pander to it.

But the fact that the leaders of the party so easily allow their hearts to rule their heads is less alarming than the repeated revelation of what there is in their hearts. All the generous idealism on which the Labour party grew up—the promise that service and comradeship would replace jealousy and selfishness, that intelligence should direct the economic destinies of the people—has gone, and the only continuing element in the party faith, it appears, is hatred of the capitalist. Is that too severe a verdict ? Let those who think so ask themselves what else remains. The public ownership of industry is an almost openly-avowed failure. The planning of the economy has been abandoned to such a point that Ministers, faced with a perfectly simple economic dilemma, dare not explain it to their followers. The trade unions, so far from becoming a responsible estate of the realm, have, on Ministers' own showing, to be cozened into doing their duty. The only thing that can still be relied upon to arouse enthusiasm in the ranks of the party is to take somebody's property away or to devise a new penalty for material success or good fortune. The Tories in their heyday may have been indifferent to the miseries of their countrymen. At their worst they never took open pleasure in deliberately penalising their opponents.

The tragedy is that there is almost certainly a large majority of the British people waiting to vote for a party that will really set out to do what Labour once promised to do, to reconstruct society on a kindly and intelligent plan, appealing to the generous instincts of man and using the highest ranges of his intellect. Every time a Labour leader reacts to a difficult situation, as Mr Gaitskell did last week, with weakness and malice, he convinces a few more of the inherently left-minded people of the country that they have nothing to hope from Labour. The Cheshire cat faded until there was nothing left but the smile. Has Labour socialism faded until there is nothing left but the spite ?

Middle Eastern Quandary

WHEN the House of Commons earmarks a day for a debate on the Middle East, its constituents are entitled to expect that it will have something new to say. Last Monday, they were disappointed. Speeches were cantankerous and sterile. No one offered suggestions that could help Mr Morrison with the Middle Eastern problems that beset him in Persia, Egypt and Washington. Mr Churchill, who came closest to doing so in his plea for joint Anglo-American effort, spoilt his argument by his usual faulty assumption that the Middle Eastern peoples, having been "saved" by Allied arms in the war, are grateful to their saviours. Indeed, the debate was a failure chiefly because no one was realist enough to broach the fact that—except in the semi-European units of Turkey and Israel—there are at present among the Middle Eastern peoples no elements that favour the west. Individuals possess western friends. Despots like King Ibn Saud or the late King Abdullah sign agreements with western allies. But among the peoples as a whole the term "pro-British" is one of opprobrium, and "pro-American" runs it close in all the countries which take the Palestine settlement to heart.

This xenophobia is not new. It has been the spice of Middle Eastern life for more than a generation. Since the second world war, however, it has taken on a new and far more anti-western tone, because it has been hitched to another forcible emotion—that of social discontent. The western diplomat who deals chiefly with the rich, and the western business man who lives in the best part of the town, have naturally come to be regarded as the champions of the pasha and his way of life. A v spread sense of resentment against the west has the

arisen. Anomalously, the rich pasha and landlord-politician supports it. He would, if he were logical, throw in his lot with the West in order to barricade himself against Communism. Instead, he points at it as the source of all local evils, so identifying himself with a popular outcry and deflecting attention from his own shortcomings as a manager of his country's social affairs.

Naturally the British, who have played a larger part than any other western power in the politics of the countries which used to belong to the Ottoman Empire, are more widely blamed than the Americans for this state of society. But the Americans, who until a few years ago could sit smugly by because they were known only as educationists and as organisers of excellent agricultural and medical missions, are now likewise saddled with the burdens of overseas statesmanship and of the exploitation of natural resources. They are held at least as responsible as the British for the ills of the Arab states on account of their share in producing the Palestine settlement and the foundation of Israel.

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There is no doubt that an immense show of might—either British or American or both—could cause a change in this anti-western attitude. For centuries the average Middle Easterner has inclined to the strong and has shifted his allegiance, with common sense and without false shame, to the side that he thinks will win. But for at least another eighteen months, great parades of British and American armament are not feasible. The temptation, therefore, is to leave a carping section of the world to its own devices, so that it may learn that its misfortunes are not—as its peoples delude themselves into thinking—the fault of a local western embassy or oil company. Yet for reasons that have long been accepted by the British public, and are now accepted also by the State Department (though hardly yet by Congress or American public opinion), it is simply not possible for the western countries to leave the Middle East to stew, even temporarily, in its own juice. These reasons are succinctly set forth by the State Department in the Mutual Security Programme for 1952 which it has now laid before Congress:

> The near eastern area is important to the security of the United States and of the free world. It lies athwart the principal lines of sea and air communication in the eastern Hemisphere. It is a land bridge between Asia and Africa, Soviet control of which would expose the African continent. It is a source of a prime strategic material, oil, the continuing supply of which is essential to friendly nations in Europe and Asia. It supplies three-fourths of the petroleum requirements of western Europe.

The official document does not add what a newspaper can add with impunity: that if Soviet expansion is to be arrested, the Middle East is also important, because it is the site of bases—British in Egypt, Jordan and Iraq, American in Saudi Arabia—which cause the Soviet Union to reflect that the Caucasus is its soft underbelly.

In a situation in which to stay is unpleasant, but to go is impossible, British and American minds have to conceive some way of mitigating the unpleasantness. So far, they have proffered three methods. The first—which is openly advocated only by the left wing of the Labour Party, but to which the official policy of the Labour Government comes dangerously close in practice—is to scuttle in slow motion, not to go willingly, but to put up no effective resistance to acts of ejection. This was Labour's conception of the right course to take in Egypt in 1946, and again at Abadan in 1951 ; on both occasions, "reasonableness" was based on the hope of being invited to stay when withdrawal began to cause the local peoples to see their own shortcomings. The second suggestion—also British, but coming from the right—is the remedy known in the last century as a whiff of grapeshot. The third, advocated by many Americans, is to pour from a bountiful cornucopia the blessings of development and technical aid.

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The ineffectiveness of the first two policies has often been thrashed out ; that the third can be equally ineffective is less obvious and less well known. The policy of scuttle is impolitic because it exposes the western powers to the risk that a birdwitted Middle East would, in a frenzy of anti-western triumph, remain blind to the dangers of Russian imperialism, take the west at its word and let it go. It is most unlikely that there will ever be an invitation to return, and withdrawal, therefore, opens the way to a vacuum which the Middle Eastern peoples have not yet the capacity to fill and into which Soviet expansionists would immediately flow. If practised at Abadan, it would also establish a precedent that would, among all the less scrupulous peoples of the world, vastly encourage disrespect of foreign rights and property. The drawback of the grapeshot policy is that it has always divided even British opinion, and that it would cause an even wider rift between American and British opinion. It would also create golden opportunities for indicting a western power before the United Nations, and so play into the hands of Soviet propagandists. Finally, it would do nothing to mitigate the social unrest which underlies the captious behaviour of the Middle Eastern states.

From this last standpoint the American recipe—that of providing money and "know-how"—is far more attractive. But, before it can be really effective, it will have to surmount three separate ranges of obstacles. First, some Middle Eastern states flatly refuse to accept American aid, because of the taint it carries of affiliation with the friends of Israel. Syria, for instance, in June refused technical assistance offered by the United States, even though the schemes are urgent and can hardly proceed, certainly not in full, without external aid. Rancour on the score of Palestine, which is not dying down, has so far prevented any integrated organisation of settlement of the Arab refugees, with the result that the mood of these people now represents the biggest cancer in the whole of the Middle East.

Secondly, even where the willingness to receive aid exists, it is not likely to be applied effectively. Some states will take the assistance offered, fail to use it as it could be used, and then blame the west for the failure, as happened when the American group of engineering firms called Overseas Consultants Inc. was engaged, and after months of frustrated effort dismissed, by the Persian Government. Other governments will accept assistance only on the condition that there are no strings attached and no western supervision, which means that the accustomed large percentage of benefits can flow into the pockets of pashas and that not too much will be done to disturb the social order that provides their privileges. Very few Point Four projects, applied as they must be through the governments of these sovereign states, can hope to reach the point of effective fruition.

But, thirdly, even if they did, even if the standard of living of the Middle East were perceptibly raised by foreign bounty or foreign investment, there is no evidence to support the belief that this result would make the

Middle Easterners more friendly to western foreigners or the Middle Eastern states more ready to play the part that has been written for them—and quite a lot of evidence to the contrary. It would, perhaps, be too pessimistic to conclude that the "American" formula will do no good. But the ratio of achievement to effort put in will be small; and the process will be very slow. Taken by itself as a policy for the Middle East in the present world crisis, it is as useless as either of the British alternatives.

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The position, then, seems to be that the west desperately needs a policy for the Middle East, but has no idea where to find one that will work quickly. Immense thought has been given in recent years to the problems of Europe and of the Far East. The Middle East is hardly, if at all, less vital, yet it has not received a fraction of the attention it deserves in London; in America, where thinking about "aid" is vigorous, too little attention has been paid to the practical difficulties. With the progress that has been made in Europe and in the Far East, the Middle East ought now to go to the top of the list for deep thought and close attention on the part of the ultimate policy-makers. The point that they have to decide is how, at short notice, to reveal to discontented masses not only that the western countries have a recipe for social discontent, but that they are capable of putting this recipe to use. The task, though it is not easy, is not hopeless, because the Middle Eastern peoples are none of them pro-Russian. They merely want to be left to themselves in order to decide—as Turkey was free to decide—how much help they need and where to go for it. The problem is to stir them into doing this quickly.

It can be done only in close partnership between Britain and America, not forgetting France, which still has large Levantine interests. To succumb to the old preference for acting separately merely causes delay, for it allows the pasha to fall back upon his practice of playing one interested power against the other. But to attain this co-operation, several prejudices have to be battened down. One is the British tendency to regard the Middle East as a preserve in which the Americans are overconfident interlopers. Another is the American conception that the British overrate the difficulties, suffer from hardened arteries and will try nothing new. So far, there has been a steady tendency, particularly on the part of the Middle Eastern "experts" of both countries, to think such thoughts. A real effort by the heads of the two governments could clear these obstacles away, since there is no real clash of interest; but nothing less is likely to avail.

Fortunately, the ground is being laid for a co-ordinated joint policy, and as elsewhere it is strategic necessity that is pointing the way. The problem of the Mediterranean command is at last settled. American approval seems to have been won, for the first time, for the principle of a full-fledged defence scheme for the whole of the Middle East. The idea that is being canvassed is that a body should be set up, consisting at the start only of those members of Nato with Middle Eastern interests—specifically, of the United States, Britain, France and Turkey. It would, however, at a later stage be open to the membership not only of other Middle Eastern states, but also of more distant countries, such as some of the nations of the Commonwealth, which would have a role to play in the Middle East if war came.

But neither strategic arrangements nor welfare planning will get very far unless they are based on a clear, coherent and agreed policy. What, in the broadest terms, do the western countries want from the Middle East? And what methods do they propose to follow to get it? These are the questions to which answers are needed. If it is within the power of the British Government to persuade Washington to join in an exploration of these matters at the highest level, no considerations of pride or of exclusive prestige should stand in the way. The Americans, in their turn, if they can once rid themselves of the suspicion that British aims are ignoble or British methods antiquated, will find that this is at least one part of the world where they will not be asked to bear more than their fair share of the burdens of responsibility.

China and Japan

WITH the San Francisco Conference only five weeks away, Communist China at last faces the prospect of its traditional enemy, Japan, recovering its independence and sovereignty under a very liberal peace treaty; a treaty, moreover, in which neither the Soviet Union nor China itself has any part. It is not surprising that the violence of Peking's propaganda against the Japanese treaty has in recent weeks reached a new height, with Chu Teh, the Commander-in-Chief, declaring that China will not tolerate the treaty and the Communist radio telling the Chinese that they must "fight to the finish" against it. This rattling of sabres makes it difficult to detect China's real intentions towards Japan; but there are permanent and well-known factors in relations between the two countries which show what the alternatives are.

Fourteen years of invasion and occupation have undoubtedly left a very real fear and hatred of the effectively exploited in Peking's current internal propaganda. One result is that over 339 million Chinese are reported to have "voted" against the proposed peace treaty long before its terms were made known. But it cannot be believed that Mao Tse-tung and his colleagues themselves accept the basic premise of this campaign, which is that the treaty's one aim is to rearm Japan for an attack on "China and Asia." The Chinese Communist leaders are fully aware both of their own great and growing military strength and of Japan's present enfeebled state. They must know that the danger of another Japanese invasion, against which they are ostensibly building up their defences, is a myth. If, in spite of this knowledge, they were tempted to contemplate taking "preventive" military action against Japan, it would not take them long to realise that China alone could hope for no success in this direction as long as Japan was protected by American air and sea power.

While the possibility of Chinese armed action against Japan may thus be ruled out at the start, the possibility of action by the Soviet Union remains. Japan may be an island nation, but the USSR is a naval power, and its new bases in Karafuto and the Habomai Islands are so near that the Japanese can see some of them across the water. It is not difficult to imagine a situation in which the Russians might declare themselves forced to occupy Hokkaido, the northernmost of the main Japanese islands, to forestall some alleged threat to the Soviet Far East or even to save a Japanese "liberation movement" from repression by the Tokyo authorities; some of the 300,000 Japanese prisoners of war still unaccounted for in Siberia might well reappear as the spearhead of such a move.

But Mao, however tempting the circumstances, is not likely to ask the Russians to help him carry out his threats. The new China can be no more anxious to see a Russian domination of Japan than was the old Japan to see a Russian domination of China. Moreover, Peking has now asserted that colonial and "semi-colonial" peoples should look to it rather than to Moscow for guidance in their struggles for freedom; and in Peking's terminology Japan is classed as a "fully-fledged" American colony both now and after the signing of the peace treaty. Lastly, the Russians are thought of in Asia as Europeans, and it would hardly improve Communist China's chances of mobilising Asian nationalism against the white man if Mao were to connive at any attack on Japan by a white nation.

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The beating of drums and gongs which the approach of the Japanese treaty has evoked throughout China can therefore be taken less as a sign of intended violence than as a routine exploitation of the issue for the strengthening of internal and international solidarity. This does not imply, of course, that once the ink is dry at San Francisco the Chinese will let bygones be bygones. Peking and Moscow may have given up all hope of deflecting the United States from concluding a treaty on the lines of Mr Dulles's draft—although even that is uncertain—but the Communist objections to the proposed treaty are very strong and cogent ones. Instead of a disarmed and defenceless Japan, stripped of its experienced political leaders and thus an easy prey to fomented disorder, and irrevocably bound to the neighbouring mainland by economic necessity, the San Francisco treaty and the American guarantees which go with it seek to create, behind a screen of American armed might, a Japan capable of preserving internal order and of plotting an economic course uninfluenced by pressure from its Communist neighbours. Such a structure will not make easy the task of winning Japan for the Communist world by political methods. On the contrary, it may yet make possible the emergence of a Japan which, although unable to match China in terms of military power, will challenge Peking's claims to political and economic leadership in the Far East. So, even if Peking and Moscow abandon for the moment all hopes of securing a Communist Japan, their future policy must be aimed at weakening the only country which can make such a challenge. In the execution of that policy Peking must play the leading role, not only for its own satisfaction, but because it alone holds certain cards.

The most obvious political line of attack for the Communist powers is to foster the growth within Japan of some form of popular front based on the small Japanese Communist Party. Peking has always had close links with this party, several of whose leaders were trained at Yenan; Yenan-trained Koreans living in Japan have also proved a useful instrument. But the Japanese Communists are divided among themselves and are so far making little headway among workers to whom American occupation has introduced the idea of free trade unionism and democratic social security. The Japanese Socialists might be thought to offer possibilities—they have long pressed for Soviet and Chinese participation in the peace treaty—but since they combine this attitude with such demands as the return of Karafuto by the Soviet Union, Peking must suspect that where the Socialists agree with Communist policies they are simply stealing Communist votes. As for the Communist-sponsored peace movement, this has made some progress in Japan, especially among intellectuals; but in a country where everybody speaks in terms of peace no one dove can hope to achieve a striking effect.

More promising opportunities appear in the economic field, where Communist China can exert considerable leverage on Japan. Japanese business men are painfully anxious to resume their former trade with China, not merely on the modest scale which was current before the United Nations embargo, but on the much higher level of prewar days (in 1929 a quarter of all Japan's exports went to China). The loss which the breakdown of this trade has caused to Japan can be clearly seen in the extinction of countless firms in Kansai (industrial western Japan), the area principally concerned in trading with China. Since the negotiations for a cease-fire in Korea began, Tokyo officials have found it necessary to point out to Japanese exporters that by clamouring for trade with China on almost any terms they will only strengthen Peking's bargaining power if the barriers are removed. Warnings have also been given that Mao's China, with its new state-controlled economy, could all too easily apply political pressure to a Japan which had tied itself closely to Chinese markets and materials. The present political leaders of Japan are fully aware of these dangers, but their caution in regard to trade with China may yet be swept aside by pressure from the business circles on whose support they rely. There are, moreover, certain supplies for which Japan must turn to China if it is to avoid paying high prices for them in dollars; the most important is coking coal, without which the steel industry, and therefore the whole Japanese industrial nexus, cannot survive, and of which China is the only source outside the dollar area and within easy reach.

If, however, Japan cannot be won over by direct economic pressure, Peking can still hope to fetter the country's economy at a low level by preventing the full resumption of Japan's trade with other Asian countries. A great deal of Communist propaganda is being devoted to instilling in the peoples of south-east Asia and India a fear both of Japanese military revival and of Japanese economic exploitation. This field is fertile; the existence of much real fear of a resurgent Japan has been shown by the objections raised by India, Burma, Indonesia and the Philippines regarding the proposed peace treaty. On present indications Peking cannot hope to line up all the Asian governments against the treaty in such a way as to make it a purely "white" affair; but Liu Ning-yi's report to the World Federation of Trade Unions in July showed that the Chinese hope to arouse enough anti-Japanese feeling among Asian workers to impede Japan's efforts to re-establish itself in the southern

markets. In such a campaign there will be an important role for the millions of Chinese living in south-east Asia, who are coming over to the Communist flag in increasing numbers. And by obstructing economic co-operation between Japan and the south, Peking will also be delaying reconstruction in the southern countries themselves and thereby improving the chances for their own Communists.

These tactics can only be countered if America and Britain recognise each other's different approaches to the problem of Japan and follow a common policy. Britain must accept the fact that to give Japan a major role in the development of south-east Asia is the only alternative to its either remaining an intolerable burden on America's shoulders or drifting into the Communist camp. The United States must in turn appreciate the very real fears which the return of Japan as a sovereign trading nation is awakening in south-east Asia. These fears can only be laid at rest, to the mutual benefit of both areas, if America and Britain take pains to ensure that "development" under the Point Four and Colombo plans is genuine development in the interests of the Asian countries themselves, and not veiled exploitation on behalf of Japanese industry.

Haute Couture in London

IN these days when the scions of ancient houses are conducting parties of tourists round their country seats, when family heirlooms are sold to pay death duties, when the statistics of the Inland Revenue show that there are hardly any rich people, it is surprising how the luxury trades flourish. The British *haute couture* is one such example. Most of the "Big Ten" London *couturiers* had an excellent summer season and the indications are that their autumn collections, which they showed last week, will also be a success. Many of their old clients buy less than they used to do, but their defection is more than offset by the appearance of new customers and new money.

For a number of reasons, however, the prospects for the future are somewhat uncertain. What would strongly affect the prospects of the *couturiers* is the return of French competition. The British fashion trade has benefited greatly from the exchange restrictions which have prevented customers from buying in Paris. This is not to suggest that it is a mere substitute for French *couture*. It was already established in the nineteenth century when Worth of Paris established himself in London. But apart from suits, in which Britain has always led the field, it was for a long time only a pale shadow of its French counterpart. The challenge to the Paris houses began between the wars and a milestone was passed when Norman Hartnell won the custom of the Royal Family. Since then the reputation of British *couture* has grown very considerably. Its growth is analogous to that of the British ballet. This was never taken seriously while the Diaghilev ballet was in existence, but it was all the time developing steadily and was able, when its main competitor disappeared, to rise grandly to the occasion. In both ballet and *haute couture* a great reputation was the monopoly of another country, and the struggling artists in London had to live down the initial "stigma" of being British.

By now London's fashion trade is mature and its reputation is established; so much so that, through the medium of the Incorporated Society of London Fashion Designers, it is actively supported by the British textile organisations as a shop-window for their fabrics. It cannot—it never will—boast an international reputation comparable to that of Paris. Its output is on nothing like the same scale. Whereas a Paris house will employ perhaps 500 to 850 workers, the largest London house has not more than 250, and the average is probably nearer 100 workers. A Paris house shows perhaps 150 models twice a year, in January and July, with small mid-season collections in April and October. A large London house will show perhaps 30 in January and July, and has no mid-season collection. Perhaps 20 models out of a Paris collection will be of extreme design aimed simply at the headlines. As it costs about £200 in materials and dressmaking simply to put a model on the floor, British *couturiers* cannot afford to design purely for publicity. A Paris house can repeat an idea several times over in different models, until its impact on the fashion reporter is certain. A London collection is not big enough to do this. A Paris collection is launched, with champagne, at a cost of anything up to £10,000. A London house spends perhaps £2,000 to £3,000—a large sum in relation to its capital, which is usually small, and to its overheads, which are higher than the French. A fully-trained seamstress in Paris will earn perhaps £5 a week; in London she is paid £8 or £9 a week. A head fitter or tailor will get perhaps £750 a year in Paris, but probably at least £1,000 in London. Paris, with its tradition of *couture*, is rich in trained and experienced people; in London they have a scarcity value. The London house, moreover, has to pay purchase tax at the rate of 22½ per cent on each quarter's sales. With such overheads and with a much smaller output, London's fashion trade must build its reputation slowly by solid worth, without the aid of high-powered publicity.

In spite of these disadvantages, the London houses are in better shape than the majority of the Paris houses. But what would happen if the shackles were removed from the French industry? A complete removal of the restrictions on spending money in France is unlikely, although they may be still further relaxed. This will certainly cost the London houses some of their trade; but some of them, at least, are by now well enough established to stand it. There are two pointers to what might happen. Two seasons ago the dates fixed for the London shows clashed with those subsequently fixed by Paris; in London they hardly expected to see a single overseas buyer. As it turned out, buyers were prepared to forgo a part of the Paris shows in order to see the London collections. The London *couturiers* have the advantage of better fitting the length of modern purses. An evening dress from Paris might cost £300; a comparable one from a London house might cost £125, plus 22½ per cent tax for the home market. If the London houses retain this advantage it should go far to offset the lure of Paris.

The London *couturier* would probably admit that he still looks to Paris for inspiration. But his designs are his own and he does not in any sense copy Paris. The movement of ideas in fashion makes an interesting study, for although each designer is working on his own, clearly discernible trends in fashion emerge. This is because each new fashion evolves from its predecessor or is a reaction to it. Thus, the lavish "New Look" was a natural reaction to the austere fashions that had preceded it, and although it is attributed particularly to Dior, the other designers were not at variance with it. London designers, while interpreting the current international trend of fashion to suit the British taste and British purses, now have a reputation in their own right.

Short purses, though they keep French competition at bay, could of course be very damaging to the *couturiers'* interests. As purchasing power is reduced they have to reckon with the competition of what is called, by a strange contradiction in terms, "wholesale *couture*." This is the high quality end of the ready-made clothing trade, and its growth since prewar years has been as remarkable as that of the *couturiers*, especially since it was strengthened by immigrants from Berlin and Vienna, which had a very flourishing trade in good quality ready-mades. There are thirteen such firms who collectively call themselves the London Model House Group, and some of these are now producing clothes of distinguished design and excellent material. The wholesale model makes no claim to be exclusive. The woman who buys a dress from the *couturier* knows that perhaps fifty of that model will be made in all, and it is for the saleswoman to tell her if anyone she is likely to meet has bought the same dress. The wholesale *couturier* buys enough material to make several hundred of each model. Each dress, however, is cut and made separately, and the number actually made depends on the orders received from the buyers to whom the models are shown. The wholesale *couturier* preserves a measure of "exclusiveness" by limiting sales to high-class department stores and small shops of what is called the "madame type"—and often to only one in each shopping area.

One advantage which nothing can take from the *couturier* is that of personal fitting. British women constantly complain that the range of sizes in ready-made clothes is too limited; and the *couturiers* have a hard core of custom among well-to-do women who have failed to conform to the standard measurements. (In the United States they would have no difficulty, for there are sizes in plenty to suit all types of figure.) On the other hand, what has driven at least some people to the shop selling wholesale clothes is the inability of some of the smaller fashion houses to give credit. Undercapitalised as, on the whole, they are, they would be unable to pay the purchase tax due every three months if they did not insist that their customers paid promptly. One of the newer *couturiers*, Hardy Amies, is forearmed against the ready-made trade. Following Dior's example, he runs side by side with his *couture* business a *boutique* where ready-made clothes are sold. This experiment is proving very successful.

The *haute couture* of London has achieved a success which at one time no one would have thought possible. It is still a precarious profession. Abrupt disappearances from its ranks are not uncommon, and new entrants are slow to come forward. But in this country it is so far more than holding its own against the tide of mass production and standardisation. Today, that is a rare achievement.

NOTES OF THE WEEK

All Set for Scarborough

Mr Attlee has been able to go off to Norway, Mr Morrison to settle down to the work of the Foreign Office, and other members of Parliament to disperse for their holidays, with the knowledge that the stage is now fully set for the Labour Party's conference at Scarborough in October. Mr Gaitskell last week put into position the hitherto hidden element on the scene—the positive part of Mr Attlee's and Mr Morrison's answer to Mr Bevan.

The arguments in the party's national executive committee had already made it plain that the Labour leaders were firm in rejecting outright Mr Bevan's arguments against the level of rearmament. The other part of their reply is to outbid Mr Bevan with a "Soak the Rich" policy at home. The new draft policy, approved by the national executive ten days ago, is couched in those generalisations dear to the hearts of Labour pamphleteers. But it is a great deal more drastic on domestic policy than had been expected. The exact contents are still a matter of speculation. The idea of a capital gains tax seems to have been dropped, but many Labour members are certainly expecting a limited capital levy—on the lines of Sir Stafford Cripps's "once-for-all" special contribution, though at steeper rates. If it is judged solely within the context of the Labour Party's internal struggles, dividend control alone is a shrewd—perhaps even a deadly—counter blow to Mr Bevan. It is difficult now to see that he can hold the initiative in the debates at Scarborough; and in his position as a member (albeit a dissident member) of the executive, his chances of effective counter attack are small. By choosing to steer to the Left himself, Mr Attlee has made Mr Bevan's resignation look unnecessary even by the standards of the dissidents.

This setting of the stage for the conference must look much more comfortable for the Labour party's leaders than many of them had expected. That comparative comfort has been bought at a price, in economic unrealism and political irresponsibility, that must give the more reflective of them bad dreams. If Mr Bevan recognises that he has been out-manoeuvred, he may console himself with the thought that "shrewd" politicians are often short-sighted travellers from expedient to expedient to defeat.

* * *

Inflation Despite Imports

The Chancellor of the Exchequer was in an awkward position last week. He had to make a case for measures almost entirely irrelevant to Britain's real economic problem. And therefore the analysis of that problem—which is a Chancellor's essential task in a debate of last Thursday's kind—had to be blurred. Mr Gaitskell talked about the external deficit and referred to inflation at home; but for once he rivalled Dr Dalton in unwillingness plainly to recognise the relation between the two.

The essential point could have been put very simply. Last year the British balance of payments showed a surplus of £229 million; now a deficit is being incurred at the rate of more than £300 million a year. This change is, taken by

itself, a sharp deflationary push to the economy; it increases the value of goods available in Britain by roughly £500 million without increasing the incomes chasing those goods. Mr Gaitskell's Budget was designed to prevent inflation without such large help from an external deficit. As the standard for preventing inflation, he looked back to the middle of 1950, when the Economic Survey detected "a fairly satisfactory balance between total demand and total supply." Unemployment was then 1.4 per cent of the working population; now it has been squeezed down to 0.9 per cent. This means that, by the Government's own standards of judgment, the economy has plainly moved into an inflationary condition, with demand outrunning supply in spite of the external deficit. If the balance of payments had worked out as the Government "planned," the inflationary gap at home would have proved to be quite three times as big as the £150 million that the Budget was intended to close.

This is the basic point that Mr Gaitskell and other Labour speakers dodged. He has little reason to be ashamed of the miscalculation in April; he had to guess about many uncertainties. What cannot be forgiven is the refusal now to recognise plain facts. The external deficit, accompanying a record low level of unemployment, is unmistakable evidence that the Budget has proved to be too weak, and that a new fiscal and financial policy, not tinkering with dividends and controls, is now the pressing necessity—according to the tests of economic realism that Mr Gaitskell used to employ, before he bowed to the pressures of the Labour Party's internal politics.

* * *

Tory Manners and Labour Morals

The debate on the Middle East last Monday had one feature in common with many recent discussions of foreign affairs in the House of Commons: the bad manners shown by a group of Conservative members in their reception of the Foreign Secretary. A verbal slip and some unorthodoxy in the pronunciation of two foreign names were thought to be great jokes. It should be said that—as has been pointed out in these columns—Mr Morrison's provocatively partisan manner has several times encouraged the Opposition to score cheap points in reply. But in both the recent debates, he has obviously made a genuine effort to mend his ways. He has spoken in Parliament with the dignity of attitude appropriate to a Foreign Secretary, and it is a great pity that the Tories on Monday failed to encourage him by responding in kind. As Mr Churchill said, his speech was at least "an able and agreeable parade of bland truisms and platitudes." That is not altogether untraditional; and five days before Mr Butler had—quite fairly—detected qualities of statesmanship in Mr Morrison's speech during the general debate on foreign affairs.

But if the Foreign Secretary's performance in the House of Commons has improved, while that of the Tory backbenchers has deteriorated in taste, it must be said that Mr Morrison's recent speech outside the House—to the Durham miners—entirely deserved Mr Churchill's condemnation of it as "one of the most lamentable utterances" ever made by the Foreign Secretary of a major power. Mr Morrison had declared that if the Tory backbenchers had had their way, "we should have been involved in two wars in the last ten days." To put the matter at its highest, this charge is meaningless. It is also the kind of attempt to stir up party passions, dividing the country on matters of national policy, that every responsible statesman always avoids at all costs. The example of the United States should demonstrate—to the Labour Party most of all—the perils that beset a democracy if foreign affairs are exploited as the material for unscrupulous party conflict. For members of the Government to raise the cry that the Tories are "warmongers" would do incalculable harm (except to Mr Bevan) by confusing the public will in matters of defence; it would also be of very questionable electoral advantage to Labour. If the next election is to be as much a mud-slinging match as all that, the Tories can find plenty of mud with more adhesive qualities.

* * *

Mr Morrison and *Pravda*

The exchanges between the editors of *Pravda* and Mr Morrison have, on balance, been worth while. It is preferable that His Majesty's Ministers should not make a habit of this new kind of public diplomacy, but once the Foreign Secretary had made his challenge *Pravda* had to take it up and the British case had to be stated. It could have been done with more skill; figures and facts about comparative standards of living would have made more impact on the Russian reader and would have created greater difficulties for the *Pravda* writers than the more general points that Mr Morrison made. And it should never be forgotten that the key words of contemporary polemics—peace, justice, freedom, law—do not mean to Russians under 45 what they mean to the English-speaking world. But what was done had two valuable results.

First, it created a precedent. One can recall no previous occasion on which a foreign point of view has been presented at such length to the Russian people unedited but under official auspices. The mere event may have sown some seed of interest and doubt. Second, *Pravda* was obliged to do something that is very rarely—if ever—done in the Soviet Union: defend the exclusive and privileged position of the Communist Party in Russian society. Arguments had to be presented to justify a position that had been treated as above argument. The Soviet reply raises no new hopes of understanding; two diametrically opposed versions of events since 1945 remain confronted and there is little reason to suppose that either will be substantially amended so long as there can be no agreement about what constitutes a fact. To take a striking example: *Pravda* denies western complaints about Soviet armed strength with the statement that "its army is at present approximately the size it was in peace time before the Second World War." That very general statement, which might refer to any year between 1933 and 1940 is not at all reassuring; for Stalin in 1946 emphasised how long and carefully he had prepared for the war with Germany:

> It would be a mistake to think that one could win such an historic victory without preparing the whole country beforehand for active defence. It would be no less erroneous to assume that this preparation could be carried out in a short time—three or four years. . . . It is necessary to have a completely modern army, with sufficient quantities of well-organised supplies.

The types and numbers of Soviet tanks, aircraft and guns suggest that since 1946 preparations no less careful have been made, even if the full mobilisation and industrial effort of wartime have been scaled down.

* * *

An Un-American Bill

One would like to believe that there exists somewhere the man who could decide quickly and fairly whether the exchange of light rails made in Britain for coarse grains produced in Russia is on balance beneficial or harmful to the western alliance. If he could be found and placed in a Washington office he might even then find it difficult to decide, in a manner that would satisfy Congress, such further questions as whether Norway should send aluminium to Poland in exchange for Polish coal—that Britain is unable to supply—or whether Western Germans should exchange engineering goods for the food of Eastern Germany. One can imagine him deciding in despair to toss a coin; if he did so he could hardly follow a policy of economic warfare more incalculable and arbitrary than that which is likely to result from the Battle Bill recently approved by the House Foreign Affairs Committee in Washington.

This measure would forbid, first, all military, economic and financial aid—without any escape clauses—to governments which exported arms or munitions to the Communist sphere; secondly, it would apply the same sanctions to any government exporting to those countries petroleum, transport equipment of high strategic value and items of "primary strategic importance" used in producing war materials and arms. No one can quarrel with the first requirement, although it is fair to ask what evidence there is that any recipient of American aid has failed to meet it. But the second requirement is entirely unacceptable. It would place in the hands of one American office powers of veto over the trade policies of a score of countries; it would raise countless questions of classification, to be decided unilaterally in Washington; every trade treaty between a country of free Europe and a country behind the iron curtain would be affected.

That is the practical objection, and it is, in all conscience, strong enough. But there is an even stronger political and moral objection. Such an arrangement is incompatible with the free and equal partnership between the United States and its allies which has been created and maintained so admirably by Washington's representatives abroad. What the Battle Bill wants to be done unilaterally has been done for many months in confidential and friendly discussion between the experts of the body known as the Paris Committee. If it is argued that this committee has failed in its task, the evidence should be produced. There is more than one government in Nato that would rather refuse all aid than accept it on the terms of this un-American Bill; for Europeans are still just as proud of their independence and jealous of their rights as Americans.

* * *

New Talks in Teheran

Inch by inch, Mr Harriman seems to be edging both the British and the Persians towards fresh negotiations. The former are wisely sticking to two conditions for opening inter-governmental talks: the first, no more baiting of oil company staff at Abadan by Persian officials; the second, discussion on the basis of the principle of nationalisation and not on that of executing the enforcement law which the Majlis passed in May. Subject to these conditions, a British mission headed by the Lord Privy Seal, Mr Richard Stokes, is leaving for Teheran. Meantime, the oil storage tanks at Abadan are full to capacity and the refinery has ceased to function. All its Persian employees, whether idle or occupied, are still being paid their wages by the company, and a British staff remains in charge of it on a care and maintenance basis. During the pause which must ensue while talks take place in Teheran, the position of these engineers is greatly improved by the presence at several anchorages in the northern Persian Gulf of a naval force that now consists of 1 cruiser, 4 destroyers, 2 frigates and 2 tank landing ships. Without succumbing to fire-eating Tory tactics, Mr Attlee has unobtrusively accumulated in the area enough force to ensure the safety of British life and limb. He is to be congratulated on his technique in doing so.

The reception which Dr Mossadegh will accord to the British mission remains a matter for conjecture. He is being pushed this way and that—at one moment by his extremist lieutenants, who are still reaffirming on Teheran radio that the oil nationalisation law is "unchangeable," and at another, by counsellors of moderation. The Russians are now openly supporting the former, for Soviet-controlled broadcasts which used to praise Dr Mossadegh's nationalist courage, are now warning him that he is losing the support of "the freedom loving peoples":

> If the Government should neglect the task of taking over the former oil company, the people will assume direct responsibility for carrying out oil nationalisation.

Here is direct incitement to revolution. Mr Stokes, if he finds the Persian negotiators capricious, must remember that they are working under pressure from a variety of sources. Persia is a country that has for 150 years maintained its independence through good judgment as to when to display caprice, and when not.

* * *

Privilege

Everyone concerned to preserve the dignity and prestige of Parliament will welcome the reaffirmation, made by the Committee of Privileges in a report this week, that "the privileges of the House of Commons apply to individual members only in so far as they are necessary in order that the House may freely perform its functions. Such privileges do not exalt the member above the ordinary restraints of law which apply to his fellow citizens." Mr John Lewis, the Labour member for Bolton West, complained that he had been obstructed by the police in his passage to the House, and that the service of summonses on him by the police, after he had tabled a motion on the matter in the Commons, represented a breach of privilege. The committee found that there had been no obstruction by the police, and that no breach of privilege was involved in the issue of the summonses.

What is remarkable about the cases of privilege raised in this Parliament is not that they have been numerous but that so many of them either have been rejected by the Committee and the House or have been regarded as purely technical breaches unworthy of further action. Parliament as a whole has neither claimed, nor exercised, any extension of its privileges. But there has been a spate of complaints—from members on one side of the House—about possible breaches of privilege, and in the consequent debates many members have pointed out that the complaints sometimes suggested too great an eagerness to use the formidable weapon of privilege in incidents of slight importance, rather than in defence of Parliament as an institution.

The experience and judgment of the members of the Committee of Privileges, and the collective wisdom of the House, have dealt with these cases effectively and sensibly. They have made it plain that the dignity of Parliament does not consist in the existence of one law for the ruled and another for the ruler. They have shown clearly that privilege should not be invoked as a protection either against the normal buffetings of public life or against the discharge by any member of, in the committee's words, "obligations to society which apply to him as much, and perhaps more closely in that capacity, as they apply to other subjects of the Crown."

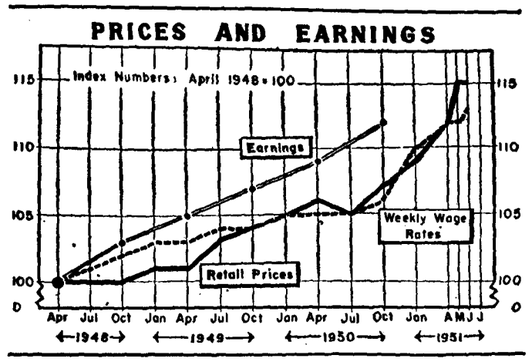
* * *

Unions at their Last

The trade unions seem to have decided that, for the time being, any connection there may be between rearmament and the rising cost of living is none of their business. They may, of course, decide otherwise when they meet for the annual congress at Blackpool on September 3rd; but for the present their main concern, as the congress agenda shows, is the cost of living itself. Only one union, the Scottish Painters' Society, has expressed the views of Mr Bevan and his associates in a draft motion suggesting that the TUC should be seriously concerned about "the Government's rearmament programme, despite the desire of the people for peace and national recovery." At least 15 other unions, most of them more eminent than the Scottish Painters, will simply adjure the congress to protest against rising prices and excessive profits. The Electrical Trades Union, which last year led the revolt against wage restraint, has advanced a stage further. Its

draft motion says that "further wage increases are essential for all sections of the workers" and suggests "that the standard of living of the people must be improved at the expense of profits." But the motion does not suggest that this can, or should, be achieved by reducing the national expenditure on guns.

The accompanying chart, showing the movement of prices, wages and earnings since the wage restraint policy was introduced in the spring of 1948, does not suggest that the pressure of the rising cost of living is really as acute—for wage-earners as a whole—as union resolutions generally suggest. There is no reason to think that, in the interval since the last published figures, actual earnings have failed to keep ahead of wage-rates. In putting forward the present round of wage claims the unions no doubt feel, however, that the delays in negotiation and arbitration make it necessary to move in advance of the future price increases



that they expect. At the same time, the unions clearly believe that the cost of living could be stabilised or reduced by the limitation of profits and dividends. They are not prepared themselves to suggest how the Government should tackle such a complicated problem. Mr Gaitskell's proposals fit in with their aspirations, but the unions will want to be shown how the limitation of dividends is going in practice to make their wages last a little longer. The concern of most of the resolutions for the TUC is simply to state the problem as the wage-earner sees it. In this, they show, once again, that a British trade union's first concern is the welfare of its members. Collective selfishness is a legitimate motive for the TUC; selfishness combined with scepticism might even help to transform the airier notions of Chancellors and ex-Ministers of Labour into practical common sense.

* * * *

Educating the Backbencher

Listening to his own backbench supporters in the House of Commons, Mr Gaitskell must often feelingly recall the Duke of Wellington's remark that he did not know how his troops looked to the enemy, but they frightened him. The amount of sheer bone-headed misunderstanding and mental confusion displayed both in the question time preceding last week's major economic debate, and in the debate itself, by a succession of Labour speakers would be painful to any instructed auditor; to a one-time professional economist it can only be agonising. One supplementary question disclosed the opinion that no manufacturer should be allowed to make a profit on utility goods if he is simultaneously making more than the standard utility margin on other lines; another displayed a massive indignation against two Lancashire firms whose profits had increased tenfold since, of all dates, 1936; another member interjected that "the consumer pays" profits made out of the export trade.

Sir Hartley Shawcross dealt faithfully with these and other exhibitions; Mr Gaitskell's own speech had, when considered from the point of view of the deep lunatic fringe, notable educational value; and for the Conservatives, Sir Peter Bennett offered a quiet analysis of what "profits" had to cover, especially in a period of rising prices, which the Chancellor must have wished it had been politic for him to give himself. The Bourbon quality of the backbench Labour mind, however, was classically demonstrated next day by Mrs Castle's speech on the adjournment, arguing against recent increases in maximum permitted prices on the ground that firms had, "thanks to the laxity of Board of Trade control," passed on to the consumer the mark-up on their stock. Any question concerning the possibility of replacing stocks, whose constituent costs had meanwhile risen sharply, out of the proceeds of sales made at unchanged prices, had evidently glanced off the backbenchers' mental armour-plating without leaving a scratch. Any statistical evidence concerning the relative magnitude of dividend and wage increases can be expected to do the same. The fact is that the terms "profits" and "prices" do not, to the average Labour member, denote economic quantities registering and motivating economic activities; they are moral emblems, trigger words setting off a predictable but irrelevant charge of righteous emotion. To reconcile the need to propitiate this type of prejudice with the claims of intellectual integrity and realism is an unenviable task.

* * *

Drawing the Line in Korea

For the past week the Kaesong armistice talks have been brought to deadlock by the Communist demand that the United Nations forces should withdraw behind the thirty-eighth parallel. If he accepted this demand General Ridgway would have to give up over 2,000 square miles of hard-won ground and exchange a formidable defensive position for the doubtful protection of an imaginary line which neither the United Nations nor the Communists have ever succeeded in defending. He would also be giving his opponents a propaganda weapon which would help to substantiate their claim that not they but the United Nations are in sore need of peace. No argument whatever can be advanced in favour of withdrawing to the parallel, unless in return some really significant step towards settlement were offered from the Communist side.

The Communists presumably hope to uncover some signs of weakening or disunity among their antagonists by prolonging the deadlock and uttering vague threats about a complete breakdown, such as those made by General Peng Teh-huai on Wednesday. It will be surprising if they succeed this time. Memories are not so short that it is already forgotten that at the first Kaesong meeting on July 10th the Communist delegates put forward as their two main demands the removal of all foreign troops in advance of a political settlement and the fixing of the cease-fire lines along the thirty-eighth parallel. After fifteen days of maintaining the first demand they quietly withdrew it, only to take up an equally stubborn attitude on the second. If within the next week Nam Il again asks for a recess to consult his masters and again climbs down, it is all too likely that a third impossible demand will be put forward from the Communist side. By then, however, the United Nations negotiators will have become inured to these repeated cries of "wolf."

* * *

How many Divisions for Nato?

American military men in Germany are said to be elated at the prospect that by the end of this year the Russians will have lost their local superiority in numbers and will be quite incapable of breaking through swiftly to the Atlantic coast. It is, indeed, forecast that the New Year will see 17

Nato divisions in Germany facing only 22 of the smaller Soviet divisions. If this build-up proceeds according to plan—and that is by no means assured, especially as regards the French contribution—it will undoubtedly improve the local position of the western allies.

It would be gross self-deception, however, to see in this anything more than one of the first steps towards a real balance of force. Even by the New Year the Nato allies are only to have five armoured divisions in Germany, while the Russians, according to Mr Shinwell, already have 18 there. Moreover, the Soviet armies in Germany are only the spearhead of a force twelve times as great, the bulk of which lies at no great distance.

The East European satellites alone are said to have over a million men under arms, and a large proportion of the 215 Soviet divisions are stationed either on satellite soil or along Russia's western frontier—which today is no further east than Koenigsberg. The Nato allies will not begin to match this concentration of force until the end of 1952, when, if Mr Marshall's forecast of last week is fulfilled, they will have some 2,800,000 men in Germany and western Europe.

Even this forecast seems optimistic. Mr Marshall hopes that by the end of 1952 the European members of Nato will be contributing 2,500,000 soldiers to General Eisenhower's command. But the five nations taking part in the Pleven Plan for a European army are only proposing to provide Nato with 20 divisions or 600,000 men by that date; and this figure is based on the assumption that final agreement on a German contribution can be reached in time for at least the first German units to be raised in 1952. British, Dutch and Scandinavian forces for Nato must, of course, be added to those provided by the Pleven group; but from the available evidence it would be rash to assume that even by the end of next year Nato will have enough divisions for its task.

* * *

Kashmir Again

The new tension between India and Pakistan over Kashmir has led not only to fresh alarms over the possibility of actual war between two members of the Commonwealth, but also to some expressions of resentment in India at what is regarded there as a pro-Pakistan trend of British public opinion. It is very regrettable that the prevalent British attitude on this matter should be so widely misunderstood in India. British opinion, with rare exceptions, is neither pro-India nor pro-Pakistan, nor is there any direct British interest in what happens in Kashmir. There is certainly no desire in this country to make mischief between India and Pakistan; on the contrary, there is the strongest desire that this dangerous dispute should be settled, so that there should be not only an end to such a deplorable conflict between two members of the Commonwealth, but also a reconciliation which would ensure the strategic security and international strength of both countries in the present crisis of world affairs.

What has made British opinion critical of India over the Kashmir dispute is India's attitude to the proposals for United Nations supervision of a plebiscite in Kashmir, which to the people of this country appear to offer the means for a fair and just settlement of the whole affair. Mr Nehru agrees that the people of Kashmir have the right to decide whether they will join India or Pakistan; in his reply to the last message from the Prime Minister of Pakistan he says:

> It is not for India or Pakistan, whatever our wishes, to decide the future of Kashmir. Kashmir and the people of Kashmir are not commodities for barter or for a bargain. It is their inherent right to determine their own future.

The United Nations proposals were designed to enable the people of Kashmir to exercise the right under the supervision of an impartial, neutral authority, so that neither side could say that the elections were faked or conducted under pressure. But now a Constituent Assembly is to be elected in that part of Kashmir (comprising the bulk of the population) held by Sheikh Abdulla, and the recent excitement in Pakistan has been due to the anticipation that the result is going to be claimed by India as Kashmir's self-determination, rendering any plebiscite superfluous. Pakistan cannot be expected to accept as valid elections controlled by Abdulla's police any more than India can be expected to accept elections controlled by the Azad police; the whole point of the United Nations scheme was to ensure fairness of electoral procedure in both the two zones of Kashmir. If British opinion is critical of India's refusal of the United Nations plebiscite solution, it is not because of any anti-Indian bias, but because on this particular issue India's attitude appears unreasonable.

* * *

The Administrator's Convenience

The fight against identity cards was continued last week when a motion to abolish them was carried against the Government in the House of Lords. Two main points were made by those who spoke in favour of the motion. The first was the extent to which administrative convenience, however small, is today given precedence over the wishes of the ordinary citizen. In the debate, the abolitionists showed what very little use the identity card in fact is in preventing fraud on the food offices or the Post Office savings bank. It is administratively easier to compare a name in a bank book with a name on an identity card, but, as Lord Goddard pointed out, fraud is detected only when the signature on the withdrawal form is compared with the signature in the book.

For the Government, Lord Shepherd tried to put this question of administrative convenience on a wider basis. It was not the identity card as such that he considered important but the national register from which it derives. The national register, which forms a running census of the population, is used, among other things, to check the call up of conscripts and, in the health service, to prevent people from being on the list of more than one doctor at the same time. But if the national register is needed for these permanent purposes, the Government should introduce a new Bill to make it permanent. This was the second point on which the abolitionists, particularly Lord Goddard, concentrated. The National Registration Act, he said, was passed as a security Act and as a temporary Act. If the departments now wish to use it for general administrative purposes and to retain it permanently, then the Ministers concerned should ask Parliament for power to do so.

* * *

Policy for Forests

A satisfactory policy for British forestry has to cope with two distinct and dissimilar problems, which are often confused in public debate. There is the need to conserve existing stocks of standing timber, which are dangerously inadequate, against the danger of another war. There is also the case for restocking depleted woodlands and for planting a large area of new land. But this is a distant objective, since the new timber will take forty to a hundred years to mature and can make no contribution to foreseeable contingencies. Different policies are called for in the two cases.

The new Forestry Act is concerned with both questions. It arms the Forestry Commission with comprehensive powers to regulate the felling of private woodlands. Control over felling was previously carried on under defence regulations, and the volume of permitted felling has been reduced in each of the last three years. The Commission's new powers are stronger but also less arbitrary, since owners' grievances must be referred to a separate committee (final decision resting as a rule with the Minister) and also because

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A VERY GOOD TOBACCO A.T.4

compensation is available where control causes financial loss. This is at any rate a more satisfactory method than the use of defence regulations.

The long-term issues of forestry are more complex. The Commission's planting of 150,000 new acres in the last five years, which has involved the construction of a considerable number of roads and houses in remote places, seems a bigger investment for the remote future than can really be afforded. At the same time, very little has been done to restock the million or more acres of devastated woodlands in private ownership which are mostly accessible and suited to forestry. The new Forestry Act enables the Commission to require that in future felled woodlands shall be restocked, but this does not solve the main problem. The Commission, in its last annual report,* gave another warning that it may use its compulsory powers to acquire unproductive woodlands, and this course of action should be seriously considered as an alternative, rather than an addition, to some of the Commission's own schemes.

* * *

Tied Politics

Politics more than reformative zeal must account for Dr Dalton's proposal, launched in a week-end speech in Cambridgeshire, to abolish the cottage certificate system. As an election issue—to judge by the reception already given to his speech—it could cause quite a stir. But it will effect very little as a practical measure to deal with the general question whether the tenancy of a particular house should be tied to the performance of a particular job (which may be a schoolmaster's, policeman's, railwayman's or miner's, as well as a farm worker's).

The particular manifestation of the tied cottage now under attack arises from the provisions of the Rent and Mortgage Interest Restriction (Amendment) Act 1933. Under this Act a farmer can buy an occupied house outside his own land; apply to the county agricultural committee for a certificate that he needs the cottage to house a farm worker of his own; and then armed with the certificate go to the county court for an eviction order without being under any obligation to offer the evicted tenant alternative accommodation. It is the exemption from this obligation which is the main objection to the 1933 Act and which differentiates it from the Rent Restriction Acts, under which the landlord is bound to offer other accommodation. The Minister stated that large numbers of new tied cottages were being created every year, and that this creation of tied from what had previously been free houses meant that unsuspecting tenants could be turned out through no fault of their own.

The figures do not appear to support Dr Dalton's statement. Since 1945 about 1,000 houses a year have become tied in this way, and the county agricultural committees have been granting certificates in about half of the cases referred to them. All that Dr Dalton can claim for his proposal is that it would stop a very gradual increase in the total number of tied cottages. It is easy to find arguments both for and against his proposal. There is much to be said against the piecemeal extension of a system that is alleged to be greatly disliked; the argument is particularly strong when the sitting tenant, who may be living in a village several miles from the farm concerned, can have no foreknowledge of his fate. On the other hand, the county agricultural committees are permitted by the Ministry of Agriculture to grant certificates only if the sitting tenant is not engaged on agricultural work. In many agricultural communities there is little house-room to spare for people who work outside, and the new measure, if it is presented in the autumn, will certainly make the farmer's problems more difficult; but in the rural community as a whole it may well win more votes than it loses.

* HMSO, 2s. 6d.

German Generals Name Their Price

The reunion of former German parachute troops, including some from the Soviet Zone, at their old garrison town of Brunswick on July 29th, sharply revealed the dangers which must be faced in reviving a German Wehrmacht. Far-reaching hysteria, hero-worship, intense *esprit de corps*, contempt for democracies—all these were epitomised in the gathering. A newspaper of the moderate Right, the *Frankfurter Allgemeine Zeitung*, gives this account of the rally, which became a personal triumph for General Ramcke, Hitler's defender of the Brest "strongpoint," who was recently released from a French prison:

> When Papa Ramcke, borne shoulder-high through a crowd numbering thousands, appeared at the reunion, the peaceful "Green Devils" were transformed into madmen. The heat, the joy, the crush, the feeling of being still alive after all, formed an extraordinary combination with the visual impressions—with the chain-reaction of flashlights and the wavering mass; it led to an explosion when, under the gigantic swooping eagle with the silver laurel leaves, Ramcke, with tears in his eyes, called for the song of the parachute *Jaeger*. If Ramcke has a feeling for politics, the recollection of this moment will make him realise the whole responsibility which he personally bears at the moment.

In his speech, Ramcke declared: "We are ready to step in, weapon in hand, to defend European peace, in so far as it is really threatened. But if we do so it is only if certain irrevocable basic demands are fulfilled." He went on to claim political and military equality, pointing out that Germans were not ready to offer their lives for "a nebulous Europe." They must know what political and social structure this Europe would have, and what Germany's place in it would be. As for military equality, said General Ramcke:

> As old soldiers we are not afraid of death, but we are not ready to sacrifice ourselves senselessly and bleed to death in a non-man's-land as the penal battalion of antiquated democracies.

The General proceeded to demand an immediate end to, and revocation of, "defamation and discrimination against the German people, in particular those strata who engaged their lives for the Fatherland and its security—that is to say, the former soldiers of all sections of the Wehrmacht, including the *Waffen SS* and the police." Specifically, Ramcke insisted that all the "so-called war criminals" should be immediately released. Continued trials "were not compatible with the European feeling for justice." After saying he "did not know how many men of honour still populate the dungeons of Europe," Ramcke pointed to an empty chair on his right, declaring "Here our revered Field Marshal Kesselring should sit." He finally asked that the seven Nazi leaders in Spandau should not be forgotten, mentioning by name Baron von Neurath and Admirals Raeder and Doenitz. Since the men sentenced at Nuremberg are guarded by the Russians as well as the western powers, Ramcke cannot believe that they will be released as the price of German divisions for Atlantic forces. The British, who hold Marshal Kesselring and others at Werl gaol are, on the other hand, faced with a very difficult decision.

General Ramcke is an outstanding spokesman for German demands, but he is by no means the only one. More will be heard from the thirty generals and admirals who met last week-end to unite all organisations of ex-soldiers into one federal body, which will not only look after matters of welfare, but pronounce on policy regarding a German contribution to defence. The price they ask is hardly likely to be lower than Ramcke's.

* * *

Iron Curtain Harvest

In Eastern Europe the harvest is well under way and from all accounts it should be a good one. But in most countries the Communist authorities are very concerned lest

they should fail to extract from the peasants enough grain to satisfy both Soviet demands and the needs of their own industrial workers. The mixture of exhortations, bribes, threats and penalties with which farmers everywhere are being bombarded makes this quite clear.

"Enlightenment" work among the peasants is considered of great importance. In Roumania, for instance, mobile teams of journalists and printers are producing special editions containing progress reports and accounts of the prowess of individual peasants. At the other end of the scale, Czech kulaks are being sentenced to fines and imprisonment for failure to deliver their quotas; and the Communist newspaper, *Rude Pravo*, admits that morale inside the co-operatives is often low, a failing that is ascribed to kulak machinations. In Hungary, where in fifty districts the farmers are said to have failed to fulfil their deliveries, increased quotas are to be imposed on the delinquents and they are to be prevented from selling on the free market until they have fulfilled them.

The carrot as well as the whip is being applied to the farmers of Eastern Europe. In Hungary, for instance, industrial goods have been specially set aside for purchase by peasants who fulfil more than their delivery quotas. It is said that farmers both outside and inside the collectives will benefit; but, since individual farmers have been set relatively very much higher delivery quotas than the co-operatives or state farms, it is obvious who will benefit most. The scheme, indeed, fulfils a second purpose of emphasising the advantages to be gained from joining a co-operative farm. In the same way, the new Polish system for grain purchases by the state is clearly designed not only to get hold of more grain, but to increase the disadvantages under which the richer peasants work; for the "norm per hectare" to be handed over by the kulaks is to be "several times greater" than that of the smaller peasants. It does not, in fact, look as if the Communists are willing or able to follow the common-sense course of seriously relaxing the pressure to join collectives until the harvest is safely over. It is perhaps significant that in Hungary the temporary ban on forming new collectives instituted last March has just been lifted.

* * *

Moscow on Bevanism

The Kremlin, it seems, likes Mr Bevan about as much, or as little, as Senator McCarthy likes Marshal Tito. Indeed, it regards Bevanism as the Titoism of the Anglo-American camp, useful as a means of splitting the opponent's ranks, but extremely dangerous to the Russian side nevertheless. A good Tory never forgets that Marshal Tito is a Communist, and the Soviet Agitation and Propaganda Department never forgets that Mr Bevan is a Labour party man. If it ever had any doubts, Mr Bevan's present trip to visit Marshal Tito would have removed them.

The attitude of Soviet propaganda towards the appearance of a deviationist in the London-Washington bloc was determined in advance by the immutable principles of Marxism-Leninism-Stalinism and the tactics laid down by Lenin. These teach Communists that the greatest danger to the revolution comes from the reformist Socialists, and that leadership of any development in the working classes must never be allowed to slip from the hands of the Communist Party into those of their closest rivals, the Socialist Party politicians. Soviet propaganda has for this reason consistently denounced Dr Schumacher in Germany as a secret ally of Dr Adenauer, despite the Socialist leader's opposition to rearmament. In the same way it has "exposed" Mr Bevan. According to Moscow, Mr Attlee and Mr Bevan, worried by the discontent in the rank and file of the Labour party over British subservience to America, decided to fake a split in the hierarchy. This was intended to delude the rank and file into believing that a new group had arisen whose policies were in accordance with their wishes. But really, says Moscow, Mr Bevan is as much a renegade as Mr Attlee, and Labour and Conservatives are both imperialist parties. Mr Bevan's "hostility" towards Russia is said to be an attempt to deflect the wrath of the people from America. The Soviet Communist party leaders cannot be content with the fact that Mr Bevan criticises the Anglo-American rearmament policy of the Government; to satisfy Stalin's definition of an internationalist and peace-lover he would have to be positively *for* the Soviet Union.

Despite its attitude to Bevanism, Moscow is developing a very intensive propaganda campaign to prove not only that the British Labour ranks are in revolt, but that the Anglo-American alliance is ruptured over China, Persia and various other issues. One of the main points of Mr Molotov's recent address to the satellites in Warsaw was that the "ruling cliques" in the Western camp were falling out; the Soviet bloc had only to stand firm and it would win bloodless victory by the collapse of the Western alliance.

* * *

Intestate Succession

An admirable report has been published by the Lord Chancellor's committee to consider, under the chairmanship of Lord Morton of Henryton, the present laws of intestate succession, and the provisions of the Inheritance Act, 1938, in relation to them. The present rules governing intestate succession in England and Wales date from the Administration of Estates Act of 1925. The interest of the surviving spouse was necessarily defined in terms of money, and any legislation on this subject must therefore be revised from time to time if its original intentions are to remain effective. Under the 1925 Act, a surviving widow takes the personal chattels and the first £1,000 of the estate; her interest in the rest of the estate depends on what other relatives the deceased man left. The Morton Committee would increase the £1,000 to £5,000, give it to the surviving spouse with the right to the personal chattels and also give him or her the right to buy the "matrimonial home" at a price equal to its value as agreed for probate court purposes with the Commissioners of Inland Revenue.

As for the rest of the estate, where there are surviving children, the committee suggests only one change. At the moment, subject to the widow's interest for life in half the rest of the estate, the children take all. The committee would give the surviving spouse the right to take the capital value of the life interest in the half straight away. Where there is no child, but either parents or brother and sister surviving as well as a surviving spouse, the committee recommends that the surviving spouse should take the first £20,000 and half the rest, the parents (or brothers and sisters if no parents) the remainder. If there are no surviving parents, or brothers and sisters, the recommendation is that the surviving spouse should take the whole estate. The major changes here are, first, the suggestion to give the surviving spouse the first £20,000 of the estate, and, secondly, the elimination from the "family," for inheritance purposes, of all the more remote relatives, such as grandparents and uncles and aunts, who now, in those circumstances, would have a claim to share. The committee is also opposed to giving what is tactfully called any member of an "extra-marital" family of the deceased any claim to share in the estate.

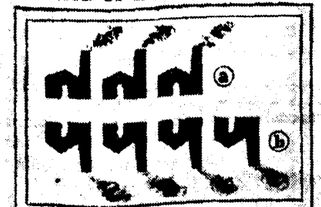
In dealing with the relation of the Inheritance Act, 1938, to the law of succession of an intestacy, the committee makes two suggestions. The Inheritance Act gives any dependant of the deceased the right to apply to the court if "reasonable provision" has not been made for him, or her, under a will. There, the committee suggests that it

A GUIDE TO SCHWEPPSHIRE p. 21

Schweppshire in Facts & Figures

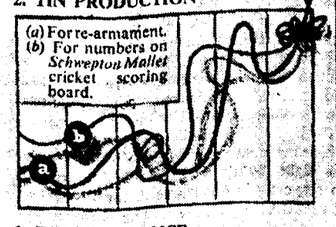
Pop.: 17,642. *Unpop.*: 17,612. *Birth rate*: quite good. Old age pensioners who have never had influenza but have been up the Eiffel Tower: 3%.
Education: In a questionnaire of 1948 nearly .04% had heard of President Wilson, 12% of the Schweppshire Lad, and over 84% of Samson and Hedy Lamarr.
Law: The administration of justice is vested in a Supreme Court, which in turn is undervested in Chancery Courts, circuit courts, fives courts and Wimbledon.

1. STATE OF INDUSTRY



(*a*) Industries showing progress. (*O.K.*).
(*b*) Industries showing diminution (*in the red*).

2. TIN PRODUCTION

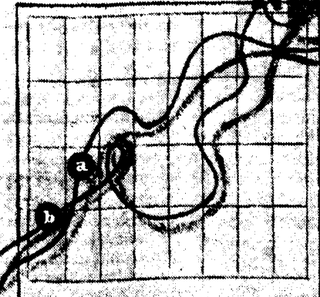


(*a*) For re-armament.
(*b*) For numbers on *Schwepton Mallet* cricket scoring board.

3. TRADE BALANCE

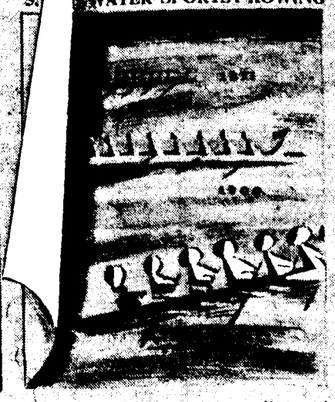
1. EXPORTS. 2. IMPORTS. 3. MEAN SEASONAL VARIATIONS. 4. OLD MEANY.

4. MAIN INDUSTRIES



(*a*) Grade G milk retaining natural soils and original living matter.
(*b*) Vitaminiferous vitaminised infra-red ultra-violet thyroid extract of halibut kidney synthesized from pure factory-fresh laboratory-sterilized machine-mown buttercups.

5. WATER SPORTS: ROWING



6. HYPOTHETICAL DISTRIBUTION of families in relation to man-hour income.

1. BOTTLE WELDERS.
2. WELDED BOTTLERS.
3. BOTTLED WELDERS.
4. NO FAMILY AT ALL.

7. LAND RECLAMATION

Rehabilitation of waterworks flooded in Spring 1951. According to:

(*a*) WHITE PAPER.
(*b*) PINK PAPER WITH FRILLS.
(*c*) BLUE PRINT.
(*d*) TOO BLUE TO PRINT.
(*e*) PUZZLE CORNER.

The same graph represents the growth of Greater Clrenschwepster. Also Borschach Technique: reaction to disposal of used razor blades neurosis at 6,000 feet.

Written by Stephen Potter. Drawn by Lewitt-Him.

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

should be made clear that the 1938 Act applies even though the will in question does not dispose of all the property in the estate. It goes further; it also suggests that the machinery and rights created by the 1938 Act should be available for any dependant of a person who dies without leaving a will at all. The argument in favour is that general rules for intestate succession can only be general rules. There can be cases in which a court could do greater justice if it had the power. That argument seems very strong; if Parliament has already given the courts power to change the declared intentions of a testator (and there has been no complaint that the power has been abused), then they should have power to amend what is, after all, an arbitrary rule to meet the exceptional case.

* * *

Discipline and Punishment

The Home Secretary's statement last week on the report of the committee which reviewed punishments in prisons and borstals was not very satisfactory. He did not mention one of the committee's most constructive recommendations—that the earnings of the average prisoner should be increased to 2s. 6d. a week, in order to put an end to the tobacco racketeering which is responsible for so much indiscipline, and even crime, in prisons. It is to be hoped that silence does not mean that this recommendation will be passed over. Mr Ede has accepted, in principle, the proposal that a special prison should be established for prisoners who persistently defy authority. Unfortunately, lack of accommodation will prevent this being done in the near future, as well as another constructive proposal that a special establishment should be provided for prisoners who are mentally unstable. A special institution for particularly difficult borstal inmates has, however, already been established.

Mr Ede has also accepted two of the committee's more questionable recommendations. One of them, which is discussed further in a letter on the next page, denies the right of a prisoner to be represented when he is charged with a serious offence before the visiting committee. This means that an inarticulate prisoner may be sentenced to a flogging—a punishment which cannot be imposed by a court of law—without a word being put in on his behalf. The other dubious recommendation accepted by Mr Ede concerns absconding from borstals. At present, absconding is dealt with and punished by the governor except in serious and persistent cases. Because it has increased considerably since the war, the committee recommended that absconding should always be dealt with by the board of visitors. The committee is probably right in recommending that until the borstal system is properly re-established after its breakdown in the war, absconders should be treated more severely. But the borstal inmate is so precariously balanced that some absconding is inevitable. From an appendix to the committee's report giving punishment records for some borstals, one learns that absconding may take place because of a dying father, a sick mother or, by one "intelligent first offender," because of a sense of unfairness at his borstal sentence. It would seem unwise to abolish the governor's discretion to deal with this sort of case as he, who must know the offender better than visitors can, thinks best.

* * *

Slow-Footed Messenger

There have been many complaints about the difficulty of getting international publications, particularly those of the United Nations agencies, through "the proper channels," which in this case are His Majesty's Stationery Office. Difficulties are bound to arise in any system of distribution when the publishers are as distant as New York, Geneva or Paris, and something less than the normal speed of communication would be expected. What is inexcusable is the Stationery Office's apparent ignorance of the news value or importance of the material it handles and its inability to assess the likely demand for even important publications. For example, it appears to take three times as long for the Stationery Office to get a report from Geneva as it would take a private person, yet orders are placed in such tiny quantities that customers have regularly to be told that no copies are available until the next order is delivered several weeks later. The fear of having any stock left unsold induces so much caution in ordering that on several occasions two months have elapsed between the arrival of a report by personal post and its delivery by the Stationery Office.

Delay in the supply of foreign publications would be accepted more readily if the Stationery Office were more efficient in its handling of British publications. But even here librarians report not only the incorrect delivery of orders, but a complete inability to give any advance information about delivery dates; there are also various minor irritations arising from the vast and varied business which the Stationery Office handles. But this excuse cannot be accepted. The Stationery Office is a huge and growing monopoly. It can only be judged by the service it gives the public, and if it cannot handle its vast business well it should rid itself of some of it.

Oppression Abroad

Mr Gladstone's letters to Lord Aberdeen have re-awakened popular feeling on a subject on which it should never be suffered to slumber. He spent a portion of last winter and spring in Italy, and was an eye- and ear-witness to many of the transactions of the Courts of Rome and Naples: what he there saw appeared to him so heinous, that he tried the effect of personal and private remonstrance through the medium of his friend Lord Aberdeen. His representations met with no attention; and he now, deliberately and reluctantly—all his sympathies as a Conservative overpowered and neutralised by his wider and nobler sympathies as man—comes forward to state to the English public . . . the shameless oppressions, the hideous cruelties, all the black atrocities committed in his sight by those barbarous and stupid Courts. . . . We respect Mr Gladstone and are grateful to him for having raised his voice and borne his testimony against these regal crimes. We hold, with him, that we are not called upon to be passive and cold spectators of these and similar enormities, merely because the scene of them is a country separated from us by mountains or by seas, and the victims of them are men speaking a different language, and trained under different institutions from our own. . . . We are not of those who hold that our sympathy should be confined to the suffering—ample enough, God knows—which lies within the four seas of Britain. We require no other justification for this wider sympathy we feel, than that it is natural we should feel it—that we are so made that we do feel it. It has always been the proud distinction of Englishmen that they have felt it. It has been their misfortune, and to a certain extent their reproach, that their ready sympathy and restless benevolence has not always been directed by the clearest knowledge, or guided by the soundest judgment. But wherever oppression has been exercised, wherever suffering or wrong has been heard of, their feelings of sympathy with the oppressed, and of indignation against the oppressor, have never been languid or tardy.

The Economist

August 2, 1851

Letters to the Editor

Dividends Under Control

Sir,—Your jeremiad on the results of statutory limitation of dividends must surely have been composed without consideration of the nature of joint stock companies today. Whatever the economic arguments for the retention of company profits for the maintenance and extension of industrial capital, there can be none in support of a return for investors which exceeds the gilt-edged return by much more than the risk involved.

It certainly cannot be argued that, in the 13,000-odd public companies which are responsible for at least half of the economic activity of the country, dividends are an incentive to enterprise or efficiency. For, in these companies, the majority of the shareholders play no part in their policy or management and they are the ones mainly affected by the Chancellor's proposals.

The exemption from control of companies distributing less than £10,000 will cover most of the private, owner-managed companies. In so far as they are responsible for new products and new processes they will continue to receive a commensurate incentive reward.

When the large public companies need new capital for similar purposes, they should find no difficulty in raising it on terms which allow only a limited return. Most of the money raised by these companies during the last few years has been on such terms and an examination of the rate of compulsory liquidation or dividend failure over the last ten years suggests that 5 per cent is ample to cover all risks except those arising from a major slump. Dividend limitation is unlikely to affect the rate of saving and investors will still, presumably, be willing to invest in shares paying appreciably above the gilt-edged rate.

The truth is that the bureaucratically managed public company is subject to quite different motivations from those of the owner-managed private company. Is it not time for those who comment on Government policy as it affects industry to recognise the great differences, qualitative as well as quantitative, that distinguish the institutions of which industry is composed?—Yours faithfully,

AUSTEN ALBU

House of Commons

[This letter is referred to in an article on page 297.—EDITOR.]

Local Government Dilemmas

Sir,—The article in your issue of July 21st is a further reminder of the urgency of the problems of local government structure and functions which have been growing more acute in recent years.

We should beware of making too much of an excuse for the decline of local initiative and responsibility out of the increased control over local authorities now exercised by the central government. Whilst I should hesitate to belittle the part played by increased governmental control, local authorities still have an enormous scope for initiative within their existing permissive powers. Though financial difficulties may play a part in preventing local authorities from breaking new ground, the action of one county council in establishing a rehabilitation scheme for tuberculous persons in 1938 under the general powers of the Public Health Acts will illustrate my point here.

Too much can be made of population figures as an index to what an area's status ought to be. If one takes existing authorities of the same population within any given class, one will find enormous variations in those factors which affect the demand for services and ability to pay. It is factors such as birth and death rates, number of children per thousand of population, rateable value and rate income per head, rather than total population, which determine the efficacy or otherwise of any particular administrative unit. There is, of course, a minimum population below which efficient administration is impossible.

Finally, in all the proposals for local government reform which have been brought forward in the last decade, little prominence has been given to the work of the geographers. More official attention needs to be given to the endeavours of Smailes, Dickinson, Gilbert, and others, to relate administrative areas to the facts of social structure by the use of a variety of indices for the measurement and delimitation of "areas of consciousness."—Yours faithfully,

W. THORNHILL

The University, Sheffield

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Sir,—The most unsatisfactory feature of the local government structure is not the fact that towns have outgrown their administrative boundaries. An interim reform which would not impede a general solution might be as follows:

1. Leave the Welsh structure until the Welsh Secretary of State is appointed.

2. Unite the five English counties of less than 100,000 population with neighbouring areas.

3. Create a new type of unit with the civic dignity of a borough and the functions of a parish.

4. Require county review orders to be made securing the disappearance as county districts of the four hundred English boroughs and districts with populations of less than 10,000.—Yours faithfully, H. THORNTON

Bradford

Punishments in Prison

Sir,—The Home Secretary has accepted the recommendation of the White Paper on punishments in prisons which appears to make it impossible for prisoners accused of offences against prison regulations to have, not a proper defence by a lawyer, but merely their case stated for them, if they so wish, by a "prisoners' friend."

As everyone who has been in one of the armed services knows, there is a not unnatural propensity to uphold authority by taking, in case of doubt, the word of the superior officer during the hearing of discipline cases. Since prisoners are often tough and anti-social individuals, it is understandable that in some respects the authority and power of the prison staff over the inmates is greater than that wielded by a superior officer over his inferior in the armed services. Under the circumstances, a "prisoners' friend," if he is to work in amity with the prison staff, must clearly proceed with tact and moderation. But in a milieu which is not altogether comparable to the dispassionate atmosphere of a court of law, is it not all the more important to guard against injustice, even at the cost of administrative inconvenience? It is hard to believe that Mr. Chuter Ede feels happy in withholding even this most elementary safeguard of the rights of the less articulate accused.—Yours faithfully,

HUGH J. KLARE, Secretary
Howard League for Penal Reform

Storm Over Broadcasting

Sir,—There are certain aspects of the proposals to institute national programmes which are not mentioned in your Notes of the Week on July 21st that deserve emphasis.

As regards Eire, you say that "everyone who can listens to the alien BBC." Are you sure? Or is your claim too sweeping? My information is that it is only the entertainment hours that are popular in the South of Ireland; the Eire news service is used universally. Surely there is an obvious and important distinction here.

Similarly, many Scots want a national programme for just this reason. They have no wish to interfere with the drama, the concerts, the dance music or variety, but control of our own news service and talks is essential if we are to resume our place amongst the nations in Europe. Our radio news and our talks are filtered to us at present through London, thus preventing our being in touch with the wider outlook which could so easily be ours. We want to select our own news, and so to get the news and views of the Commonwealth, of the United States (where Scotland has so many understanding friends) and of the European countries (with which we have lost our traditional contact).

In short, many Scots assert their right to select their own news and to reduce the insularity of outlook which London control imposes.—Yours faithfully,

H. A. BARR

Glasgow

Books and Publications

The Tide Turns

The Hinge of Fate. The Second World War, Vol. IV. By Winston Churchill. *Cassell.* 917 pages. 25s.

Mr Churchill's third volume brought his history of the Second World War down to the end of 1941, to the formation of the Grand Alliance. The new aggressions of Germany and Japan in 1941 had indeed forced that alliance; but Britain, by its central position and long resistance, was inevitably the nucleus of it, and Mr Churchill, by his undisputed position, its controlling genius. His new volume now shows him exercising that control, at first through the blackest period of the war, then through the great changes of fortune in the summer and autumn of 1942 to the planned conquest of Italy in the summer of 1943.

The change of fortune in those eighteen months was indeed remarkable. They began with "a cataract of disasters": the fall of Singapore in February, 1942—"the greatest scandal that could possibly be exposed" as Mr Churchill minuted at the time—followed by the Japanese conquest of the whole of South East Asia from Rangoon to New Guinea; the fall of Tobruk in June, "unexplained and, it seemed, inexplicable," with 33,000 men and "gigantic booty," followed by Rommel's triumphant invasion of Egypt; the spectacular, if unimportant, escape of the German battleships from Brest in February; Malta and control of the Mediterranean almost lost in May; the U-boats triumphant as never before in the Atlantic; the disaster to the Arctic convoy in July; and in Russia, the German advance towards the Caucasus. July, 1942, was indeed the nadir of the war. It was the only time in the whole war when Mr Churchill's leadership was openly and frontally challenged. On July 1st Sir John Wardlaw Milne moved his vote of censure, "that this House . . . has no confidence in the central direction of the War." And yet, in fact, the challenge was never a threat. Defeated by 475 votes to 25 it was even rendered ridiculous; and thereafter it was never to be repeated. How could it have been? Already in the Pacific, with the great American naval victories of the Coral Sea and Midway in May and June, the tide had begun to turn. In August Mr Churchill visited Cairo and reorganised the whole Middle Eastern command. In November came the twin victories of Stalingrad and El Alamein. "It may almost be said, before Alamein we never had a victory; after Alamein we never had a defeat." Thereafter came the landing in North Africa, the delayed victory in Tunisia, the Casablanca conference, the pronouncement of "unconditional surrender," and, with the planning of the Italian campaign, the first stage in its implementation. Well may Mr Churchill entitle this volume "The Hinge of Fate."

How did Mr Churchill retain, in that crucial year, his astonishing mastery of an ever-widening war? This book, selective and personal, as it must be, but documented beyond the reach of reasonable criticism, is the answer. Here we see the same extraordinary vigilance, the same minute attention to detail, the same incessant pertinent **questioning**, extended, with undiminished vitality, to ever new corners of the globe: extended often by indefatigable personal journeys—to Washington, to Cairo, to Turkey, to Moscow—and indefatigable personal diplomacy. Some of the most revealing passages in the book deal with this diplomacy, in which Mr Churchill always showed the same qualities of blunt clarity about facts and olympian generosity to persons: one sees his handling of the nervous and mutinous Mr Curtin; of the futile Giraud and wellnigh intolerable de Gaulle; of the "rough and surly" Stalin, whose granitic character and "wicked system" arouse in him a kind of sympathetic implacability; and finally, even of that great friend and ally, President Roosevelt, whose naivety on such subjects as India and China is sometimes touched by a few infinitely gentle shafts.

Of course, in this vast field, Mr Churchill has his preferences—and his gaps. His preference for the Middle East and the Mediterranean is obvious. His references to Gandhi, Nehru, and the Indian Congress Party are seldom sympathetic; and the defenders of General Auchinleck will feel about this volume as the defenders of Lord Wavell about the last. A notable gap is Mr Churchill's reluctance to discuss the very serious controversy about tank design which gave substance to Parliamentary doubts.

Nevertheless, the omissions in this book, which shows undiminished control of its vast matter and undiminished vitality in the expression of it, are far outweighed—even after the publication of the Hopkins Papers and so much other relevant matter—by its contributions to our knowledge of the war. Perhaps it should be said: especially after some of these publications. In a valuable account of the origin of "Unconditional Surrender," Mr Churchill (who incidentally corrects his own earlier utterance) has some particularly dry comments on the "rubbish" published by Mr Elliott Roosevelt on that subject. Altogether this volume, like its predecessors, must be pronounced a heroic work. The authority of its author gives it substantive value: its documentation preserves it from the imputation of retrospective self-justification; and those documents, being so often by the same pen, are effectively insured against official dust. Pliny judged most happy those to whom the Gods had granted *aut facere scribenda aut scribere legenda.* Mr Churchill, thanks to the changing fortunes of politics, has achieved both felicities. What is more, he has done it twice in one lifetime.

The Springs of Economic Action

Psychological Analysis of Economic Behaviour. By George Katona. *McGraw-Hill.* 347 pages. $5.00.

There can be few readers on whom the title of Professor Katona's book will not have a rather forbidding effect. Those to whom economic concepts and language are familiar tools may well baulk at the prospect of grappling with "behavioral environment," "conceptual fields," "the we situation" and other legitimate but, to the layman, repulsive pieces of professional jargon; and the psychologist may equally understandably be repelled by the notions of marginalism or of macroeconomic time series. In fact, this is a readable, though necessarily solid, and stimulating book which casts a considerable light on the limitations and possibilities of economic analysis as a means of understanding real-life situations and whose conclusions have a significant bearing on policy.

It is a little too ambitiously named. The kinds of economic behaviour on which Professor Katona trains the psychological searchlight include the consumers' response to particular price movements, the decision (whether habitual or specifically thought out) to save or to spend in given circumstances of income, the businessman's pursuit of profits and particularly his price and output policy, and the contagious buying and selling waves which are part of the trade-cycle picture. He consciously omits other matters to which psychological considerations appear even more relevant; such as wage negotiation, economic mobility (both between places and between occupations) and the power-politics of business as analysed in Messrs Morgenstein and Neumann's "Theory of Games" and described in Mr Thurman Arnold's "Folklore of Capitalism." Over the field which he does cover, however, he is sensible and enlightening.

The psychology which he applies is, as he describes it, "most strongly influenced by Max Wertheimer, who has been rightly called the father of gestalt psychology." The reader need not, therefore, expect a monstrous hybrid of Freudian symbolism and indifference curves. "In a certain sense," says Professor Katona, "this book constitutes a test . . . it would represent additional evidence for the validity of the psychological principles here presented if they proved useful and fruitful in the task of analysing economic behaviour." Looked at from this point of view, the test may be said to yield a positive result, if not a very large one. Examining the evidence of successive wartime and postwar social surveys in the light of psychological hypotheses, Professor Katona does reach conclusions which harmonise with the recorded facts. He has a proper scientific caution about the use of such techniques for actual prediction; but even where one cannot predict with any useful degree of certainty, one can nevertheless diagnose. There is room for much more of this collaboration between allied disciplines.

Labour Control

Antecedents of the International Labour Organisation. By John W. Follows. *The Clarendon Press, Oxford.* 234 pages. 18s.

The establishment of the International Labour Organisation in 1919 was the climax of almost a century's discussion and agitation. It was natural that the idea of international labour legislation should arise at a time when states were becoming increasingly concerned with the regulation of factory conditions on a national scale. It was sometimes argued that such national regulation was necessary to protect the good employer, who reduced the working day of his employees, from the competition of the bad employer, who attempted no such limitation. The same argument could be and was applied to the industrial relationships between states. Thus the idea of international labour legislation developed in England, France, and Belgium in the first half of the nineteenth century.

The idea, as Mr Follows shows, cannot be ascribed to Robert Owen, though some have regarded him as a pioneer in that as in so many other fields. It emerged, however, in the 1830s when Charles Hindley, a Lancashire manufacturer and factory reformer, advocated international labour legislation by treaty. On the continent somewhat similar ideas were expressed by Villermé, J.A. Blanqui, and Legrand. During the second half of the century movements for the international protection of labour were to be found in Germany, France and Switzerland. These movements culminated in the Berlin Conference of 1890, which was chiefly notable as "the first official international meeting to discuss labour problems." After 1890 the initiative passed to Switzerland, where ten years later the first International Association for Labour Legislation was established. This unofficial body prepared the ground for the official International Labour Organisation of 1919.

Mr Follows gives a full and clear account of these developments. His book is based on extensive British and continental sources, of which there is a useful bibliography. It does not, however, include M. W. Thomas's recent work on factory legislation or Stekloff's study of the First International. The documentary appendices are valuable, as are the extensive quotations from contemporary sources in the text. In all, this is a scholarly work for those interested in the economic problems of the nineteenth century and in the historical background of the ILO.

Stating the Obvious

Social Anthropology. By E. E. Evans-Pritchard. *Cohen and West.* 134 pages. 8s. 6d. net.

This short book reprints six lectures given by the author on the BBC's Third Programme. The prose is felicitous; the matter disappointingly academic, sometimes even trivial. The author states that among the minimum and essential topics of social anthropology are comparative political institutions and comparative law. But the lay reader will look in vain in these lectures for an account of what anthropologists have made of these or any other topics. The main theme seems to be a private squabble among anthropologists. Some, described by the author as "functionalists," are said to think that "social systems are natural systems which can be reduced [*sic*] to sociological laws." Professor Evans-Pritchard claims to speak for the opposing camp which denies that "natural laws of society" can be discovered by methods like those of the natural sciences. He regards his subject as a kind of historiography. At the same time he appears to be blissfully ignorant of the literature on this subject written by specialists in the other social sciences. His own discussion of it is muddled and leads to the conclusion that he belongs to both camps.

Professor Evans-Pritchard asserts that social anthropology studies societies as wholes and claims, rather incongruously in view of his general standpoint, that it has a body of general theory which history lacks. He regards it as the study of societies rather than of cultures, emphasising that this is a distinction between different kinds of abstractions. He then gives a brilliant if biased outline of the ideas of the eighteenth and nineteenth century as precursors of modern anthropology, accusing them of having been confused because of the assumption taken over from the "Enlightenment" that societies are natural systems. His account of recent theoretical developments is sketchy and mainly taken up with an attack on the scientific pretensions of the "functionalists." Discussing field work, he states that the final aim is "structural analysis" which requires theory but also the "imaginative insight of the artist." He illustrates this by summarising some well-known tribal studies. His final chapter on applied anthropology ends with the remark "What I am saying is fairly obvious," and this sums it up well. He says also that he gained some understanding of communist Russia by studying witchcraft in an African tribe, but to what this understanding led him he omits to tell. There are many such remarks, to which the layman's automatic reaction is "Nonsense."

Underestimate of Change

Cabinet Government. By Sir Ivor Jennings. Second Edition. *Cambridge University Press.* 578 pages. 30s.

Sir Ivor Jennings's analysis of the modern system of British government is too well known to need either description or praise. It has certainly not been invalidated by such changes as have occurred in the fifteen years since "Cabinet Government" was first published. A revised edition, taking account of wartime and postwar developments, is none the less welcome. The framework of the book is, sensibly, unchanged, except that the chapter on defence has been expanded and what was a section on the Economic Advisory Council has become a chapter on economic policy—but an unsatisfactorily sketchy chapter of only nine pages. Sir Ivor seems, unfortunately, to have had too little time to make his revision as thorough as the new material requires. He assumes too readily that the newer problems of government for the welfare state and the planned economy are mere extensions of old problems. He misses the point rather widely in such statements as, for example, "There has been a considerable improvement in inter-departmental relations." It is certainly true that contacts between the departments are more intimate, and probably true that open, head-on conflicts are fewer—at any rate in proportion to the volume of business—than they were in the 'twenties. But this constitutes better relations in only the most trivial sense. Perhaps the chief reason for it is that the departments have grown so much, their policies are now so numerous and so confused, that conflicts of policy between the departments very often remain almost unknown, and if they are known are taken for granted in all but the most important matters. Inter-departmental relations have certainly not improved in a sense that has anything to do with the efficiency of government.

Such criticism is, however, merely to suggest that even Sir Ivor Jennings has difficulty in observing British government closely from as far away as Ceylon. "Cabinet Government" remains the second most essential aid to an understanding of British politics. (The first essential is still Bagehot's "English Constitution," and the third is Sir Ivor Jennings's own "Parliament.")

Unpremeditated Measurement

Cyclical Movements in the Balance of Payments. By Tse Chun Chang. *Cambridge University Press.* 224 pages. 18s.

This book, which incorporates much material previously published in articles, is a comparative statistical study of the cyclical behaviour of the balances of pay-

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ments of a number of countries during the period 1924-38. Part I begins with a theoretical explanation of why some countries develop surpluses and others deficits at the same stage of the international trade cycle. It then presents, for a large number of countries, statistical estimates of the average and marginal propensities to import; the income and price elasticities of national demands for imports and of world demands for exports; the price-elasticity of substitution between the exports of various countries in world and national markets; and the export multiplier. Part II analyses the British demand for imports, and the cyclical behaviour of the United Kingdom's balance of payments. Part III contains an analysis of the balances of payments of the United States, Sweden, Australia, and Chile. While Dr Chang assumes throughout that these countries can each be regarded as representative of other countries of the same "type," this assumption is almost certainly unjustified in the case of Britain and the United States, and its limitations as applied to the others are evident in the inclusion, "because of its special features," of a final chapter on the Canadian balance of payments.

Dr Chang's statistical results are very suggestive, and obviously represent a great deal of arduous labour. Nevertheless, they can be accepted only with reservations, even as a description of the period to which they relate, and certainly cannot be taken as estimates applicable to subsequent periods. The "elasticities" which he purports to measure are aggregates, which may be altered in all sorts of unsuspected ways by changes in their constituents; the shortage of suitable statistics leads him into many dubious substitutions, such as the use of employment figures and bank clearings to represent the British national income; and the fitting of single equations to short time-series by multiple correlation is a statistically suspect method of estimation.

Altogether, this book would have been much more useful if Dr Chang had given more attention to his theoretical structure, and to the limitations of his statistical sources and methods, before sitting down to his monumental calculations. Potential readers should perhaps be warned that the standard of proof-reading is shockingly below what one expects of the Cambridge University Press.

Social Security for India

Social Insurance for Industrial Workers in India. By S. D. Punekar. *Oxford University Press.* 228 pages. 17s. 6d.

Before 1939 it would have appeared quite utopian to propose a scheme of social insurance, let alone one of social security, for India. During and since the war, matters have moved fast. In 1943 Professor Adarkar was appointed to draft a health insurance scheme for industrial workers; thereafter by various means factual data bearing upon social insurance were collected; in 1948 the Employee's State Insurance Act was passed (providing benefit for factory workers in the event of sickness, maternity, and injury at work); and, finally, the new Indian constitution adopted the ideal of social security by laying down that the state shall make "provision for securing the right to work, to education, and public assistance in case of unemployment, old age, sickness, disablement, and other cases of undeserved want."

Mr Punekar, who since 1944 has taken part in the preliminary enquiries for a social insurance scheme in India, has now written an admirable introduction to the whole subject, in which he first surveys concisely the standards of social security in other countries and measures for putting them into effect, and then considers how these ideas and policies can best be adapted to the special problems and conditions of India.

"The evolution from social insurance to social security," he says, "consists in extending its protection to an even larger circle of the population, in widening the range of the risks it covers, and as regards the quality and quantity of its benefits, caring more for social adequacy than for actuarial equity." The various steps that must be taken to transform the elementary forms of social services at present in existence in India into a comprehensive plan of social security include therefore the extension of cover to all citizens (with special provision for peasants), and to all risks; the provision of medical services for all; the provision of adequate cash benefits; and administrative arrangements.

Mr Punekar analyses the various problems encountered and supports his arguments with statistical data. In doing so he succeeds in presenting a clear picture both of what is needed and how such needs can be met.

Text and Reference Books

Statistical Digest of the War. Prepared in the Central Statistical Office. *HMSO.* 247 pages. 32s. 6d.

Compiled as one of the introductory volumes in the official civil histories of the second world war, this book presents the main statistical facts about the war effort of the United Kingdom. Many of the general series have been published elsewhere, such as those on population, social conditions, agriculture, external trade and wages and prices. But a great deal of new material is released by this publication. To mention only some, there are tables giving numbers employed in the manufacture of equipment and supplies for the Forces divided by industry; losses of foodstuffs and raw materials at sea; details of supplies and consumption of different oil products; naval and merchant shipbuilding and repairs; and production and overseas supplies of munitions and aircraft. One of the most informative tables shows the Ministry of Supply munitions production arrranged as an index for each main category on the basis of 100 in the first four months of the war—but without any attempt at a comprehensive index.

Some of the series are given monthly or quarterly, others only yearly. All the tables are laid out very clearly with definitions and explanatory notes gathered together at the end of the book. This volume is in every way a model in statistical presentation.

Industrial Negotiation and Arbitration. By M. W. Turner-Samuels and D. J. Turner-Samuels. *Solicitors' Law Stationery Society.* 532 pages. 75s.

This clear and detailed guide to the machinery and practice of formal collective bargaining in industry deliberately excludes any consideration of the historical, economic or social aspects of the organisations in question. Designed for the adviser or representative of the groups concerned, it covers the whole field of statutory and non-statutory negotiating bodies in private and public industrial activity, the operations of joint consultation within specific industries and individual enterprises, and the working of voluntary and compulsory arbitration machinery. It contains tables of relevant cases and statutes, and 29 appendices ranging from an outline of the provisions usefully covered in a collective agreement to a table detailing the paid holidays granted in a wide variety of industries.

Budgetary Structure and Classification of Government Accounts. United Nations. *HMSO.* 100 pages. 5s.

This publication suggests certain basic requirements in the structure of central government budget accounts if these are to be of real use. The basis for separating capital and current transactions is discussed and a general framework drawn up for both types of accounts. A brief summary is given of the budget systems of Italy, Sweden, the United States and Russia.

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AMERICAN SURVEY

Approach to Foreign Aid

Washington, D.C.

THE fact that people living in other countries do not vote in United States Congressional elections is not remarkable, but it is important. It means that any piece of legislation proposing financial assistance for non-Americans is Congress's favourite economy. The pending Bill for the $8.5 billion Mutual Security Programme will be no exception. An extremely small, if noisy, group of isolationist Democrats and Republicans would like to throw out the legislation altogether; fortunately, however, the question of whether the United States "goes it alone" against the Russian menace is no longer seriously debatable. Accordingly, the discussion will not turn on whether or not there should be a very large foreign assistance programme this year, but only on how very large it should be.

Even though the Foreign Affairs Committee of the House of Representatives has been considering the Bill for more than a month, it is far too early to guess precisely how much will be cut from it. The Senate Foreign Relations Committee has just begun its study of the measure. Debates on the floor of both chambers are still several weeks in the future, and after that the whole process has to be gone through again before money will be appropriated. Not until autumn will the final amount be known.

Those who listen in the right places—the extreme Right places—can hear the prediction that some $3 billion will eventually be hacked off the Bill but, at the moment, this estimate seems far-fetched. Fears that a tidy Korean armistice would start an orgy of complacency have lately diminished. Furthermore, recent trips to Europe by a number of legislators have borne excellent fruit. They returned much more impressed than before with European progress, much more aware of the magnitude of the job to be done and much more conscious of the nearness and intensity of the threat on the other side of the Iron Curtain. For the present, at least, even the hardest-shelled Republicans among them have ceased to demand drastic reductions in foreign aid funds. But despite this change of mood, and despite the slogan that "this is for the stuff that General Ike has to have," some substantial surgery is certain. If Congress ultimately cuts about $1 billion from the $6.3 billion requested mainly for military aid in the Bill, and about $300 million from the $2.2 billion for economic assistance, the Administration will count itself lucky.

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Besides the fight over the amount of money, the other big issue is how the Mutual Security Programme is to be run. Officially, and for public consumption, the Administration favours the present set of arrangements, but even the Secretary of State indicated that he did not feel strongly on the matter. Privately, in the Economic Co-operation Administration and, according to returning Senators, in General Eisenhower's headquarters, there is vigorous agitation for a change. Almost the only individuals with a vested interest in favour of the *status quo* are the staff of Mr Thomas Cabot, the State Department's Director of International Security Affairs, who is top man in the present heap, and the inept Mr James Webb, the Under-Secretary of State, who is, if not the architect, at least the curator, of the Department's malorganisation. Even they concede that the present system is monstrous on paper, but assert that it works out pretty well in practice. This latter statement should be discounted—and is.

As near as it can be figured out, a top committee under Mr Cabot in the State Department, the International Security Affairs Committee, runs foreign aid today. As chairman of ISAC, Mr Cabot represents the State Department; other members are the representatives of the Department of Defence and the ECA. Considering all appropriations for ECA and for military assistance, they jointly determine how the funds are to be divided, on a regional and national basis, and whether they are to take the form of finished military "hardware" or of dollars to further additional military production or to aid economic recovery, within the recipient countries. Decisions on the type and amounts of the military "end-items" are made by the Department of Defence, which is also in charge of their procurement and distribution abroad. ECA administers the economic, or dollar, component of the military aid funds and the sums available to it in straight economic appropriations (combined in the pending Bill).

It is almost certain that Congress will change this arrangement. It seems determined, whether logically or not, to create a new agency, replacing ECA but built around its organisation and staff, to conduct part or all of the foreign aid task. But this is the point of departure for the main controversy, lively although technical.

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On the one hand are those who support the recommendations of two Presidential commissions, headed by Mr Gordon Gray and Mr Nelson Rockefeller. They would have the new agency conduct all the work now done by ECA, take over the State Department's operation of the Point Four programme for under-developed areas, guide the lending policies of the Export-Import Bank, and operate, or at least control, the foreign economic activities conducted by a score of other federal agencies. But the new agency would not have power over the military equipment furnished as part of foreign aid.

Supporters of the plan point to the advantage of a single agency co-ordinating most of the nation's foreign economic activity, but they insist that its authority cannot be absolute. For, they say, foreign policy in general must remain under

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

the direction of the State Department, which must have a controlling voice on broad questions of economic policy where they impinge on foreign policy as a whole. Similarly, the actual operations of military aid are technical matters that cannot help but be the Pentagon's task.

On such an analysis, a committee like ISAC is inescapable; there would still have to be a three-agency group, centred in the State Department, co-ordinating the Mutual Security Programme. About the only difference would be that ECA's successor would be bigger, with wider powers, and perhaps with the role of expediter and principal wielder of carrots and whips. Abroad, the administration would be much the same as now: the Ambassador in each country would be head of the team; under him would be the neo-ECA mission chief working on economic aid, and a military assistance group dealing with military hardware.

On the other hand are those who propose that ECA's successor be in charge of all foreign assistance, military as well as economic. Since the Pentagon would still have to conduct the technical operations of selecting and supplying military end-items, and since the State Department would still be in charge of foreign policy, a three-agency co-ordinating committee like ISAC would still be necessary. But in this case the chairman would be the head of the new agency, not a State Department man. More important, he, not the State Department, would control the purse strings. He would have Cabinet status and full responsibility for the whole programme, including the prime goal of foreign rearmament. Abroad, the neo-ECA country mission chief would work with, but not under, the Ambassador. He would have a military mission subordinate to him and would answer only to Washington.

The arguments for this plan are the same as those used three years ago to justify the independent status of ECA. It is contended that there should be a single unattached operating agency, working on a businesslike basis, where responsibility is centred, unified and undiffused at home and equally clear and monolithic abroad. The State Department, concerned with policy or "diplomacy," cannot and should not attempt to execute what are essentially enterprises "of business administration of great magnitude and complexity."

It is much too early to see how this controversy will be resolved. But if a forecast has to be made, perhaps the best basis, if an illogical one, for a guess is the fact that never has the State Department or its head been in lower esteem with the Congress. To take ISAC's functions away from it and give them to a new agency is for many reasons, including the political ones, an attractive course of action.

Television Round the Clock

Washington, D.C.

AMERICAN visitors to Britain are often aghast to discover that the BBC permits several hours of the day and evening to pass during which nothing is to be seen on any television screen because nothing is being sent out. In the United States, the notion that television should not begin at all until three o'clock in the afternoon and that when it has started, it should sign off, sign on, and finally retire for the night, like an elderly lady, at a little after ten, suggests an apathy verging on coma. This view would be taken, not only in New York or Los Angeles, each of which has seven different television stations competing for attention most of the livelong day and all the livelong night until after midnight, or in Washington and Chicago (four stations each) or in Philadelphia, Baltimore, Cleveland, Columbus, Detroit, and San Francisco (three stations each), but also in the numerous other towns which have only one or two stations.

Nevertheless, there would be a good deal of sympathy in America for a deliberate policy of assigning a higher priority to silence than to mediocrity, if this, rather than financial anaemia, were the real cause of British restraint. The results of the diametrically opposite policy are not always happy. The present era in American television, which prefers anything to a blank screen, is an outcome of the industry's fantastically rapid rate of growth. This, in turn, is largely explained by abundant venture capital, intensive and successful technology, the unfailing readiness of Americans in a period of prosperity to buy something new and promising and an absence (up to very recently) of materials shortages. Yet a pattern which has been discernible often enough in other contexts has made a conspicuous reappearance. The equipment enabling the millions to see and hear television programmes in their homes has been created swiftly and efficiently. But there are not enough television programmes that are worth seeing and hearing. There are nowhere near enough; and since the whole system, being geared to the effort of advertisers to secure and to divide among themselves the continuous and unflagging attention of their audiences, counts silence as the ultimate horror, the door to mediocrity is wide open.

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Lively dinner-table arguments can be started almost anywhere in America with a brief introductory sentence or two on the worst television programme one has ever experienced. Almost everyone present will claim to have seen one worse. It is no pleasure to report that numbers of aged and infirm British films, exhumed from heaven knows what vaults and bought cheaply for dollars, often figure in these grim reminiscences, thus hurting the chances of new British offerings.

Television stations in America use these films, and comparable vintage material of Hollywood origin, because they have not so far been able to come to terms with the American film industry. One of the unresolved questions is whether the revenues Hollywood would receive, if it sold or rented newer films to the television stations, would come within a mile of compensating it for the further ruin that would be visited upon the nation's cinemas whose average attendances have declined by 25 per cent or more where television has got into its swing. Another is whether a way can be found of satisfying the insistence of Mr James Caesar Petrillo and his musicians' union on sharing the money made out of the televising of all films carrying sound tracks.

The impasse seems unlikely to last indefinitely. One possible way around it has already appeared. In Chicago earlier this year, by permission of the Federal Communications Commission and on the initiative of the Zenith Radio Corporation, a new system called phonevision, or PV, was tried out with what appear to have been highly successful results. Nine moving picture companies furnished ninety respectable films which were telecast in a scrambled form. Three hundred Chicago families with television sets in their homes were invited, for a period of three months, to dial the telephone company and request from it a signal, supplied over the normal telephone wire, which unscrambled the

telecast at a cost of $1 a film. The quality of the reception was reported to be excellent, and the indications were that if the revenue received during the test were projected over 10 million families (a conservative estimate of the number with television sets) each worth-while film would bring in something like $2,500,000. The prospect is that a good deal more will be heard of PV. Not the least of its advantages is that it can function without interruptions for advertising.

A flow of entertaining films would go some of the way to mitigate the worst aspects of the present in television. It would help to remove some of the hastily thrown together, under-rehearsed, variety programmes, the terribly bright hostesses interviewing the terribly dull visitors, the more laboured serial stories, the more painful programmes in which children are required or permitted to sing and dance, and the slipshod murder mysteries. It might even reduce the number of hours now devoted to all-in wrestling—a sport, if that is the word, to which television in America has given a new lease of life.

Mediocrity is made inevitable by a system which has too quickly produced too many television stations broadcasting for too many hours a day. And mediocrity is most unlikely to be banished (if the Hays Office and its successors in Hollywood are to be taken as a guide to what is to come) by the new movement to establish a "TV Code of Decency." It is no doubt desirable that what spokesmen call "excessive nudity" should not be allowed to intrude by way of the television screen into the American home, and that other manifest abuses of the new industry should be curbed. The trouble is that one taboo breeds another, and the accumulation of taboos is apt, after a time, to produce for characters on the screen rules of behaviour which bear less and less relation to life as it is lived by characters off the screen.

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Nevertheless, when all of this has been said, it remains true that, for anyone who is prepared to sift and select, there is great talent, originality, charm and inventiveness to be discovered in American television programmes. There are first-rate, well-rehearsed variety programmes (such as "Garroway At Large" from Chicago); there are sprightly and entertaining interviews (such as "Meet the Press" and most of Miss Faye Emerson's programmes); there are subtly-conceived serial stories full of character (such as "I Remember Mama"); there are good children's programmes (such as the best Howdy-Doody and Hopalong Cassidy instalments); and there are first-rate murder mysteries (such as most of the stories in the "Suspense" series). What television in America does best will always be a matter of opinion. For one viewer it will be the baseball games or the boxing; for another it will be the plays or, rather, the best of the plays.

New kinds of programmes also are being evolved. Mass was televised in Boston a few weeks ago, and the new cathedral at Newark, New Jersey, is being equipped with lighting for television. The Department of Defence in Washington has a weekly programme which appears to have taken into consideration the recruiting possibilities of television. The Metropolitan Opera organisation in New York is to televise special studio productions. The result of an appeal by education authorities for a generous allocation of channels for "educational programmes" (the nature of which has not so far been very clearly defined) is now awaited. The televising of the Kefauver Crime Investigating Committee's hearings, immensely popular though it was, has raised some awkward doubts whether the technique is one that serves the end of justice; but it will be surprising if there are not more experiments of this kind. And whether or not Congress is ever televised (as the State Legislature in Oklahoma has been), it is not inconceivable that the questioning of Members of the Cabinet before the television camera either by members of Congress or newspapermen, which is now a fairly frequent occurrence, will develop into a more regular and more formal event.

American Notes

Controls Roll Forward

It was always wishful thinking to hope that the Senate and House conferees on the amendments to the Defence Production Act would cook up a mixture more to the Administration's taste than either of the two versions they were given to work with. The dish they brought out of the committee room at the end of last week, and which was quickly approved by both houses, was the compromise that might have been expected. President Truman had no choice but to swallow it, for the alternative was to do without a Defence Production Act entirely and to allow to lapse the system of priorities and allocations through which manufacturers are being guaranteed the supplies they need for the rearmament programme.

These powers are left undisturbed in the amended Act and it also contains rent controls, although it does not strengthen them as the President had requested. Restrictions on mortgages and instalment credit are continued but, to ease the difficulties of dealers in durable goods, the Act stipulates that hire purchase terms for automobiles and household equipment may be more generous than those established by the Federal Reserve Board under last year's Act. Other concessions are made to special interests, such as the exemption from price and wage controls of bars and "beauticians" and the imposition of import controls on dairy products, including the cheese that Wisconsin farmers can make neither so cheaply nor so tastily as can Europeans.

But it was for the sake of the cattlemen and meat packers that Congress struck its sharpest blow at the American consumer. It abolished the slaughtering quotas for livestock, which from the experience of the last war are considered essential if price controls on meat are to be enforced. This may perhaps be reconsidered, but Congress definitely forbade the further reductions in the ceiling prices on beef, which had been planned during the next few months and which would have affected butcher's shops as well as packing plants. The Act does in theory permit "roll backs" on the ceiling prices of non-farm products and services, but in practice it ensures that these will be "rolled forward." For it requires that, when the heights of these ceilings are fixed, allowance must be made for all increases in costs between the Korean outbreak and the present time and that wholesalers and retailers must be permitted their customary percentages of profit. In most cases, the present price ceilings are based on costs last January, and the stabilisation authorities have hitherto tried to limit profits to a "dollars and cents," instead of a percentage, margin over costs.

*

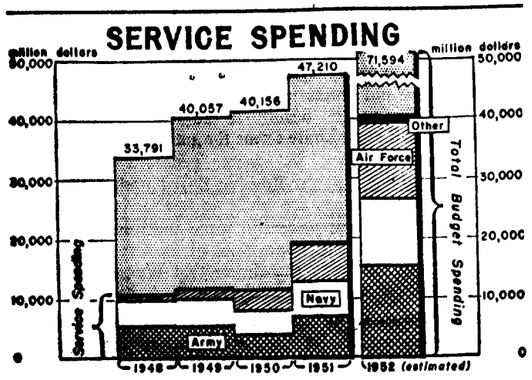
The exact effect of the new Act on the present price ceilings is not yet clear and, since by no means all prices are pressing against the ceilings at the moment, it will not necessarily mean an immediate rise in the cost of living. But if the Administration's forecasts of renewed inflationary pressures are fulfilled, and it is difficult to see how they can fail to be, then the "grave deficiencies" which Mr Truman

condemned when signing the Bill will become only too apparent. When they do, Congress will probably rush to repair them—in any case the new Act expires next June—but whether it will be able to do so quickly enough to protect consumers from the damage that lies in wait for them is another matter.

* * *

Air Force Supremacy

The death of Admiral Sherman has come, to the dismay of the Navy, at a moment when the Air Force is once more spreading its wings. Admiral Sherman had rebuilt the confidence and prestige of the Navy after the fiasco of the Congressional hearings on the B-36 bomber. His brilliance and broad-minded approach—he was a strong supporter of service unification—will also be greatly missed in the Joint Chiefs of Staff, who, in drawing up this autumn the military budget for fiscal 1953, must reckon with a new Air Force demand for expansion. The recent truce among the services has owed a great deal to the concept of "balanced forces," which in effect has meant that the available funds were shared out more or less equally among the three, whether or not this was the ideal division. In a recent press conference, however, General Marshall conceded that the concept could no longer apply to the Air Force, with its special responsibilities for the defence of Europe.



Under General Marshall, the outright inter-service hostilities of two years ago are unlikely to break out again, but the truce is becoming an uneasy one. The Air Force, which now has 87 air groups (varying in size from 18 heavy bombers to 75 fighters) is scheduled, if the schedules, which are now more than 20 per cent in arrears, can be met, to reach 95 groups by next June. It is now urging that the target be raised to 138, and suggesting that the funds to make a start can be found by increasing defence requests to $70 billion for the fiscal year 1953 and allotting the lion's share, some $40 billion, to the Air Force. As the table shows, the Army and Navy would have to be content with

NEW DEFENCE BUDGET AUTHORISATIONS
($ Billion)

	1950	1951	1952*
Army	4·3	19·5	20·7
Navy	4·3	12·4	15·1
Air Force	5·4	15·2	19·8
Defence Department	0·2	0·5	0·5
Public Works	...	...	4·5
TOTAL	14·0	47·6	60·7

* Requested.

—or resigned to—much less than they are now asking for 1952; they would be limited, if not reduced, in size.

The Air Force, and its friends, such as Senator Lodge, who have raised the issue inside and outside Congress, argue that Russian development of long-range bombers demands more fighters for American defence, while the great predominance of Russia in the air over Europe means that it is useless to raise land forces unless they are guaranteed adequate tactical air support. Aircraft for such operations, which proved their value overwhelmingly in Korea, are what the Air Force is weakest in; in the years when economy made a choice necessary, the money went on strategic bombers.

Such an expansion of the Air Force, everyone agrees, could not materialise for several years, even if everything were concentrated on it, at the cost of higher taxes, tighter controls and starvation for other projects. Even then such a force might be obsolete before it was needed. General Vandenberg may visualise a great new air armada keeping the peace as the British Navy once did, but others fear it might leave the Air Force "all dressed up, with nowhere to go," thus encouraging advocates of a preventive war. The mere maintenance of a 150-group Air Force, Senator Lodge's target, would cost about $40 billion a year.

The real danger, however, is of the revival of the Air Force's old belief that air power, alone, can win any war and of the political appeal of a "cheap war." Mr Truman hopes to keep the squabble inside the service family this time, but even with the best intentions of the service chiefs and some satisfaction of Air Force demands, this may be impossible. Senator Taft has just this week revived his old contention that air and sea supremacy can make the raising of large land armies unnecessary; Congress is already vexed and alarmed to discover that the six divisions it approved for Europe last winter are likely, with supporting troops and airmen, to be nearer 350,000 men than the 200,000 it believed it was accepting then. "The sky's the limit" for the Air Force could not be represented, even on the Republican platform, as a cheap plank, but it might be presented as a substitute for conscription, universal military service and other disagreeable necessities.

* * *

Misfire in the House

Congress hopes to have cleared its decks of three "musts" before October 1st; if by then it can dispose of appropriations, foreign aid, and the tax Bill, it can adjourn with the President's promise that, barring an emergency, he will not call an autumn session. But appropriations are woefully behind; because not a single money bill has been sent to the White House, though the fiscal year is already a month old, another stop-gap has had to be passed, extending until August 31st the right of government departments to continue meeting their pay-rolls and other expenses. One thing which is making the going disgracefully slow this year—and it is never speedy—is the determination of Congress to enforce savings all down the line, with the hope of justifying a smaller tax increase than the President asked for.

If Congress possessed the joint budget unit which the Expenditures Committee recommended last week, Congressional budget-paring might be both speedier and more effective. But as things are, the temptation is to adopt such monstrosities as the Jensen amendment, added by the House to all money Bills, which requires each department to fill only three-quarters of its staff vacancies. There is something to be said for Senator Douglas's move to reduce holidays with pay in the civil service from 26 days (five and a half weeks) to 20; salaried staff in private industry are lucky if they get three weeks' paid holiday. But the Jensen amendment lumps in the under-staffed with the over-staffed department, assuming that because the number of federal employees has risen by over 500,000 in the past year (for obvious reasons) a cut all round is in order. The Senate has taken its stand on the Ferguson amendment, which reduces all personnel funds by 10 per cent, but even this is proving unacceptable to the House, particularly to its Republican members, and is holding up the few money bills which have been otherwise agreed.

Where the State Department appropriation was concerned, however, it was a rifle and not a shot-gun which the House Republicans favoured. The bead was drawn directly on Mr Acheson, by prohibiting payment of salary to a department head who, within the past five years, had been associated with any firm representing a foreign government. When the moment came, however, few Republicans and hardly any Democrats could be found willing to pull the trigger; the amendment was defeated by 171-81. No vote of confidence in the Secretary of State was implied; it was disgust rather, with an approach which was clearly an invasion of the powers of the President and amounted to an unconstitutional bill of attainder.

* * *

Tin—Test Case

Mr Stuart Symington, the Reconstruction Finance Corporation's new broom, reported last week that at least one corner of the commodity markets had been swept clean of international cartels. He told the Senate subcommittee which in March had accused its country's allies of "gouging" the American taxpayer, by pushing up the prices of strategic materials, that tin had been made a test case and had come through with shining success, proving that the United States could force prices down to fair levels. This was the metal about which the sub-committee had been especially concerned and on its recommendation the RFC was made the sole importer of tin for commercial purposes. Both the corporation and the buyers for the government stockpile at once ceased to purchase tin and the RFC began to undercut the world market by selling its stocks to American consumers at less than Singapore prices. By the middle of June New York prices had dropped to $1.06 a pound from $1.80 in March, and world prices had fallen similarly. At this point Mr Symington intimated that the "reasonable" price level at which he was prepared to resume buying abroad had almost been reached; it was understood to be $1.03, at which the RFC has just begun to sell.

Bolivia, which supplies tin for the RFC's smelter in Texas and relies on its sales of the metal for its dollar exchange and such prosperity as it has, was the first tin-producing country on which Mr Symington smiled—unexpectedly warmly, for its new contract with the RFC provides for a price of $1.12 a pound. But this, it is said, has nothing to do with the uncertain political situation and the strong Communist influence in that country. Mr Symington hastened to explain that the price was entirely accounted for by Bolivia's exceptionally high costs, and that other sellers were not to expect similar generosity. He has always insisted that the RFC should not pay unjustifiably high prices in order to further the State Department's foreign policy or to supplement aid to under-developed areas.

Mr Symington, using the methods of the propaganda war as well as of the price war, also took care to dash the hopes of those who argue that, even with its present controls on consumption, the United States, which must import all its tin, cannot live on its fat for ever. He gave figures showing that there would be a world surplus of tin next year and declared that the United States still had enough tin to be able to withdraw from the market at any time if world prices should rise again. Furthermore, it has become possible to reduce purchases for the stockpile from the Belgian Congo to merely token amounts, on the excuse of high prices, as the result of the cut of over 30 per cent in the total quantity estimated to be necessary for a wartime reserve. This, it is suggested, means that new methods of economising in the use of tin have been found; in particular it is possible that before long aluminium may be produced cheaply enough to be used as a substitute for tin in preserving food.

Shorter Notes

The St Lawrence Seaway and Power project, which was launched on Congress this year for the fourth time with a real chance of reaching port at last, has foundered on the first reef it met, the House Public Works Committee, where it was unexpectedly defeated by three votes. It is possible, however, that it may be refloated if Canada decides to build a seaway entirely on its side of the river, as the government of Ontario is urging.

*

In the last six years it has cost the Commodity Credit Corporation, and therefore the American taxpayer, about $1 billion to keep the prices of farm products high. It would have been more, had not cotton recently turned out to be a money maker. Nearly half the total sum was spent on potato price supports, a programme which has just been terminated.

*

Last May's price war, which flared up in the big New York retail stores, spread to only about 40 other cities and became serious in only five of them. By the end of June it had died down completely and prices almost everywhere had returned to the old levels. Congressional committees, which were concerned at the harm that might be done to small businesses, have now decided that the price war is no longer worth investigating.

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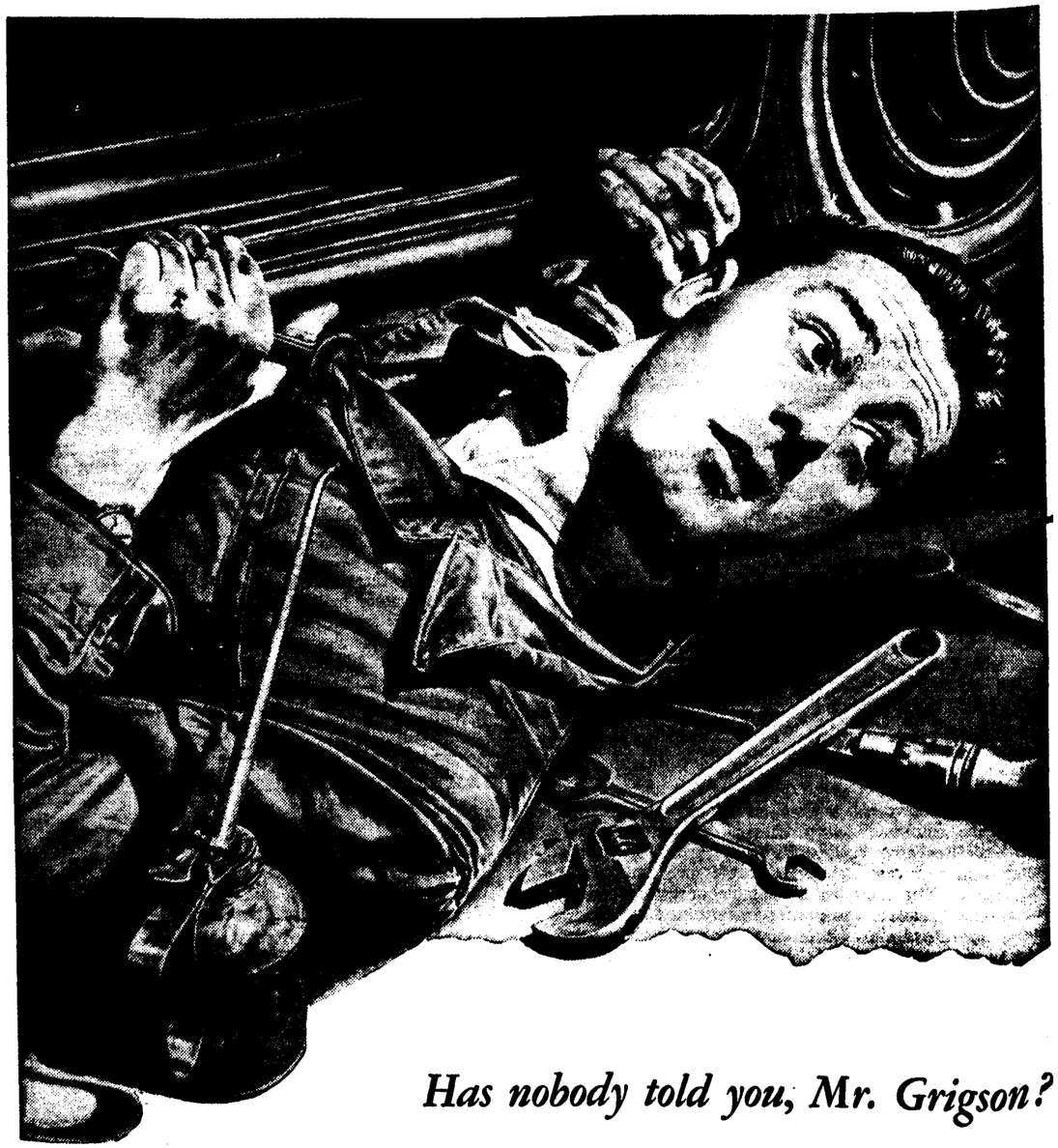

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THE WORLD OVERSEAS

Australia's Future as a Primary Producer

(From Our Melbourne Correspondent)

IT has come as a shock to complacent and well-fed Australians to experience, as they have experienced this winter, a severe shortage of butter. Australia was recently treated to the amazing spectacle of people rushing to send thousands of parcels of butter by air freight from Brisbane and Melbourne to their luckless friends in New South Wales, where butter had disappeared from the shelves of retailers.

Everyone knew that the shortage was only temporary, if none the less exasperating; but behind the disappearance from the grocers' shelves of a basic foodstuff, which was generally thought to be in permanently good supply, there lies the story of the failure of the farming industries of Australia to meet the increasing demands for their products both at home and overseas. At the same time, manufacturing industries have been rapidly expanding and many contend that this is being achieved only at the cost of neglecting primary industries. This trend has led to the rather startling but authoritative prophecies that meat, butter and other foodstuffs might have to be imported within the next ten years.

Australia, as a great producer of primary commodities, is basically dependent upon achieving a large export income to pay for the wide variety of imported goods which play such a large part in maintaining a high standard of living. Farm products account for more than 80 per cent of the country's overseas trade and there seems little likelihood that they will be displaced from this dominant role in the foreseeable future.

Since 1939, however, there has been no significant expansion in the output of Australia's great primary industries. Increases have barely kept pace with the growth of population, and in some cases there have actually been falls in output. At the same time, since 1945 the wartime expansion of secondary industry has gathered momentum until today Australia employs a greater proportion of its population in manufacturing than almost any other country, giving it the doubtful honour of being, on this count, probably the most highly industrialised country in the world.

The following table shows the trend of production in Australia's chief primary industries over the last twelve years. It is noteworthy that there has been little response to the considerable increases in price which have taken place over the period:

Year	Wool	Meat	Whole-milk	Butter	Cheese	Wheat
	Mill. lb.	'000 Tons	Mill. Galls.	'000 Tons	'000 Tons	Mill. Bus.
1938-39	984	966	1,189	203·5	29·3	155
1939-40	1,128	950	1,254	212·0	31·2	210
1940-41	1,142	865	1,190	192·9	26·8	82
1941-42	1,167	1,027	1,105	167·6	30·1	167
1942-43	1,151	1,057	1,130	171·2	36·1	156
1943-44	1,169	1,043	1,067	156·3	35·8	110
1944-45	1,016	984	1,013	142·0	34·6	53
1945-46	936	805	1,077	150·4	41·2	142
1946-47	977	885	1,080	143·3	42·4	117
1947-48	973	947	1,173	162·0	41·5	220
1948-49	1,031	991	1,213	165·8	43·2	191
1949-50	1,165	1,051	1,254	173·2	44·9	217

(*Source:* Commonwealth Bureau of Statistics.)

Against this relatively static output there has been a continually rising consumption of farm products because of the postwar expansion in the community's purchasing power and the rapid increase in population. The inevitable result is that there must be less to export, if no significant expansion in production is achieved.

Demands of Increased Population

In 1949 and 1950, the population of Australia increased at a rate of about 3¼ per cent per annum. Such a high rate of increase, according to Mr Colin Clark, Director of the Queensland Bureau of Industry, has not prevailed since the early days of settlement, either in Australia or in any other country. The demands made by this increased population on the food resources alone are enormous. Before the Government's recent decision to reduce the flow of immigrants the Commonwealth's Bureau of Agricultural Economics estimated the additional quantities of foodstuffs required by 1960 to meet the annual needs of the additional population assuming that this increased at its present rate of about 180,000 annually. These increases, together with the percentage increases in production required by 1960 to keep exports from falling below the average of the last four years and maintain domestic levels of consumption, are shown in the following table:

	Annual Needs of Additional Population, 1960	Increase on Average Production, 1946-47/1949-50
Beef and veal	220,000 tons	40 per cent.
Mutton	105,000 tons	58 ,,
Lamb	32,000 tons	23 ,,
Pigmeats	70,000 tons	78 ,,
Eggs	64,000,000 doz.	31 ,,
Sugar	214,000 tons	28 ,,
Citrus fruits	4,000,000 bushels	61 ,,
Dried grapes	9,500 tons	15 ,,
Total milk*	438,000,000 gallons	37 ,,

* Including butter, cheese, milk and milk products.

Australia has been able to increase the volume of farm production by about only 10 per cent above the average of the five prewar years. Against this, the United States can point to an increase in output of farm products of 30 per cent since prewar and Canada an increase of about 20 per cent. At present, the rate of increased production of farm products in Australia is not sufficiently great to meet the requirements of the influx of new people without reducing the quantity of goods available for export. And this has far-reaching effects upon the Australian economy, which is extremely sensitive to fluctuations in export income, and upon the British economy, the largest purchaser of Australia's food exports.

Strange as it may seem to people outside Australia, who may fancifully visualise the continent as a "vast empty space" just waiting development, the lack of available land makes clear limitations to the development of Australian farming. The empty spaces are not only vast, but they are also mostly arid. Only 7½ per cent of Australia, or about

144 million acres, has a climate, soils and topography suitable for cropping and intensive livestock production. In the semi-arid grazing areas, which comprise 42 per cent. of the land area, the problem is not so much one of expanding as of maintaining production. The day of easy exploitation of the land by the rugged pioneer is over and the call today is rather for large development schemes supported by large resources of capital.

There is tremendous scope for expansion of rural industries by means of irrigation, more intensive use of land, greater application of policies of pasture improvement, fodder conservation and rabbit control, together with development of transport in the inland regions. To meet the immediate demands of an expanding population, there will need to be a considerable increase in productivity in established areas, followed by the more hazardous development of the outback. Primary production in Australia is hampered by acute shortages of materials and equipment and the labour to use them. There is great competition for scarce resources from heavy Government and private investment programmes.

In the meantime, expansion of manufacturing industries proceeds apace, despite difficulties in obtaining raw materials and equipment. If the vitality shown by manufacturing industries could be shared by the farming industries, there could be grounds for feeling that a "right balance" between the two could be achieved. As it is, farming is making slow progress, and must continue to do so unless positive action is taken to stimulate production of those commodities which are primary and basic in the full sense of their meaning.

Signor De Gasperi's Seventh Innings

[FROM OUR ROME CORRESPONDENT]

THOSE who cherish the ambition of shortly furnishing Italy with a new and strikingly outlined political profile, whether turned sharp to right or sharp to left, have been watching with quiet complacency the proceedings of Signor De Gasperi in readjusting the poise of his full-faced model of government, so that any side-glance to one side is decently compensated by one to the other. The seventh De Gasperi government, in fact, varies from its predecessor only by two or three personal replacements and by an inscrutable revision in the machinery of the economic ministries. After variegated rumblings about Trieste, about agriculture, and about tax reform, the crisis of the sixth government found its public expression in controversies about Signor Pella's handling of the currency, and this circumstance is now reflected in a reassortment of offices between Signor Pella, hitherto Minister of the Treasury, and Signor Vanoni, hitherto Minister of Finance (that is, essentially, Minister of Taxation). Signor Pella will now become Minister of the Budget, a post specially created for Professor Einaudi some years ago, and left vacant since he became President of the Republic. Nobody knows of any difference between the policies of Pella and Vanoni, who have worked so closely that they inhabited contiguous flats, nor is it at all clear how many functions of the Treasury, which nominally now goes to Vanoni along with the Finance Ministry, will be switched to that of the Budget. Most evidently these changes are a mere by-product of the change of government, which in economic policy leaves things just as they were.

Count Sforza has been sacrificed to public opinion, or one might say to the caricaturists. In his artless public appearances, he scarcely troubled to belie their presentation of him as a preposterous feudal survival, so that his hard work and efficiency behind the scenes, his shrewdness and steadiness of vision, have been known to very few. Even here, however, the dropping of this diplomatic pilot is said to betoken no shade of deviation from the previous course. It is the agitation about Trieste, the belief widespread in Christian Democrat circles that Jugoslavia is being helped by Britain to filch a big bite of Italy's expected reward for good Atlantic behaviour, and Count Sforza's failure to appear sufficiently agile in interfering with that sinister deal, that have persuaded Signor De Gasperi to effect what must be a more painful breach of partnership than he can allow it to appear. Count Sforza's retention of an honorific post in the Cabinet will hardly give him a voice in the handling of affairs, so that the prevalence of discretion, realism and of the wider view over Christian Democratic eagerness to break even with the extreme right in militancy over the Trieste question must now depend upon Signor de Gasperi's notable strength of character. (The Communists, of course, are a third competitor on the slightly narrower ground of hostility to Tito.)

No Rows in the Piazza

The other Cabinet changes have displaced the keen reformer Signor Segni from the Ministry of Agriculture, to the pleasure of opponents of the agrarian reform; but his place has been taken by the younger and possibly still keener Signor Fanfani, and he has himself displaced Signor Gonella, the most Vatican-minded of the Ministers, from the Ministry of Education.

Never has there been a circumstantially quieter crisis, partly, no doubt, because physical heat at this season dissuades the youth from the ritual rows in the piazza. It would seem, however, that there is some deliberation in the decision of the left and right oppositions to let Christian Democracy stew this time, physically and morally, in its own juice, with the little Republican party as sole seasoning. The moral flames of the majority party's internal disputes have been quite warm enough in themselves. It is striking that the great hammer of the political infidels, Signor Mario Scelba, who a year or two ago drew the loudest applause of all at Christian Democratic congresses, was in the recent crisis mentioned only as a head which De Gasperi might be ready to sacrifice to somebody if Count Sforza's did not prove valuable enough. The piazzas were so quiet that the party almost forgot the existence of this resolute crusader who has had to cope with the forces of disorder when they thought it worth while to exert themselves. It will be Signor De Gasperi's greatest triumph if he can now show the extremists on both sides that their present complacency is based upon a gross under-estimate of Christian Democracy's powers of moral recuperation. The Social Democrats and Liberals who have refused to enter the seventh De Gasperi government would be shown up as making the same error.

The Hungarian Deportations

[BY A CORRESPONDENT]

ON the night of May 20-21st the Budapest secret police suddenly rounded up some hundreds of persons. Whole families were taken at a time, and after being given a few hours to pack immediate necessaries, were taken by train to Debrecen. Here the children were separated from their families; the adults were loaded on to trucks provided with authorisation to enter the prohibited zone on the frontier with the Soviet Union, and driven away north-eastward. Nothing has since been heard of them.

This proved to be only the first step in a process of mass deportation. A second convoy was sent off on May 23, and since then convoys have been leaving Budapest three times

weekly. In spite of official statements to the contrary, it seems well attested that if the process has stopped, it has only done so recently: reliable sources stated that persons were still being deported from Budapest a few weeks ago, and a similar operation has been going on in the other larger towns of Hungary. It even appears that the net has been cast over the small towns and remote country districts.

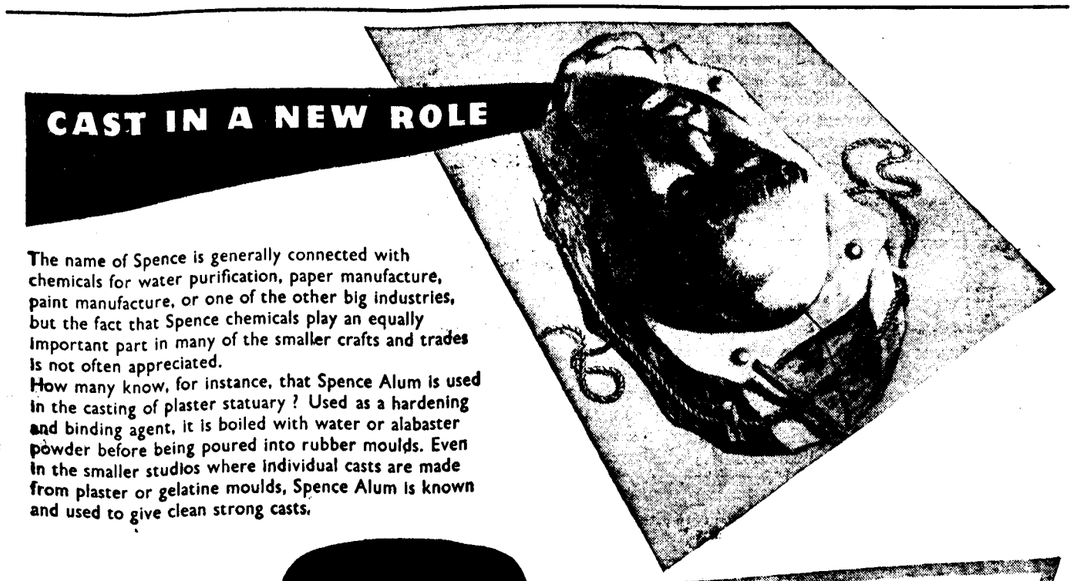
The procedure is always the same, except in detail. The police arrive at night, with a "notice of expulsion." The expellees are given a short period—in the most favourable case 24 hours, in others as many minutes—to pack a quantity of effects which again varies from some hundredweight to a few pounds. They are then taken in lorries to a railhead and put into trucks. So far as is known, with the exception of the first batch, the deportees have, at least for the present, been kept in Hungary. As a rule they are taken to the area between Szolnok and Debrecen. The aged, young children, etc., are, in favourable cases, quartered on peasants, who are made responsible for their maintenance. The remainder are put in camps, where they are employed in forced labour on public works or on the state farms.

Many Humble Victims

The first open and direct admission that deportations were taking place was made on June 15th, after wireless stations outside Hungary had published the facts in considerable detail. A government speaker in Budapest then announced that 924 families had been deported. These, he said, consisted of "6 ex-Princes, 52 ex-Counts, 41 ex-Barons, 10 former Horthyite Ministers, 12 Secretaries of State, 85 Generals, 324 other army officers, 67 officers of the gendarmerie and police, 30 industrialists, 45 bankers, 53 factory managers, 93 wholesale traders and 105 ex-landed proprietors, in each case with their families." He implied that the operation was now concluded. This was untrue, and in other respects also he suppressed much of the truth. The number of victims, even by the time he spoke, was probably not less than 15,000, nor were they at all limited to ex-aristocrats, high officers, or other leading supporters or beneficiaries of the old regime. They are known to include many humble enough persons: small employers in trade and industry, doctors, teachers, even some priests and at least one rabbi. In short, the whole ruling class of the former Hungary, rank and file as well as leaders, so far as it has not positively and actively identified itself with the new regime, is being rounded up and liquidated by a process of quick or slow extinction. The process is proving quick in many cases, for many persons served with expulsion orders have committed suicide, and the conditions under which the deportees are kept results in an exceedingly high death rate.

A Long-Planned Move

The calculations which led the present rulers of Hungary to take this step seem to have been long-term, and completely cold-blooded. There was no question of an immediate danger to the state. The majority of deportees are "dependants" of the various individuals whose qualities put them on the list (and many of these individuals are dead or have long since vanished into the Soviet Union). Moreover, every "Horthyite" General, Minister, etc., was, in 1945 and 1946, subjected to a most thorough screening by an extremely hostile "People's Court," which condemned to execution or a long term of imprisonment any person in whose past record the smallest flaw could be found. That they had survived this scrutiny was a guarantee of their good character, and since then their every move has been watched by an Argus-eyed police. Nor has the Government now alleged any misdemeanour against any of them, nor



even cooked up a story of conspiracy, which would, indeed, have been hard to make even remotely plausible, in view of the great age of many of the deportees, and the sex and characters of others. It has invoked a paragraph of the Hungarian Military Service Act of 1939, which empowered the authorities, on proclamation of a state of emergency, to take into custody, or expel from certain areas, "dangerous, work-shy persons and elements harmful to political, social and economic life." The "state of emergency" appears to be that which was proclaimed on August 1st, 1939, and has never been repealed.

The move must have been decided some time ago, for on February 28th Gero, the President of the National Economic Council and one of the two or three men in Hungary who have any voice in, or at least fore-knowledge of, policy, made a public reference to "remnants of the exploiter class, various *déclassé* elements," "considerable numbers" of whom, he said, were not productively employed, but spent their time in "speculating, undermining our supply position, and spreading the various lies and slanders of the imperialists against our people's democracy. . . . Obviously we must put an end to this condition by decisive means and make sure that these elements are transferred from the field of speculation to that of productive work." I. Kovács, Chairman of the Presidential Council, seemed to echo this allusion on May 22nd, when he announced that "the rotten liberal attitude towards the enemy must be liquidated. . . . Class-alien and unreliable elements must be kept occupied in specialised jobs under supervision. It is not irrelevant to us where the enemy and the doubtful elements are hiding. We must choose their place of work, and they must not penetrate where they will."

It is impossible to say whether any specific event made the Government decide to put this long-conceived plan into operation. It has announced that the flats of the expellees have been given to Stakhanovite workers and workers with large families. If this is true, and the occupants of the flats are not Russians, the Government may have thought that the expulsions might serve to kill two birds with one stone: they might finally extinguish the last survivors of a class which stood for something different than the present regime, and also reduce the discontent with the regime which for the last year has clearly been considerable among the industrial workers themselves.

The Twelve, the Six, the Five and the Three

[FROM OUR PARIS CORRESPONDENT]

As the continent goes away for its summer holiday, the stage is set for the second act of European integration. In Paris, the undisputed centre of the higher planning, the twelve-cylinder brains of international functionaries will be turning over steadily during August and September. Although a temperature of 107.6 has already been recorded in Cordoba, it is hoped that Paris will be spared the experience of the constituent conference of the Organisation for European Economic Co-operation in 1947 when the thermometer stood in the hundreds.

The drive towards European unity began in earnest on May 9, 1950, when M. Schuman proposed the pooling of Europe's coal and steel industries, although Mr Churchill's original conception of a European movement, and in particular of a Franco-German *rapprochement*, came as early as 1946. Since May of last year the Schuman Plan treaty, a constitutional document of an entirely new type, has been elaborated and signed by the governments of France, Germany, Italy, Holland, Belgium and Luxemburg and now awaits ratification by those countries' parliaments. A second phase of the process of integration opened with the decision taken by the North Atlantic Treaty Organisation in Brussels last December that Germany should be associated with the 12 member states in the defence of the European continent. This decision gave rise to two parallel and rival consultations: the Petersberg conversations between the three powers occupying Germany and a German military committee on a German defence contribution viewed in purely German terms; and the Paris conference on a European army between delegations from France, Germany, Italy, Belgium and Luxemburg. The Petersberg report, which virtually rejected all the limitations upon a rearmed Germany envisaged in Brussels, has been in the hands of the Three for several weeks. The Paris report, which contains a large area of agreement between Germany and the other four participants as to the manner of Germany's integration in a European army is now before the governments of the Five. Another and most important consequence of the Brussels meeting of Nato was the establishment in Paris last May of a financial and economic board to assess the economic burden of the armaments programmes of the Twelve. The FEB has now completed the examination of the national burdens and is compiling its report for the Nato conference in Ottawa in September. Germany, which is not a member of Nato and has as yet no defence programme, will figure only indirectly in the FEB's report.

Tying-up Loose Ends

Provided a French government is formed fairly soon, the planners foresee the following ideal timing of events, whereby the loose ends of the tangle of defence diplomacy will be neatly rolled into the Atlantic-plus-European ball. The Five of the European army conference will, by courtesy of the Three occupying Germany, as soon as possible sign a treaty establishing an integrated continental defence force containing Germans. (Before this can happen the Paris conference, which remains in session, must iron out the outstanding points of disagreement.) The resulting army of the Five, having received the blessing of Nato in September, will then gradually take form and come under the command of General Eisenhower alongside the American, British, Canadian and other European forces at present under SHAPE. Continental officials stress the economic importance of the single military complex, which will rest on the single economic complex of the Schuman community (less Holland, which has hitherto remained outside the European army as an observer). The Schuman community will be finally consecrated by the ratification in the autumn of the Schuman Plan treaty by the parliaments of the Six. It is believed in Paris that neither the opposition of the French steel industry, which is represented in parliament within the Independent bloc, nor that of the Communists, will muster enough votes from other groups to prevent ratification in the National Assembly. The same assumption is made of the Federal German industrialists, Socialists and Communists. However, ratification of the Schuman Plan by Germany depends, it is well realised, upon the goodwill of the British Government, which must somehow be prevailed upon to withdraw its curious proviso that the Ruhr Authority (which compulsorily exports German coal) should remain in being until Germany agrees to deliver a satisfactory amount of scrap to Britain. For the condition of German ratification is certainly the abolition of the Ruhr Authority, to which the United States and France, the other two occupying powers, have already agreed.

When all these things and some others have been done it is expected that Marshal Stalin will be confronted with an Atlantic alliance in which Federal Germany will play a contractual military and economic role and Marshal Zhukov by an Atlantic defence force in which the European army anchored to a European economic community will prove an increasingly effective component.

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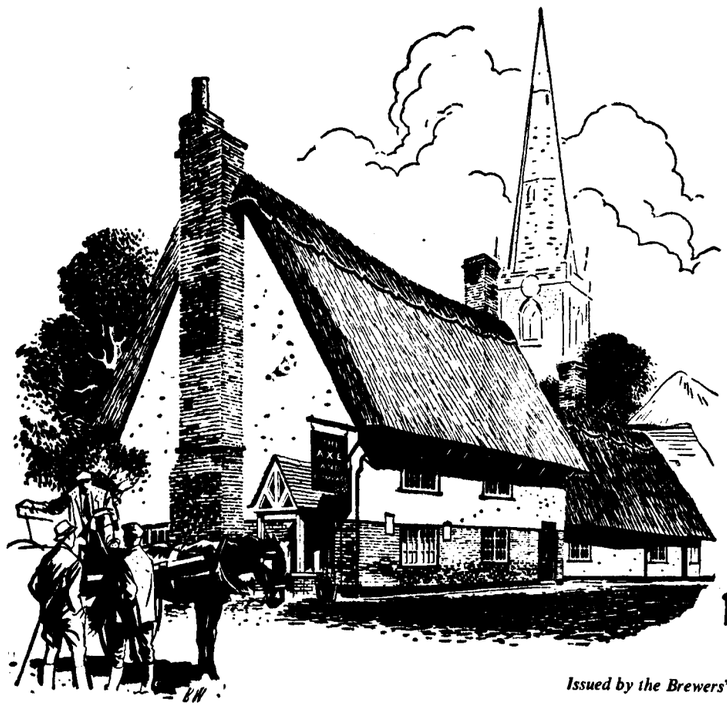

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THE BUSINESS WORLD

The Dividend Monstrosity

IT needed only Dr Dalton to set the crown on the Government's proposal to control equity dividends. For such a specialist in irresponsibility, this was too good an occasion to be missed, and the ex-Chancellor dutifully obliged last week-end:

> Mr friend Gaitskell's speech, whatever else it has done, has thrown the Stock Exchange into complete disorder, and that is good fun anyway.

Dr Dalton has his own standards of fun, and the best monument to his brand of jollity is the present price of the eponymous "Daltons," which have lost one-third of their value since he issued them in 1947. Such frivolity from a senior member of the Cabinet is shocking, and it has been well answered this week by a public rebuke from the chairman of the London Stock Exchange—the second occasion in eighteen months on which Mr John Braithwaite has explained for the benefit of Ministers who ought to know the facts, and for the information of the wider public which can so easily be deceived, what the Stock Exchange does and how its work embraces almost every aspect of the life and activity of the country:

> Is it "fun," then that all this should be thrown into "complete disorder" by a scheme for the limitation and reduction of dividends, which, by the manner and timing of its announcement, and the anomalies and obscurities that cannot be at once resolved, must keep this great market in suspense for several, and perhaps for many, months? Is it, indeed, "fun" that scores of millions of pounds should be struck off the value of the national assets, to the great detriment of the collection of estate duty? Or that the slender incomes and capital of countless small families and persons should be reduced . . .? And is it "fun," or sense, or anything else, that the possibility of raising new equity capital for new industry . . . should be killed stone dead?

It is good that the chairman should have delivered such a trenchant reply to Dr Dalton's expansive mischief. But it is addressed as much to the injury as to the insult that followed, and it is extraordinary that no other protest has been expressed with the authority of industry or the City at "friend Gaitskell's" proposals themselves. The basic irresponsibility of the scheme is a fact that needed no embroidering from Dr. Dalton. It amounts to government by White Paper—and a White Paper of a most confusing and indefinite kind. It is entirely in character with recent Treasury attitudes on financial and fiscal problems that the most explicit, and almost the longest, paragraph should be concerned with action against forestalling and evasion; no doubt the Bill, if and when it comes, will be able to improve even on this, by making sure, for instance, that any sums set aside specifically to dividend reserves during the next three years are somehow brought under Treasury control or flatly forbidden. The White Paper is couched in draftsman's language that gives it a specious air of precision; in fact its precision vanishes as soon as one tries to discover what is likely to happen in anything more complicated than the most self-evident cases. There are any number of points of detail that have to be resolved. How will the Treasury define the "exceptional circumstances" that may—in its sole judgment—justify an increase in controlled dividends? How precisely is the "proportionate adjustment" of controlled dividends to be carried out in cases where "the relevant capital" is increased during the period of control? The vagueness of the proposals will ensure a special kind of "fun" for Treasury officials if they attempt to find answers to the hundreds of questions that companies and the issuing houses will want to put to them. Their reply, indeed, is likely to echo that of the mayor in *The Lady's Not For Burning*—"This will all be gone into at the proper time." And the proper time can hardly arrive until they have definitions and authority embodied in an Act of Parliament—say the beginning of next year, at the earliest.

* * *

Last week's leading article on dividend control demonstrated the emptiness of the Chancellor's assertion that his proposals were necessary on "psychological" grounds. In no sense do the facts support the "psychology." They have been repeatedly demonstrated from official figures given in the National Income White Paper—the suppression of which would doubtless be another good "psychological" move if any large proportion of the Labour Party's supporters read and understood it. The following extracts from the White Paper show that since 1947 wage and salary incomes have increased by one-quarter, professional earnings by one-fifth, farm incomes by one-half, and company profits by one-tenth. Interest and dividends paid by companies have remained completely stationary, in terms of money, and have fallen in real value by one-eighth:

SHARES IN THE NATIONAL INCOME (£ MN)

	1938	1946	1947	1948	1949	1950
Wages	1,735	3,140	3,580	4,025	4,230	4,470
Salaries	1,110	1,790	1,960	2,200	2,350	2,500
Professional Earnings	84	133	150	161	172	182
Farming incomes	64	190	205	261	304	302
Traders' profits	440	765	800	810	815	845
Company profits	536	1,224	1,527	1,580	1,488	1,692
Interest and dividends paid by Companies	560	755	824	796	803	827
Price Index of Consumers' Goods	*55*	*87*	*93*	*100*	*102*	*105*

Source: National Income White Paper.

At intervals since his Budget Speech, when he referred in moderate terms to profits and dividends, the Chancellor of the Exchequer has in fact gone a long way to create the "psychology" that he now puts forward in justification for the control of dividends. He has dealt,

rather less than fairly, in percentage increases in dividends, without giving the actual rates of dividend on issued capital—much less on real equity capital. In this way he has conjured up a menace that is magnified beyond all reason, "psychological" or otherwise. Even if it is legitimate to take the gross rates of dividend (that is, before deducting income tax at the increased rate and allowing for the depletion of company reserves by the 50 per cent tax on distributed profits, which was increased by the Budget from 30 per cent explicitly as an alternative to control of dividends) the facts do not bear this kind of exaggeration. The following table shows the gross rates of ordinary dividend paid by companies in various industrial groups; they are calculated from the results of companies published in the second quarter which can be said with reasonable accuracy to relate to the preceding calendar year:

AVERAGE GROSS DIVIDENDS of "SECOND QUARTER" COMPANIES, ATTRIBUTABLE TO CALENDAR YEARS.

Industrial Group	1948	1949	1950
	per cent	per cent	per cent
Breweries	17·5	15·6	16·4
Clothing and footwear	23·6	21·6	22·7
Entertainments	15·1	15·5	15·6
Food and confectionery	16·0	13·5	16·4
Hotels and restaurants	15·1	18·6	11·4
Shops and stores	23·5	25·1	29·1
Tobacco	25·1	25·5	27·8
Building	17·8	14·7	18·5
Engineering	16·5	14·0	15·6
Iron and steel	11·8	10·9	13·3
Shipbuilding	9·5	8·5	10·5
Chemicals and paint	11·8	11·8	13·9
Electrical manufacturing	14·4	11·8	13·5
Newspapers and printing	19·5	16·6	19·2
Cotton	12·2	12·7	14·5
Wool	16·0	15·6	18·1
Oil	14·9	14·0	22·5
Rubber	3·3	5·3	19·8
Average of all companies (including other groups)	13·8	13·3	16·2

This table serves two purposes. It demonstrates that industry has not exceeded the bounds of moderation and restraint which it promised to observe when voluntary limitation of dividends came to an end. Six of the eighteen groups paid lower percentage dividends in respect of last year than were paid in respect of 1948. Secondly, the latest increases have in no case involved the kind of extravagance that the Chancellor has denounced; they have gone a very small way towards redressing the sacrifices imposed by dividend limitation in earlier years.

But the real test is in terms of risk capital as a whole, not merely that part of it that is represented by share certificates. The figures have been given quarterly in *The Economist* for more than three years; they show the gross return in terms of earnings and dividends, on the net worth of the companies whose reports are brought into the analysis—nearly three thousand a year. The answer to those who argue (on the lines of a correspondent on an earlier page) that "the return for investors should not exceed the gilt-edged return by much more than the risk involved" ought to be evident from the next table. The return does not in fact exceed pure interest by more than the risk element. The dividends declared in the second quarter of which the Chancellor makes such loud complaint represents 5½ per cent on the capital belonging to the ordinary shareholders—on the capital that they have subscribed and reinvested in the undertakings that they own.

EARNINGS (E) AND DIVIDENDS (D) AS PERCENTAGE OF REAL EQUITY CAPITAL.

	1948		1949		1950		1951	
	E	D	E	D	E	D	E	D
1st Quarter	13·6	9·4	15·3	8·4	14·7	7·3	16·1	7·8
2nd Quarter	13·6	6·7	15·4	6·0	13·7	5·1	12·9	5·5
3rd Quarter	12·7	6·0	16·7	6·4	16·1	6·0	...	...
4th Quarter	14·2	5·6	13·1	5·6	14·2	5·6	...	...

Note: Dividend percentages have been grossed up for income tax; earnings percentages allow for profits tax at full rate.

Whatever the "motivations" of the public company may be, the motivations of shareholders are quite clear: they provide their savings for the development of industry; they remain invested in particular companies because they are satisfied with the management and with their return; if they are not satisfied with these things, they sell their shares, the price is depressed and the company finds greater difficulty in raising new capital on the market. The institutional view of public companies that Mr Albu seeks to assert is acceptable only on the assumption that the role of the private investor is finished. It is not finished yet, and it will be a bleak day for economic progress and industrial efficiency if it should ever be finished. The private investor can be got rid of by inflation, heavy taxation and spiteful interference with his income; he would not be the only "capitalist" so to suffer. The price, however, should be clearly realised; it would be industrial sterility, the end of risk capital and the end of risk taking, the temporary preservation at best of industry's assets until they waste away. There have been abundant signs in recent years that this process is afoot; it needs only a little more determination by those who think, as Mr Albu evidently thinks, that the economic development of this country has reached its apotheosis in the companies that now exist (with the privately owned companies, despite their income tax and estate duty problems, charged with the responsibility for what innovation there is) to complete it. That was the gist of what was said here last week, and it calls for strengthening rather than modification.

*

The many months of uncertainty, of which Mr Braithwaite spoke, will bring debilitation to the equity share markets and the cessation of new issues. To issue a prospectus would be in these circumstances not a mere technical problem—it has long been that—so much as an exercise in metaphysics. The position of issuing houses and brokers who have held out legitimate expectations of dividends on new shares has been made acutely embarrassing; will the Treasury exercise its discretion in such cases where the dividend forecast in the prospectus exceeds the "controlled dividend" as defined in the White Paper? What is the position of emigrant companies who removed their seat of control from this country before the Finance Bill was introduced but are still companies "registered under the Companies Act, 1948, or its predecessors"? The case of rubber companies cries out for special dispensation, but will the Treasury "think fit" to provide it? The limitation imposed on new companies of 7 per cent ordinary dividends is ridiculously unfair; this is "equity" as the mediaeval lawyers condemned it—a monstrous thing that varies with the length of the Chancellor's foot. They were talking of a different equity and of a different Chancellor, but they would have voiced the same condemnation for the arbitrary setting of such unfair limits from which the only escape rests upon the exercise of a discretionary power delegated to the Treasury by the Chancellor himself. All these questions, and the hundreds of special cases of other kinds that cannot be fitted into the formal compartments of the White Paper will presumably remain in suspense until the Treasury is empowered, and staffed, to answer them.

The net effect on equity prices between Thursday last week and this is measured by a fall from 132.9 to 127.1 in the *Financial Times* index. Mr Gaitskell accepted this fall as desirable, since he argued that the rise of 17 points since the Budget had "inflationary consequences." There has been no general selling of ordinary shares, and the lower and wider prices quoted immediately dividend control was announced have played a useful part in giving fair stability to the market while investors think out their policy afresh. The main impetus to ordinary shares in the past three and a half months has come from institutional buying; the institutions are now out of the market and seem likely to remain out until the issues raised by dividend control are clearer. They are certainly not coming back to the support of gilt-edged; a government that has no scruple about the treatment of ordinary shareholders cannot provide much attraction for its own wares. There will, eventually, be some level at which the ordinary share market can find a firmer foundation—when the Bill appears, perhaps, or when the election takes place. But no ordinary share investor, after the experience of the past week, will forget the animus that has inspired the Government's proposals. Thrift, wise investment, and economic progress do not flourish on hate.

Resort to Price Control

THE Chancellor's announcement of new price controls last week was couched in very general terms. He revealed that the Central Price Regulation Committee is undertaking a special review of all goods that have been de-controlled since the war. So far, it can only have nibbled at this task, but it has already recommended the reimposition of price control on a wide range of household and kitchen utensils, stationery and paper goods. Discussions are now proceeding about "the most suitable form of control" for these goods, and manufacturers have been asked not to raise prices while standing in line for the guillotine; some of them have apparently agreed. For certain goods that are already price controlled, the notorious "cost-plus" system of fixing prices for individual manufacturers' products will be resurrected. Since this system normally destroys all incentive to efficiency—for any reduction achieved in costs automatically leads to a reduction in controlled selling prices—the Government "has in mind" to bring efficient producers under a lower ceiling; if they can further reduce their costs, the greater will be their reward for efficiency. The Minister of Food is considering the reintroduction of price control for certain groceries, and he is also "prepared" to introduce a scheme of "full price control" for fish in the autumn, unless supplies and prices make it unnecessary—thus indicating that pressure from his backbenchers has got the better of his previous judgment on this matter. The Government's professed objective is to play Canute with "a very wide range of commodities."

This programme is obviously inspired by politics, not by economics. Unfortunately, however, it is in the economic field that its consequences will be reaped. There are three questions, in particular, that are raised by this decision to resort once again to price controls in preference to asserting an economic policy. First, how far will these controls, which can only tend to encourage increased domestic consumption, drag resources away from the export drive, from the rearmament programme and from essential capital investment? Secondly, how is the new system going to be made to work? And, thirdly, what will be the long-run consequences for the standard of living and for industrial efficiency?

*

To the first of these questions it is possible to give a reasonably specific answer. The Economic Survey estimated last April that disposable personal incomes would rise by £747 million in 1951, but that personal consumption would have to be cut by £50 million (at 1950 prices) to make way for increased exports and rearmament. The

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authors of the Survey believed that £684 million of this apparent "personal inflationary gap" of £797 million would be bridged by automatic price increases (in short, that British consumers would buy £684 million worth of "nothing" in 1951); the bridging of the rest of the gap—and also of any additional gap that might be caused by withdrawals from personal savings—was left to the deflation of personal incomes through the Budget.

In the first quarter of this year (which is as far as the available statistics stretch), personal spending was reported to be running at an annual rate £788 million above that of the first quarter of 1950. Of this increase of £788 million, only about £350 million represented the annual rate of "purchases of nothing" (i.e. was due to price increases); real consumption was running at an annual rate some £440 million higher than in the first quarter of 1950. In other words, up to March 31st, the rate of price increases seems to have been well below what the "Economic Survey" had postulated for the year, while personal incomes or withdrawals from personal savings must have been very much higher than was assumed. It is difficult to assess exactly what has happened since March. It seems probable, however, that—on one side of the equation—personal incomes have risen more than was expected and that withdrawals from past savings, though slackening, have continued at an alarming rate; on the other side of the equation, price increases—though probably also slightly above the estimate—have not been sufficient to restore the balance. Real consumption has continued to increase, and the external balance of payments has continued to deteriorate.

*

The decision to tighten price controls must necessarily aggravate these alarming tendencies—alarming because they jeopardise the already narrow economic foundations on which the defence programme purports to be based. It will aggravate them even if the new measures are followed by a quite unexpected diminution of wage demands. Wage increases only add to the excess of demand over supply to the extent that there is a lag between industry's cost increases and its price increases; price control may now damp down cost increases, but it will also make this inflation-generating lag longer. It may be true theoretically that if allocations of materials and controls of production and trade are strengthened at the same time as price controls, the newly created excess of consumers' purchasing power may not exert its full effect in diverting potential exports to home consumption, of increasing the demand for imports and of impeding the industrial changes that the rearmament programme requires. But if the country had any taste for this compulsive logic, the Government has none. If the measures announced by Mr Gaitskell on Thursday last week are determinedly carried into effect, the policy of aiming at a nice balance between monetary demand and available physical supplies, a policy that Sir Stafford Cripps laboured so hard to forge, is now to be virtually abandoned.

If Mr Gaitskell really meant what he appeared to say, moreover, the administrative task that will face the Government departments concerned with price control is going to be immense. The history of British price control has always savoured of a Gilbertian ballad. Wartime experience showed that there are three different methods of price control that can be used. The first was that introduced under the original Prices of Goods Act, 1939. This had its legal basis in a standstill order that adjured each manufacturer, wholesaler and retailer to freeze the price of his products—except that he could mark them up, on a stipulated scale, as costs increased. Since it was soon found to be impossible to define exactly what "costs" meant—and since it was also proved to be impossible, when specifications were changing, to define "products" either—this system relapsed quickly into a mere tacit understanding that manufacturers would not increase their profit margins to even approximately the full extent that conditions of shortage allowed. The Government provided appropriate background noises, by staging a few publicised prosecutions, but the full ineffectiveness of the system became startlingly apparent when Mr Harold Wilson tried to amend it in 1948. It was then discovered that several smaller producers genuinely did not know that they had been—and still were—subject to statutory price control at all.

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By the end of 1941, the extreme difficulty of enforcing the system originally envisaged under the Prices of Goods Act had led the Government to lean more heavily on the alternative system of enforcing industry-wide maximum prices wherever goods could be precisely defined and their qualities specified. This system, which is the one mainly in use today, is often nominally based on a "voluntary" agreement between the Board of Trade and the trade association concerned—but the pistol of possible statutory enforcement is always ominously rattling in its holster. The first step in setting up such a system of control is for the Board of Trade or other controlling department to carry out a sample costing inquiry. On the basis of these inquiries, the Government then suggests an appropriate maximum price to the trade association concerned; after some haggling, a maximum price is usually agreed upon by adding a stated percentage of capital or turnover to some commonly accepted definition of costs. Throughout the history of these arrangements there have inevitably been continual difficulties and disputes. Problems arise about specifications and about the scope for evasion of price control through dilution of quality; even in the utility schemes there is wide room for this—the specifications for price-controlled woollen cloth, for example, merely demands that over 15 per cent of "wool or animal fibre" is incorporated in the product. There are also disputes about the correct definition of "costs"; the tendency here has been to include in costs any items for which the trade presses unanimously, but to leave out those that are important only to individual producers. There have also been long disputes whether prices should be fixed at the retail or at the manufacturing stage. The former method is usually preferable, for it allows some competition between manufacturers, wholesalers and retailers, and does not lead to the absurd situation in which retailers prefer to buy high cost rather than low cost goods (because the usual Board of Trade system of permitted percentage mark ups on original cost then gives them a higher profit margin). Nevertheless, distributors complain that they tend to be "squeezed" in times of shortage if prices are only fixed at the retail level—and the Government has sometimes lent a sympathetic ear to this argument.

The main difficulty that arose from the very outset of the establishment of this system of industry-wide maximum prices in 1941, however, was that prices that were fixed to give a reasonable margin to high cost producers (and thus to keep them in business) yielded very large profits to the more efficient producers. In normal peacetime conditions there should be no objection to this. Low-cost manufacturers should ordinarily be allowed to earn a higher profit margin and thus have some incentive to expand. But in the exceptional conditions of wartime, when factories were jolted out of their usual lines of production by the lottery of conversion for defence needs, there was some case for arguing that this system was an unfair one. The Government, therefore, slipped increasingly into the bad habit of fixing statutory prices for each individual producer—at a level that would pin him down to a "reasonable" level of profit. This so-called "cost-plus" system was not only destructive of all efficiency; it also had the anomalous result that better types of branded goods were often cheaper in the shops than inferior ones. Even in wartime, therefore, there was some move towards allowing very low cost producers to charge a higher price than a purely cost-plus system of accounting would have indicated for them. It is this system of introducing some inducement to competitive efficiency into cost-plus pricing to which the Chancellor referred last week when he put forward the proposition, which he apparently regarded as quite new, for allowing "two price ceilings" in any cost-plus system of price control that may now be battened down upon the economy.

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Between the end of the war and last Thursday week the Government made some slow progress towards dismantling this incredibly complex and hybrid wartime system of price control. There were two main lines of advance. First, the cost-plus system, which was obviously unsuitable for peacetime conditions, was gradually abandoned; and, secondly, more and more non-utility consumer goods were freed from price control altogether. Since high rates of purchase tax have increasingly concentrated domestic demand on utility goods, however, the various bonfires of controls (even the big blaze of August, 1949) had less effect on consumers' pockets than was expected. The President of the Board of Trade estimated two months ago that between 50 per cent and 70 per cent of the goods and services available to the public are still subject to maximum price control either directly or indirectly; in food the relevant proportion is two-thirds. It is difficult to say, however, how far these remaining controls have really kept down prices. The pull of competition has fortunately made some unexpected appearances at the bargaining table. In the all-important field of utility textiles, for example, the Government has generally been unable to depress maximum prices below the level at which manufacturers find it profitable to switch over to non-utility production; on the other side of the table manufacturers, even in the past few months of relatively heavy buying, have often encountered sufficient sales resistance to persuade them to try to sell below the stipulated maxima wherever possible.

The great question at the moment, therefore, is whether the Chancellor's announcement of last week merely presages the proliferation of a mass of new committees to placate the Labour Party, or whether it really heralds a new campaign to depress prices and profits below competitive levels. Unfortunately, there are signs that something of the latter sort is to be attempted. One field that may suffer heavily is that of textiles. New and higher prices for wool clothing that are now coming into effect reflect the increase in wool cloth prices of last February, which in turn reflected the level of raw wool prices in October, 1950. No adjustment has been made for the great increase in raw wool prices that took place between October and March, and the indications are that the Government may seek to "jump" the effects of this period and proceed straight to the reduction in prices made possible by the fall in raw wool since March. Similar steps are feared by the other textile industries. The carpet industry has already been served with notice that maximum prices will be reduced—and, possibly, that a "cost-plus" system for individual manufacturers will be introduced; this announcement, it is claimed, is already exerting a catastrophic effect on the industry's stability and orders.

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The other *cause célèbre* that provides an ominous straw in the wind for industry as a whole is that of British Plaster Board Ltd. This company was subjected to a "cost-plus" system for its plasterboard sales last March (in place of the industry-wide price control system previously agreed between the Ministry of Works and the Gypsum Building Products Association); the company also seems to have had some reasonable complaint about the methods used for the assessments of its costs in producing building plasters. Last April, therefore, it withdrew from the voluntary control arrangements—and the weapon of statutory enforcement was immediately drawn from its scabbard. In default of a satisfactory presentation of the Ministry's case—despite plentiful opportunities for Parliamentary discussion—it is difficult to avoid the conclusion that the Government has hit out at this company simply because its efficiency has made its potential profit margins look unusually high.

If this really is the line along which policy is now to develop, the detrimental effects that it will exert in the long run on industrial progress cannot be exaggerated. The logical conclusions of Mr Gaitskell's proposals are that producers will now find it most profitable to concentrate on inessential (and therefore uncontrolled) articles; that the home market will no longer be able to serve as a testing ground for new export goods; that successful and essential domestic producers will be unable to raise new capital for expansion; and that all incentives towards checking cost inflation within individual factories will be destroyed. There is not even the valid excuse that the new measures merely constitute a return to conditions still nominally ruling in the immediate postwar years; at that time industry was advancing out of the tunnel towards the light, now it is trudging back wearily into the dark. Unless the administrative machinery now being pulled out from under postwar dust sheets proves too rickety to work—which seems very likely—the principles on which Mr Gaitskell based his Budget, the prospects for optimum deployment of resources for exports and rearmament, and the scope for long-run expansion of British competitive efficiency may be disappearing into the darkness with it.

Business Notes

How Large a Deficit?

In his statement to Parliament last week, the Chancellor of the Exchequer seemed inclined to treat the deterioration of the balance of payments as a purely secondary issue—although it was this deterioration that was the immediate pretext for the debate. The little that he did say was, however, disquieting. He estimated, first, that the sterling area would run a gold and dollar deficit—"possibly a quite substantial one"—in the third quarter of the year. This deficit would be partly due to unusually large dollar imports amounting to at least $100 million more than in a normal quarter, and partly to further losses of gold and dollars to the European Payments Union. Mr Gaitskell believed, in fact, that Britain might have to pay back to EPU this quarter the whole of the $80 million of gold and dollars that it had received from the Union in previous months. He added, however, that the sterling area's dollar balance in the fourth quarter should not be so unfavourable—though he expected another deficit. The Government has decided, therefore, to "review the dollar import programme ... and reduce expenditure wherever this can be done without damage to our long-run interests."

The Chancellor's review of the prospects for the United Kingdom's own overall balance of payments was equally gloomy. He believed that the import bill this year, without allowing for Government stockpiling, would probably be "well over £100 million more" than the Economic Survey's estimate of £3,200 million. Furthermore invisible earnings this year "are unlikely now to exceed £400 million" (compared with the Survey's estimate of £450 million). Consequently export earnings will now have to be considerably above the Survey's target. To secure bare equilibrium, even excluding stockpiling, exports in the second half of 1951 may have to rise by £300 million (or by nearly a quarter) above the figure of £1,300 million achieved in the first half of the year. The recent trend of overseas trade figures do not suggest that this increase can possibly be achieved. To estimate an increase of £100 million in United Kingdom exports in the second half of the year would seem to be to strain optimism to its limits. That would leave exports £200 million short of their new target and, since the bill for stockpiling may now be nearer £150 million than £100 million, this suggests that there may be an overall external gap of about £350 million in 1951.

ESTIMATES OF UNITED KINGDOM'S EXTERNAL PAYMENTS IN 1951
(£ Million)

Economic Survey Estimate		Chancellor's New Estimate	
Imports*	− 3,200	*"Well over"*	− 3,300
Invisible surplus	+ 450	*"Unlikely to exceed"*	+ 400
Exports needed	+ 2,750		+ 2,900

Annual rate of exports in first half of 1951, £2,600 mn.
* Excluding stockpiling.

* * *

The Chancellor and the Banks

In his speech Mr Gaitskell was more explicit about his views on credit policy than he has been hitherto. These views can be fairly summarised by saying that the Government is now prepared to sit at the sideline and cheer on any steps toward dearer money that are taken by anybody but itself. America's cheap money policy, Mr Gaitskell noted approvingly, has lately been modified "with marked effect." The rise in British banks' advances rates and commercial bill rates was a development to which he "raised no objection." But, as a rise of a half per cent in floating debt rates would impose—according to his calculations—a net strain of £16 million on the budget, the anomalous subsidisation of short-term Government borrowing is to go on. "The important thing," according to Mr Gaitskell, "is that, without increasing the burden on the Exchequer unnecessarily, the level of bank advances should not be allowed to expand at a rate which produces inflationary consequences internally." To this end, the Chancellor has asked the Governor of the Bank of England to "repeat with emphasis" the customary request to the banks "to restrict any extension of bank credit for any but essential purposes"—and he has received the customary reassurance that the banks will continue to do what he now terms "their duty."

This reiterated exhortation comes at a time when the rate of expansion of bank advances, in any case, would normally be expected to slacken. In the second half of 1950, it will be remembered, clearing bank advances fell by £3,800,000, after having risen by over £125 million in the previous six months. Bank advances have made a similar good start to the second half of 1951. In the first eighteen days of July they fell by £33½ million, after having risen by nearly £238 million between end-December and end-June. Part of the fall in July will have been due to the repayment of up to £7,500,000 of bank advances out of the application money put up for the Gas Council's recent issue. Unfortunately, however, the clearing banks' net deposits continued to rise—by £46 million in the eighteen days—because of increased Government borrowing from them on Treasury bills; some of this increased borrowing will have been due to switches out of floating debt into the new Gas stock by the Bank of England, but, even so, the rise in Government borrowing was unexpectedly large—especially in view of the receipts the Government must now be securing from the sterling counterpart of the external deficit. The main inflationary impetus behind bank advances in the next few months will spring from the Chancellor's dividend freeze, which has effectively slammed the door on any industrialist who would otherwise have been able to mobilise genuine savings through the medium of new issues. This factor, however, is unlikely to counteract fully the seasonal slackening in new bank lending. It may be for this reason that the Chancellor has chosen this moment to reiterate a directive that was being faithfully carried out already. After all, Canute would have considerably enhanced his reputation as a controller if he had timed his exhortation for the estimated hour of high tide.

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Production Prospects

The official index of industrial production continues to support Mr Gaitskell's confidence that output will rise this year by the full four per cent assumed in the Economic Survey. For the first five months of the year, output was 4.6 per cent above the 1950 level; and the forecast for June puts the index figure at 147-8, compared with 143 in June, 1950. The seasonal pattern of output since the war shows a marked increase in the autumn, following the naturally low figures of the holiday months. If the 1951 pattern follows last year's, the four per cent increase would be achieved; on the pattern of 1948 and 1949, the increase might be fractionally lower. Statistically, however, the estimate still looks reliable.

But production, as Mr Gaitskell admitted, depends upon many material factors: in particular, supplies of steel. The industry is still fairly confident that 16 million tons will be produced this year. This would enable deliveries to consumers slightly larger than last year's, but assuming slightly less drawing from stock, consumption at about the same level. The large annual increases in industrial production achieved in 1949 and 1950 were associated with increases in home consumption of steel, in the first year by almost a million tons, and in the second of about half a million tons. The absence of such an increase this year must affect output; but this was allowed for in the official forecast. Next year, coal may impose a check upon industrial production: partly through home shortage, and partly because the decline in exports may adversely affect imports of iron ore, timber, woodpulp, and pyrites.

INDUSTRIAL OUTPUT, 1950-51
(Official Interim Index)

	All Industries		Mining and Quarrying		Manufacturing		Building and Contracting	
	1950	1951	1950	1951	1950	1951	1950	1951
January	135	140	116	116	138	146	125	111
February	140	150	119	124	144	156	127	125
March	144	140	120	117	150	145	127	119
April	135	151	110	127	139	158	135	129
May	141	146	119	115	147	153	134	127
June	143	(147-8)	112	...	150	...	139	...
July	134	...	106	...	139	...	140	...
August	123	...	94	...	128	...	130	...
September	143	...	116	...	149	...	140	...
October	152	...	120	...	158	...	141	...
November	153	...	121	...	159	...	139	...
December	140	...	114	...	145	...	120	...

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The Question of the Waiver

Between now and the end of the year the question of the proper interpretation of the waiver clauses attached to the United States and Canadian credits raised by the British Government in 1946 will become increasingly topical and perhaps controversial. The first payments on these credits are due at the end of December. The loan agreements provided that, in certain adverse economic circumstances, the British Government could ask to be forgiven interest payments from year to year. The Chancellor of the Exchequer will undoubtedly be discussing this matter with the United States Secretary to the Treasury and the Canadian Finance Minister when they meet in Washington in September at the annual meeting of Governors of the International Monetary Fund and the International Bank.

Mr John Snyder recently stated in Washington that he had no reason to expect that full payment would not be made. This week the Chancellor of the Exchequer stated in Parliament that he was not yet in a position to say whether circumstances would justify a request for the waiver of interest, but repeated what he had already said last April, namely that provision had been made for full payment in this year's budget. If the waiver is to be invoked, the British Government must first detail its own views about the adequacy and likely movements of the gold and dollar reserves. Thereafter, these views must be tested in the light of intricate calculations that relate the outturn of the 1950 balance of payments to imports into the United Kingdom for the period 1936-38; in these calculations the findings of the IMF are to be regarded as definitive. There is all the more reason, therefore, why the matter should come to a head at the IMF meeting next September.

Agreement with Canada

Another dollar loan—the $700 million interest-free loan granted by Canada to the United Kingdom in 1942—has also been in the news this week. Mr Gaitskell has announced that, subject to confirmation by the Canadian Parliament, the existing arrangements for gradual repayment of the capital of this loan will be extended until the end of 1953. The British authorities will therefore continue to earmark for repayment of the loan all Canadian dollars secured from the sales or redemption of Canadian securities held by United Kingdom residents—except that, under the agreement reached in 1948, the British authorities may first deduct the dollar equivalent of new direct British investments in Canada. Unfortunately, this formula involves a ban on any switching of Canadian securities held by British residents. The Canadian Government was apparently asked whether it would agree to any modification of this restriction but, although it generously agreed to extension of the interest-free repayment arrangements, it did not feel able to accede to this request. The ban on switching in Canadian securities will therefore presumably remain for another two and a half years—or until such time as the outstanding $250 million of the loan is repaid.

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German Scrap

Steel production plans for 1951 were originally based upon the hope that a million tons of scrap would be imported from Germany, though firm contracts were held for only about half a million tons in the first half of the year. By the end of June, in fact, deliveries were 90,000 tons in arrear under the agreement: for the second half of the year, the German offer amounted to only 10,000 tons a month, compared with the 100,000 tons a month mentioned earlier by the Federal Government. New proposals put forward by the British representatives in current negotiations, however, appear to be receiving rather more favourable consideration from the Germans than earlier suggestions.

The British case is based upon the belief that German collection of scrap is not bringing in the amounts that are still to be had—a view partly supported by the report of the Economic Commission for Europe committee on scrap supplies. It is suggested that the first 300,000 tons per month should be delivered to the German steel industry, that the next 50,000 should be made available for export and that any supplies in excess of 350,000 should be shared equally between home and export customers. Of the total exports, the existing formula, which does not seem to be in dispute, would allot the United States and Britain 60 per cent—of which Britain up to now has received the larger share. With scrap collections at the present rate of some 400,000 tons a month, this would leave the Germans 325,000 tons and free 75,000 tons for export, of which Britain might hope to receive perhaps 30,000 tons or more a month. Imports under even this sliding scale—and the German contention so far has been that no allocation for export should be made until its home industry has received 350,000 tons—would offer only meagre imports for the British industry in the remainder of this year and 1952. But they would represent a considerable improvement upon the prospect presented by the first German offers.

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Winter Power

If this winter is as bad as last, electric power cuts may be the most frequent and severe yet. Some shortages of domestic coal seem certain, and electricity demand is already rising far more steeply than generating capacity. There is some danger, indeed, that the British Electricity Authority may not be able to commission as much generating plant

this year as it did last year, though it planned to bring in more. Shortages of non-ferrous metals and special materials have been quoted as the reasons for delays in delivering some generating equipment: on the sites, shortage of structural steel has delayed and in one or two cases entirely held up the construction of power station buildings. The BEA is experimenting at one site with the installation of "semi-open" boiler plant, on the lines of stations in America described by its recent productivity team; this should provide some moderate savings in structural materials.

At a conference last week with the Minister of Fuel and Power, representatives of domestic, commercial and industrial users of electricity agreed to set up regional committees to publicise the peak load problem. They will attempt to induce other users to share the inconvenience accepted by industrialists who agree to "spread" their electricity load. Area Electricity Boards are now studying the extension of such load-limiting systems, of various types, as exist within their localities: and the BEA's experiments with larger-scale load control by central control are continuing. There seems no great hope that this system, even if it overcomes the BEA's ingrained caution, could make much difference this winter. It would involve the production and installation of a considerable amount of equipment at central stations and consumers' premises. Moreover, inducing a consumer to accept a limitation upon his "firm" supply of power will not be easy: the BEA considers that purely financial incentives are not likely to be effective, and may seek some statutory power to renegotiate contracts on this conditional basis (and to protect it from any responsibility arising from compulsory reduction of power supplies). Such possible statutory provisions are perhaps the cause for rumours that "rationing of electricity used in electric fires" might be imposed this winter; such a measure would set administrative—and electrical—technicians some quite remarkable conundrums.

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Directors for Steel Companies

Characteristically, Mr Steven Hardie has not bothered to explain—still less to justify—the policy followed by the Iron and Steel Corporation last week in opposing the re-election of two directors of Thos. Firth and John Brown, Ltd., and "expressing its desire" for the retirement of five others. The five directors resigned, as did their chairman, Lord Aberconway. A day later, two directors resigned from Gjers Mills, Ltd., saying that the Corporation had intimated that it wanted only executive directors on the board of this company.

More than one issue may be involved here. The seven directors of Firth Brown are also directors of John Brown, Ltd., its former parent company and chief customer. It might be questioned whether directors of such a company should retain their seats on the board of a subsidiary sold to new owners: last week, for example, certain nominee directors on the board of English Steel Corporation, formerly representing its joint owners, left the board. The two cases, however, are not strictly comparable; and any justification of Mr Hardie's action upon this ground is weakened by the fact that he apparently asked Lord Aberconway, chairman of both companies, to remain at the head of Firth Brown.

The second question involved, according to certain of the resigning directors, is the composition of nationalised steel company boards in general. A "proper balance" between executive and outside directors, which Mr Hardie mentioned in certain disjointed remarks about the Corporation's action, is a formula that few management theorists would like to define: in practice it must depend entirely upon the company and the personalities involved. In most large industrial organisations—including other nationalised industries—there is agreement that the general business experience of outside directors can be of considerable value within a company. In any case, certain of the directors whose resignation was suggested from Firth Brown were executive directors who could not be considered as outside the steel industry in any sense. There has been no hint whether this policy is to be applied throughout the companies that have been nationalised: and it may be said that in view of the personalities involved the selection of these particular companies for arbitrary action has a special interest of its own. The suggestion that has been made this week that the directors concerned should not have accepted the Corporation's mere "expression of desire," and should have stayed might mean some embarrassment for them or others placed in the same position. But it would place Mr Hardie in the position of any other controlling shareholder wishing to impose a sudden decision upon a company; and the procedure might, at least, draw an explanation of his conception of the composition of the boards of directors of his creative companies.

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Wages and Transport

It would perhaps be unfair to describe the claim for a 10 per cent increase in wages jointly presented by the three railway unions as the first psychological reaction to dividend control. Certainly the Commission, with its mounting deficits, can hardly have excited the envy that Mr Gaitskell claims to find among the trade unionists as a whole in their attitude towards dividends. But it is certain, without need for question, that the claim has been encouraged, and will be almost impossible to resist, by reason of the way in which last February's increase came to be granted—namely, by the intervention of Mr Bevan, then Minister of Labour, in demanding a settlement on his terms and overriding the Railway Executive's views. The increase now claimed would cost practically £20 million a year—which is roughly the size of the current deficit on the Commission's revenue account. It is questionable whether the normal process of negotiation is worth proceeding with after the experience of six months ago. If any proof were needed that the unions can order affairs to their own wishes, the failure of the experiment to secure the better use of railway manpower is surely conclusive; the unions have made "concessions" on van guards and knockers-up, but there has been no sign whatsoever of progress towards agreement on lodging turns; locomotive manpower is short, and the best use is not being made of what there is.

These points were not brought out in Tuesday's debate on transport. But the discussion was notable for a presentation of Conservative policy on transport by Mr Peter Thorneycroft, who urged that the private road haulier should be freed from restriction, and that the railways and publicly-owned road haulage should be reorganised in regional groups "of a size at which there is some possibility of finding somebody big enough to run them." Mr Thorneycroft would wind up the functional executives (which would have no useful purpose to serve) and give greater scope for competition, flexibility and freedom. This is perhaps not a completely detailed picture of what would have to be done; if the Commission is to become an effective board of direction, concerned with general policy, it will still need some central management service to deal with such questions as wages, purchases, capital investment, and charges.

None of this found any place in the Minister's reply. "It is no use," said Mr Barnes "dismissing lightly suggestions of this kind made by responsible people when advanced as a solution of this problem." The suggestions he referred to were four: a subsidy; payment for strategic lines; a cut in interest payments; and a drastic curtailment of C transport. "Whatever may be the ultimate decision of Parliament," Mr Barnes proceeded "I do not consider that any of these solutions are correct at the moment." This is too equivocal to be satisfactory. As for the charges scheme, promised for August 5th, a further delay has been accepted. The scheme (which

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is not in any case to include road haulage rates) is to be delayed while discussions take place between the Commission and coastal shipping, and the chairman of the Commission has welcomed the opportunity of a little further time until the end of the year to "polish up" the scheme. Polishing up, however, is unlikely to resolve the basic difficulty—how to obtain more traffic by quoting cheaper rates for high-value freight, and recouping the loss of revenue by increases in low-rate traffic. The latter process implies increases in British industrial costs that are not pleasant to contemplate.

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Wheat Argument Continued

A special meeting of the International Wheat Council was held in London on Monday and Tuesday of this week to discuss the proposed carrying charge. The greater part of the time was spent in debating the case for the carrying charge which Canada, the United States and Australia want to add to the maximum International Wheat Agreement price of US $1.80. No settlement was reached ; the problem has been referred to the executive where it is hoped some agreed compromise will be reached. It never seemed that any settlement would be possible. In any case a body of some 50 members is less fitted to this kind of thrust and parry than the executive committee on which sit the three major exporters and seven importing countries—each group with equal votes. The Council meeting was important as the first occasion when importers and exporters presented their arguments to one another. The dispute turns on the reading of the sentence in article VI of the agreement and on the meaning of "carrying charge." Article VI states: —

> The basic minimum and maximum prices, and the equivalents thereof hereafter referred to, shall exclude such carrying charges and marketing costs as may be agreed between the buyer and the seller.

Canada, the United States and Australia argue that the charge is a proper one in view of the extra cost of storing wheat in the exporting countries when deliveries are made steadily during the year ; it was imposed before under the Anglo-Canadian agreement and during part of the first year of the agreement, and they consider that the exporter has the right to impose a carrying charge when necessary.

The importers oppose the charge on the grounds that circumstances have not changed since last year when no charge was suggested and that a unilateral attempt to impose the carrying charge on importers is against Article VI. If there is no agreement between importer and exporter, they argue, then there can be no question of adding a carrying charge. One of the telling points that can be made on the importers' side is to question the interpretation of the words, "carrying charge." The importing countries argue that a carrying charge can only be levied in respect of costs incurred after wheat has been moved from bulk storage ; and that the maximum price in the agreement should not be altered to compensate for any change in cost of harvesting or storing the wheat up to the port bulk store. Since the exporters' case as presented is based on general costs of storage inside the producing countries, this is crucial. The definition of "carrying charge" in the agreement is ambiguous: the importers argue that it is intended to refer to some exceptional charge because of delay in shipment or of loading, not to normal expenses.

Canada has already shipped a quantity of old crop wheat intended to be sold with the new carrying charge. If no settlement is reached by the executive committee, any such shipment could possibly be taken as a test case whether or not the 6 cents is to be paid. Such a matter could probably be settled under the rule which allows for a challenge of any transaction. It was decided at the recent Council meeting to record shipments made during negotiations as IWC transactions ; if a carrying charge is included that will presumably be recorded too. Outside arbitration may even be necessary. But the agreement is most unlikely to break down on this point. Both importers and exporters are anxious not to put an impossible strain upon it. For this reason, no proposal was put to the vote on Tuesday in order not to avoid embarrassing either side. The claim comes from Canada and has been much discussed in the Canadian press, although comparatively little elsewhere. It may prove difficult to settle.

* * *

A Case of Price—

What is at issue for Britain is something more than the payment of 6 cents, though this would have meant an increase of some £2,500,000 in the cost of British imports under the agreement in 1950. It is the value of international or bilateral agreements and the whole process of centralised buying. Is the exporter to be able to force concessions from the importer as soon as he feels in a strong position ? Canada was not interested in the carrying charge last year because at that time it was more dependent on exports under the agreement. It will be remembered that the revised meat agreement with Argentina also involved a substantial financial "adjustment" on the part of this country. The Canadian claim for the 6 cents carrying charge is really made because of the difference between the maximum agreement price and world wheat prices during the last year. Indeed, the shadow of Canadian internal politics hangs over it, for the Liberal Party is afraid of losing farmers' votes.

In 1949 the wheat producers were satisfied with the agreement because it offered guaranteed markets at a time of expected surpluses. Although a wheat surplus, at least of any magnitude, is unlikely in the coming year, it is by no means impossible in the next few years. The question arises whether international agreements for the supply of given quantities at given prices have any meaning ; if the supplier considers that the contract price is too low, he will try to secure an increase—carrying charges or retrospective payment or any other device. If it is too high, the importer will seek to avoid his contract. This is not cynicism ; it is just simple economics.

* * *

No Relief for the Motor Industry

The Austin Motor Company, the largest exporter in the British motor industry, opened a new assembly plant last month capable of handling 4,000 cars a week. The company has for long been short of assembly space, and needed the new facilities offered by a highly instrumented plant of this kind. It opens barely a year after building work commenced, and, less happily, at a time when the industry's output is being restricted not only by shortages of sheet steel, but also by shortages of other materials such as zinc, for which no relief is in sight. In the first six months of the year, the industry's output reached only 244,509 cars, seven per cent less than in the same period of 1950. The allocation of sheet steel for the third, and probably also for the fourth quarter of this year is unlikely to be any higher than in the two preceding quarters. Should the total supply of steel-making materials increase, the new steel mills will ensure more sheet steel and the motor industry's case for a larger allocation is a strong one. But it is by no means certain that extra raw materials will be found.

Out of the present allocation, steel has to be found to meet the defence orders that have so far been placed with the industry, for although the individual manufacturer receives a special steel allocation for defence production, the industry, as a whole does not. The orders placed are not large, but by now they amount to several thousands of vehicles. Since the great majority of these orders goes to the manufacturers of commercial vehicles, production of passenger cars may remain unaffected, but this is by no means certain.

The latest of the defence orders was announced this week by Rootes Ltd., for "several thousand" three-ton army

lorries. With minor adaptations, the design is one already developed by the Rootes subsidiary, Commer Cars Ltd., for use abroad in rough country. This is classed as a "general service" vehicle to distinguish it from the "combat" vehicles that are designed to operate near the front lines. Standardisation of vehicle design has been popular with the Army, which knows the number of man-hours now devoted to storekeeping, but unpopular in the industry, where there is a strong disinclination to manufacture to another company's design. All the combat vehicles have the same standardised engine, and a fair degree of standardisation on the chassis has been achieved by giving the entire order for each type to one manufacturer. Rootes, for example, are building all the one-ton combat vehicles. But the industry appears to have carried the day in the design of the general service vehicles. The orders are too large to give to one company only, and at least two others besides Rootes are expected to build 3-tonners, each to its own design of engine and chassis. The fighting in Korea is believed to have convinced many members of the United States Army of the need for vehicle standardisation in a highly mechanised army. The War Office may soon regret that it did not take a firmer line while there was still the opportunity to do so.

* * *

Motor Exports

The fall in car production during the first half of the year has had its effect on export deliveries. By the end of June the industry had exported 185,923 cars ; 9,753 fewer than in the six months ending December 31st and 17,703 fewer than in the first six months of 1950. Shipping difficulties have also had their effect on exports, for when cars have to be specially modified to comply with local traffic regulations, they cannot easily be switched from one market to another. Deliveries to Australia, the industry's best market, have been the worst affected by lack of shipping. In the first half of the year, only 23,177 cars went to Australia compared with 46,701 in the same period last year, although the orders are there. Standard and Austin began to charter their own ships to Australia this spring more to prevent an accumulation of cars in their warehouses and on the docks than in the hope of speeding delivery, but the experiment has proved so successful that Austin, for one, is considering further chartering.

In most of the industry's markets, demand is still in excess of the number of cars that can be supplied. One exception is Canada, where exports in the first half of this year were only 24,741 compared with 38,670 in the same period of 1950. This fall may be no more than a normal reaction to the very high rate of Canadian shipments in 1950, but some members of the industry are beginning to ask whether this year's figures do not, after all, suggest that the Canadian market is satiated. The credit restrictions, in particular, appear to be checking car sales, for few customers are prepared to make a down payment of as much as 50 per cent of the purchase price. A more consoling fact is the steady rise in shipments to the United States, 11,488 this year compared with 6,005 in the first six months last year.

* * *

Curbing Inflation in Australia

The Australian Government seems at last to have awakened to the inflationary dangers that threaten the economy of the country. This week the Prime Minister, Mr Menzies, has proposed a number of positive anti-inflationary measures—and has tried to persuade a special conference of state Premiers and representatives of sectional interests to agree to them. The first of these measures is a general pruning of the public works programme, to ease the demand on labour and materials and to enable available supplies to be channelled into primary production—notably of coal, power, basic materials and food. Mr Menzies also wants a corresponding check on private investment, new powers of physical allocation that would divert scarce materials to essential instead of luxury industries, and closer control over new capital issues. His other proposals include a general tightening of bank credit and special experiments in the field of selective credit control, aimed more particularly against hire-purchase credit. Heavier taxation will be introduced in the next budget. The question of revaluing the Australian pound has also been under consideration, but on this subject Mr Menzies said that "the best and most responsible economic advice is against any alteration in the exchange rate—on purely economic grounds."

All these measures still lie in the realm of good intentions and no steps have yet been taken to put them into operation. The immediate response to Mr Menzies' statement suggests that considerable resistance to any such disinflationary programme must be expected from many quarters, including the state governments. Meanwhile the cost of living in Australia is still spiralling upwards, despite attempts by various states, notably New South Wales, to launch new price control measures.

* * *

Speculation in Australian Pounds

Despite the increasing tempo of inflation in Australia, the Dominion's balance of payments remains in roaring surplus. Mr Menzies' statement this week has therefore so far done little to damp down rumours of a possible revaluation of the Australian pound in terms of sterling. These rumours have been accompanied by a considerable volume of covered "bull" speculation by commercial interests both within and outside Australia. Payments to Australia have been accelerated, while payments from Australia have been postponed to the last possible moment.

This week the Commonwealth Bank of Australia, acting in concert with the trading banks, has taken steps to remedy at least one of these undesirable types of pseudo-commercial speculative operations, namely the postponement of commercial remittances from Australia. In future the Australian banks will not issue acceptance credits with provisions for drawing in excess of sixty days' sight. Moreover, the negotiation in London of drafts payable at the rate of exchange current on the day of payment in Australia will be restricted to drafts drawn at sight ; these drafts must now be presented within 45 days if the draft is sent by air or 15 days if sent by sea mail. These restrictions on the length of time during which Australian importers can lean on the banking system and hope for revaluation should do no more than compel adherence to normal commercial procedures.

* * *

Changes in EPU Quotas

At its recent session in Paris, the managing board of the European Payments Union decided to increase the quotas of Germany and the Netherlands. Western Germany's quota is being raised from $320 million to $500 million, and the Dutch quota from $330 million to $355 million. These changes reflect the special difficulties that both countries have encountered over the past year. They also restore a more normal relation between the quota extended to Germany and those of other members of EPU. They rectify, for example, the absurdity that Germany, because of the limited volume of its trade in the base year of 1949, had a smaller quota than the Netherlands. The increase in the German quota does not mean that Germany will necessarily be taking more credit from EPU. On the contrary the trend is now in the opposite direction, for Germany is paying back its debit balance and is also rapidly recovering the gold that it previously lost to the Union.

The Dutch representatives asked for a somewhat larger increase in their quota than they in fact secured. The

Netherlands has been a persistent debtor with EPU ever since the Union was set up, and there was some discussion at the Paris meeting whether it should not be granted special help outside its quota—on the lines of the credit extended to Germany last year. The extension of such a special credit, however, would have involved greater intrusion by OEEC into the domestic policy of the Netherlands than the Dutch Government would have found palatable. The decision has therefore been taken to permit a slight increase in the Netherlands' quota (which should help it to tide over its affairs for a short period), and to discuss the broader problems of Dutch relations with EPU at the next meeting of the managing board in September. Those problems are very largely the result of the persistent and abnormal deficit that the Netherlands is running with its Benelux partner, Belgium.

* * *

More American Cotton

The estimate of United States cotton crop acreage for the current season, recently published, gives the area on July 9th as 29,510,000 acres. This is an increase of nearly 60 per cent over last year's acreage planted of 18,613,000 and is the largest acreage estimated since well before the war. No official estimate of the crop will be made until August 8th, but given an average yield of the last three years of 288 lb. per acre this acreage is likely to give an output of over 17 million bales. The weather so far has been favourable and the boll weevil has been kept down; there is a good prospect of a large crop. The carry-over stock at the end of July was some 2,000,000 bales. The quota of cotton for export by the United States for the four months August to November had already been fixed at 2,500,000 bales, but following the acreage estimate the United States Government has raised it by 1,000,000 bales to 3,500,000 bales. The British share of the original export quota was to have been 307,000 bales; but this has been increased to 419,000 bales. France has a quota of 458,000 bales, Western Germany 419,000 bales and India 250,000. Increased crops from Commonwealth countries are also expected, while the area under cultivation in Egypt in the coming season is almost as large as in 1950.

Raw cotton supplies should therefore be adequate in the coming year. As a result of the satisfactory reports from the United States the market in Manchester has been slack. Although the Lancashire holiday season is now in swing and the volume of business would be expected to shrink, buyers have been noticeably cautious. The British share of American raw cotton in the four months August to November is greater than British imports of American cotton in the whole of 1950. The assurance of good supplies of raw cotton should lighten the task of the cotton industry, in particular, in expanding its exports; wool and rayon supplies are likely to be less plentiful. Spinners and manufacturers are now adjusting themselves to lower prices of their raw material. The advantage of having good supplies of American cotton instead of having to mix four or five different growths of American-type cotton will be felt in the carding-room. But the effect of this on manufactured costs may be to some extent counteracted by the wage claims outstanding both in spinning and weaving.

* * *

Bank of England Statistics

The only new statistics in the Bank of England's report for the year ended February 28, 1951, again tell the story of the widening use of transferable sterling. In 1950, the use made of "automatic" facilities within the transferable account area was virtually unchanged at £143 million. The use of special "administrative" facilities for sterling transfers, however, expanded by £30 million, to £155 million. Within these totals OEEC countries transferred £78 million between themselves (against £48 million in 1949); simultaneously they received £99 million gross and £40 million net of sterling from countries outside Europe and outside the sterling area. Apart from its presentation of these figures, the Bank's report is again merely a useful work of reference, containing information already obtainable elsewhere; some of this information, however, and especially that about operations that affected the total size of the floating debt, is more fully documented than before.

The Bank's statisticians have also extended their previous survey of United Kingdom overseas investments to cover the year 1949. In a separate pamphlet published last week they estimate that devaluation increased the nominal sterling value of British overseas investments by £84 million. But since £14 million of these investments were either repaid or sold during the year—in return, incidentally, for cash receipts of £8,000,000—the nominal value of British overseas investments rose by only £70 million, to £2,037 million; this compares with a nominal value of £3,545 million at the end of 1938. These nominal figures, however, have little real significance, and the most effective comparison made in the pamphlet is that between interest and dividend receipts of £116 million in both 1948 and 1949 and interest and dividend receipts of £155 million in 1938. The receipts in 1949 included just over £74 million from the Commonwealth, just under £10 million from the United States and about £7,200,000 from Persia. Approximately £18 million was received from oil investments, £8,300,000 from gold mines and £15.5 million from other mines.

* * *

Iron Ore Fleet

For some months discussions have been going on between the steel industry and shipping companies concerning the provision of special ships for the carriage of iron ore to Britain. Formation of Ore Carriers, Ltd, a joint enterprise of the Houlder shipping group and the British Iron and Steel Corporation, is the first result of these discussions: its purpose is to build and operate a fleet of ore carriers to carry ore to British ports, in particular to Port Talbot.

The creation of a special fleet of ore carriers for the steel industry has been discussed on several occasions since the war. The present venture, on the board of which Sir John Green, the deputy chairman of the nationalised Iron and Steel Corporation, Mr D. H. Kyle of BISC(OR), and three other steel representatives will sit with four from the Houlder group, of course pre-dates the recent agreement for joint control of raw material supplies for steel: but it is one in which Mr Hardie and the Corporation have recently taken a particular interest. The capital is £2,000,000 in £1 ordinary shares, 51 per cent being provided by the Houlder group and 49 per cent by the iron and steel industry. The steel industry's share will be held through BISC(OR), which is a non-profit-making subsidiary of the British Iron and Steel Federation; the proportion of this capital that may be provided by nationalised steel companies has not been stated. Nor is it known whether this joint venture may be followed by other similar arrangements with shipping companies: the Houlder group, it may be noted, has a long trade connection with South Wales in particular. Contracts are being signed by Ore Carriers, Ltd, with Wm. H. Gray, Ltd, of West Hartlepool, for the construction of six motor vessels particularly designed for the carriage and rapid handling of iron ore, the first four being of 8,600 tons deadweight: all are expected to be in operation by mid-1953.

* * *

Barcelona Traction

The directors of Barcelona Traction's subsidiary companies in Spain have announced in certain Spanish newspapers that they propose to issue new shares of these

Drawn by A. R. THOMSON, R.A.

A.B. in a paper boat

It takes more than the boy with the bicycle to deliver the morning newspapers which rustle so regularly through your letter-box. Well back in the chain of production you would find Olaf Larsen*—that is, if you knew where to look for him. A likely place would be Bowaters' private docks at Ridham, serving their paper mills at Kemsley and Sittingbourne in Kent.

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* *Fictitious name for a real character.*

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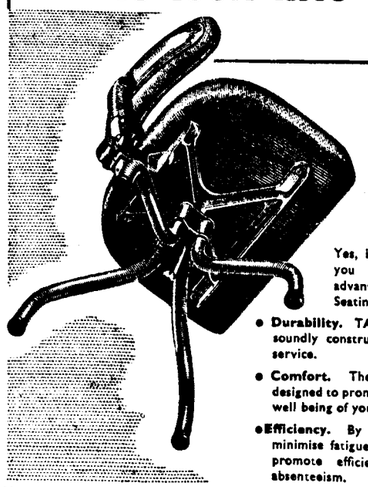

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companies and that the new shares must be applied for within thirty days, after which the present outstanding shares will become valueless. The directors of these subsidiaries were appointed following the declaration of bankruptcy of Barcelona Traction by a Spanish court. The National Trust Company of Toronto, the trustee company for Barcelona Traction bondholders, has pointed out that the shares in question are held by it in Canada as security for Barcelona Traction sterling bonds and that it has protested to the persons in Spain "purporting to act as directors" refusing to recognise the validity of the proposed exchange of shares. The planned issue of the new shares may be read as evidence that the bankruptcy proceedings in Spain are being carried a stage further, involving the ultimate sale of the assets in that country.

The Barcelona Traction Company itself, in drawing attention to the latest development, again urgently calls for the publication of the report made upon the affairs of the Company by the British and Canadian accountants. A British Foreign Office spokesman, referring to recent discussion of the affairs of the Company based on an unpublished report of Canadian and British accountants on the affair, has pointed out that publication is, in fact, the subject of discussions between the Governments concerned and must, in any case, include the report furnished by the Spanish accountants together with the documents upon which both reports were based. These steps are welcome and they should be expedited, for it is high time that this affair was brought to a clear conclusion.

* * *

Base Metal Prices

The declines in Continental prices of lead and zinc about ten days or a fortnight ago have not continued. Lead has recovered from £190 to about £205 a ton; zinc is now selling at about £290. These prices compare with £215 for lead in the middle of June, and £320 for zinc. Copper has not weakened during this period and still sells at the equivalent of £380 per ton. British official prices of these metals at the present time are £180 per ton for lead, £190 per ton for zinc and £234 per ton for electrolytic copper. The slump that was feared in base metal free prices has not occurred, but the market on the Continent is still quiet. Some Indian dealers have been offering lead at very low prices, but it cannot be shipped out of India. The statistical position of all three metals is strong at the present time and if weakness arises it is because demand is artificially restrained by Government buying. The British Ministry of Materials is to buy no more copper at market prices on the Continent, although purchases of lead and probably of zinc are continuing.

The difference between the American controlled price of lead and the world "free" market price (17 cents per lb. as opposed to 25 cents or more) has resulted in a scarcity of lead in the United States. American imports of lead in the first half of 1951 are much below the 1950 rate. Because of the difficulty in obtaining lead at the official price the American Government is expected to become the sole importer, as of tin. But lead is still scarce whereas tin is plentiful; the tactics of the Reconstruction Finance Corporation in forcing down world prices of tin are inapplicable to lead. This week the RFC lowered the American price of tin to 103 cents per lb. American lead importers favour raising the controlled price as Britain did at the beginning of July. The British Government would prefer to have uniform international prices set by the International Materials Conference, but the American trade is firmly opposed to this; the surest and most satisfactory way to get a uniform world price is to have free world markets. Meanwhile not only are there wide differences between free market and official prices, but in the United States itself there is one price, 24½ cents, for copper mined in the United States, and another, 27½ cents, for imported copper from Chile and, if the proposal made by the Office of Price Stabilisation is approved, for other foreign imported copper.

Shorter Notes

From the beginning of this month the Ministry of Supply has set maximum prices for the main specifications of alloy steel scrap, including for the first time the more important types of stainless steel. These prices, which in certain cases will allow an increase on existing levels, follow upon the recent increases in the prices of alloy metals, and are designed to encourage the complete segregation of alloy steel in scrap collections.

*

The Minister of Supply this week appointed members to the Iron and Steel Consumers' Council that he undertook to set up under the Iron and Steel Act, 1949. Sir William Palmer, who is chairman of the British Rayon Federation, principal industrial adviser to the Board of Trade, and chairman of the Oil Consumers' Council, will be the independent chairman of the Council, which includes representatives of industry, of the TUC, of iron and steel stockholders and scrap merchants, and of the nationalised industries.

*

The £50 million increase in the fiduciary issue made on June 10th last has not proved sufficient to tide the note issue over the bank holiday period. As from July 31st, therefore, the fiduciary issue has been raised by another £25 million to £1,425 million. This extension has been authorised for not more than one month. After allowing for this £25 million increase, the note reserve in the banking department stood at £31 million on Wednesday last.

*

The arrangements for the import of tungsten and concentrates by the Ministry of Materials have now been announced. It is proposed to form a company for the purpose, whose management will include representatives of three of the leading firms in the trade: Derby and Company, Metal Traders, and H. A. Watson and Company. Consumers are to be asked to state their requirements. The price of standard concentrates is to be 535s. a long ton unit. The price is a little above the present market price of 530s. The intention is to keep this fixed for the first quarter of operation and then to review it.

*

The Board of Trade has established the nucleus of an organisation which would, in the event of an emergency, become responsible for the control of factory and storage space. This would prevent the confusion that can so easily arise when government departments are competing for factory space and it seems probable that one of the organisation's first objects will be to carry out a country-wide survey of factory and storage premises. Government departments will in any case need its help in finding adequate storage room during the present rearmament programme.

*

One of the unnamed fighters said by the Prime Minister in February to have been ordered for the RAF has now been identified as the Hawker 1067 which made its first flight last week. This week, in the Commons, the Air Minister described it as the fastest fighter in the world, surpassing the American Sabre and Russian MIG. Like the Supermarine Swift, which is also going into production, the 1067 is an interceptor fighter developed from a notable series of prototypes. It is powered by a Rolls-Royce Avon engine; the engine of the Swift has not been announced. Allowing a year to prepare the production lines, deliveries of these fighters could be expected to start late next year.

Company Notes

Thomas De La Rue.—In the financial year to April 1, 1950, de la Rue's plastics division showed a loss; in the latest year the sale of laminated plastic products has more than doubled and the division has made "a considerable contribution" to group trading profits which have advanced from £644,969 to £761,463. Satisfactory progress is also claimed for the company's other manufacturing divisions. Owing to this general improvement in trading results from the manufacturing side of the business the directors have decided to "postpone indefinitely consideration of the question of fresh capital." After maintaining the ordinary dividend at 50 per cent, the release of £222,463 from a taxation provision has enabled the company

	Years ended April 1, 1950	Mar. 31, 1951
Consolidated Earnings:—	£	£
Trading profit	644,969	761,463
Total income	686,041	793,883
Depreciation	170,876	162,149
Taxation	143,541	420,648
Group earnings for ordinary stock	*128,339*	*154,029*
Ordinary dividends	127,325	123,274
Ordinary dividends (per cent.)	50	50
Added to group general reserves and carry forward	1,014	276,208
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	2,329,684	2,233,433
Net current assets	699,508	1,146,045
Stocks	1,646,762	1,467,122
Cash	77,951	124,713
Reserves	2,151,509	2,539,314
Ordinary capital	463,000	463,000

8s. ordinary stock at 33s. 1½d. yields £7 11s. per cent.

to put £250,000, against £50,000, to general reserve.

The fall in the book value of stocks from £1,646,762 to £1,467,122 is somewhat exceptional in a year of rising prices, but this factor may well be reflected in the substantial rise in debtors from £739,044 to £1,337,202. There still appears to be some stringency in liquid resources, even after the rise in cash balances from £77,951 to £124,713 and the reduction in bank loans from £565,000 to £520,000. Since the end of the financial year, the mortgage debenture stock, which then amounted to £206,119, has been repaid. A further growth in the manufacture, sale and export of laminated plastic products is anticipated this year, and now that the plastics division is making profits the future can be faced with a greater degree of confidence. Unfortunately the limitation of dividends ensures that equity shareholders will not receive their due share in whatever measure of recovery the company may secure.

*

General Electric.—The announcement that G.E.C.'s ordinary dividend was to be increased from 17½ to 22½ per cent coincided with the Chancellor's statement on the limitation of dividends. Satisfaction with the year's trading results will be tempered by the realisation that if the Government has its way a dividend of no more than 20 per cent can be expected in the next three years. Increased demand for the company's products both at home and abroad is partly responsible for the advance in group trading profits from £6,021,980 to £7,424,716. Shortages of materials and labour, however, were beginning to have some effect towards the end of the financial year. The inflation of prices, which will have contributed to earnings through automatic profits on stocks, has brought further problems and in common with many other industrial firms G.E.C. have taken some steps to combat them by appropriating £750,000, against £140,000, to a plant replacement reserve and £481,372, against £175,302, to a reserve "against future stock depreciation."

	Years to March 31, 1950	1951
Consolidated Earnings:—	£	£
Trading profit	6,021,980	7,424,716
Total income	6,392,279	7,979,793
Depreciation	932,435	1,038,724
Taxation	2,730,690	3,640,848
Group earnings for ordinary stock	*1,098,752*	*564,467*
Ordinary dividends	404,093	495,933
Ordinary dividends (per cent.)	17½	22½
Added to group general reserve and carry forward	903,399	471,768
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	9,255,050	10,234,710
Net current assets	24,421,137	25,241,616
Stocks	25,449,904	25,217,010
Cash	4,102,870	4,676,590
Reserves	17,300,991	19,043,820
Ordinary capital	4,198,372	4,198,372

£1 ordinary stock at 90s. yields £5 per cent. on 22½ per cent. dividend.

Reserve appropriations were clearly necessary after the expenditure of some £2,000,000 on capital account. Despite this expenditure and the expansion of turnover the company's liquid position has not been impaired, and in fact cash balances have risen from £4,102,870 to £4,676,590. Stocks of finished goods have fallen but the value of work in progress has increased so that the book value of stocks has only fallen by some £200,000 to £25,247,010. The company should continue to earn very satisfactory profits this year, within the limits set to production by labour and material supplies. The one cloud overhanging equity shareholders is the threat of controlled dividends.

*

William Cory.—The improvement in group trading profits from £1,675,295 to £1,809,750 is due almost entirely to the increased participation of the Mann George group of companies in the export of coal from South Africa, where exports achieved peak figures both in volume and price. At home, the total tonnage of coal, including imported coal, distributed was 5 per cent greater than in the previous year, but the percentage of coal carried in the company's coasters was smaller, owing to delays in loading through strikes and stoppages due to crew shortages. Unfortunately, since the end of the financial year, the action of the Persian government has meant the end of oil shipments from Abadan, which provides a very substantial part of the company's business in oil supplies for marine and other purposes. Secondly, an unexpected shortage of rail transport in South Africa since May has reduced coal deliveries to the ports to a mere trickle.

	Years to March 31, 1950	1951
Consolidated Earnings:—	£	£
Trading profit	1,675,295	1,809,750
Total income	2,043,868	2,146,539
Depreciation	386,343	215,539
Taxation	859,299	1,015,763
Group earnings for ordinary stock	*628,486*	*636,002*
Ordinary dividends	313,510	340,230
Ordinary dividends (per cent.)	20	22½
Added to group revenue reserves and carry forward	351,414	307,144
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	2,483,056	2,385,449
Net current assets	10,828,024	11,552,177
Debtors	8,211,924	10,297,554
Cash	3,192,694	4,037,960
Reserves	9,809,193	10,338,234
Ordinary capital	2,850,094	2,850,094

£1 ordinary stock at 93s. 10½d. yields £4 16s. per cent on 22½ per cent. dividend.

The expansion of trade and higher prices, particularly in the oil section, have led to a substantial increase in current assets and liabilities; debtors, for example, have risen from £8,211,924 to £10,297,554. At the same time, the transfer of £506,040 to revenue reserves has contributed to the rise in cash from £3,192,694 to £4,037,960. A large part of this increase, however, will be needed to finance further capital developments; outstanding capital commitments are estimated at £909,817. The company's tug and barge building programme is nearly completed; and given an improvement in Persia and South Africa the company should continue to make steady progress. The raising of the ordinary dividend augured well for the future, but dividend control would peg the return on equity capital to 21½ per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, July 25, 1951	Price, Aug. 1, 1951	Net Yield, Aug. 1, 1951 (n)	Gross Yield, Aug. 1, 1951
			£ s. d.	£ s. d.
War Bonds 2½%	101⅛	101⅛	...	0 10 0e
Mar. 1e 1951-53			0 12 9	1 15 2f
War Bonds 2½%	101⅛	101½	...	0 6 10e
Mar. 1, 1952-54			0 17 2	2 0 0f
Exchequer Stk. 2½%	101⅛	101⅛	0 16 3	1 17 3
Feb. 15, 1955				
War Bonds 2½%	101⅛*	101⅜*	0 13 10	1 17 1e
Aug. 15, 1954-56			0 18 8	2 2 0f
Funding 2½%	101⅛	101⅜	...	1 1 4e
June 15, 1952-57			1 3 2	2 9 8f
Nat. Defence 3%	102⅛	102½	0 16 7	2 5 2e
July 15, 1954-58			1 4 11	2 13 4f
War Loan 3%	102⅜	103	0 19 2	2 9 8e
Oct. 15, 1955-59			1 5 0	2 14 3f
Savings Bonds 3%	97*	97½*	2 5 6	3 14 3e
Aug. 15, 1955-65			1 15 10	3 4 9f
Funding 2½%	97	97½	2 0 11	3 6 9e
April 15, 1956-61			1 13 7	2 18 8f
Funding 3%	93⅜	94	2 10 1	4 1 0e
April 15, 1959-69			2 0 3	3 10 7f
Funding 3%	94*	94⅛	2 0 6	3 10 0e
Aug. 1, 1966-68			1 19 7	3 9 1f
Funding 4%	103⅛	103½	1 15 3	3 13 11e
May 1, 1960-90			2 0 0	3 17 9f
Savings Bonds 3%	91⅜*	92⅛*	2 10 7	4 0 1e
Sept. 1, 1960-70			2 1 4	3 11 0f
Savings Bonds 2½%	90⅜	90⅜	2 3 8	3 9 6e
May 1, 1964-67			2 0 7	3 6 4f
Victory Bonds 4%	103¼*	103¼*	1 16 6	3 13 3e
Sept. 1, 1920-76				
Savings Bonds 3%	89⅛*	89⅛*	2 8 9	3 19 0e
Aug. 15, 1965-75			2 2 4	3 12 9f
Consols 4%	97⅜*	97⅛	2 2 11	4 1 9f
(after Feb. 1, 1957)				
Conversion 3½%	88⅜	88⅛	2 1 9	4 0 1f
(after Apr. 1, 1961)				
Treasury Stk. 2½%	65⅛	65⅜	2 0 3	3 17 2f
(after Apr. 1, 1975)				
Treasury Stk. 3%	77⅛	77⅛	2 0 11	3 18 5f
(after Apr. 5, 1966)				
Treasury Stk. 3½%	95⅛	95⅛	2 1 6	3 16 1e
June 15, 1977-80			2 1 2	3 15 8f
Redemp. Stk. 3%*	84⅜	84½	2 4 11	3 17 6e
Oct. 1986-96			2 2 9	3 15 6f
War Loan 3½%	87⅛	87⅛	2 2 4	4 1 0f
(after Dec. 1, 1952)				
Consols 2½%	65⅜	65⅜	2 0 0	3 16 3f
Brit. Elect. 3% Gtd.	91⅛	91⅛	2 5 1	3 16 2e
April 1, 1968-73			2 2 5	3 13 4f
Brit. Elect. 3% Gtd.	90⅛	90⅛	2 3 1	3 14 3e
Mar. 15, 1974-77			2 1 11	3 13 1f
Brit. Elect. 3½% Gtd.	96⅜	96⅛	2 0 9	3 15 3e
Nov. 15, 1976-79			2 0 5	3 14 11f
Brit. Tpt. 3% Gtd.	83⅜	83⅛	2 8 1	4 0 2e
July 1, 1978-88			2 4 7	3 16 10f
Brit. Tpt. 3% Gtd.	91⅛	91⅛	2 5 2	3 16 3e
April 1, 1968-73			2 2 5	3 13 5f
Brit. Gas Gtd. 3%	85⅜	85⅛	2 4 6	3 17 2e
May 1, 1990-95			2 3 6	3 16 3f
Brit. Gas Gtd. 3½%	97⅜	98	1 19 5	3 13 2e
Sep. 10, 1969-71			1 19 3	3 12 11f
Brit. Iron & Steel				
3½%	94⅛*	94⅜*	2 1 9	3 16 1e
Feb. 15, 1979-81			2 1 6	3 15 11f

(e) To earliest date. *(f)* Flat yield. *(l)* To latest date. *(n)* Net yields are calculated after allowing for tax at 9s. 6d. in £. *(s)* Assumed average life 13 years 7 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, July 25, 1951	Price, Aug. 1, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	7⅜	8⅛	3 13 10
30	30	Anglo-Iran £1	5⅛	5⅛	5 14 3
20	17½	Assoc. Elec. £1	92/6	85/-	4 14 1
27½	25	Assoc. P. Cem. £1	105/-	101/3	5 8 8
35	30⅜	Austin 5/-	33/9	30/7½	5 14 3
25†	45⅛	Bass £1	150/-	145/7½	6 9 6
40	20	Boots 5/-	26/6	24/-	4 3 4h
10	9	Br. Celanese 10/-	33/6	28/1½	3 11 2
20	20	Br. Oxygen £1	98/-	92/6	4 6 6
12½	12½	Coats £1	60/7½	59/4½	4 4 0
11½	9⅜	Courtaulds £1	51/3	45/7½	4 18 5
22½	21½	Distillers 4/-	23/-	20/9	4 6 9
17½	16½	Dunlop £1	65/-	60/-	5 16 8
12½	11½	Ford £1	58/9	55/7½	4 9 9
22½	20	Gen. Elect. £1	91/6	90/-	5 0 0
32	30½	Guinness £1	150/-	140/-	4 11 5
32½	8½ *m*	Hawker Sid. 5/-	37/7½	34/1½	5 17 2k
12	11	Imp. Chem. £1	51/3	48/6	4 19 0
32	32	Imp. Tobacco £1	97/6	100/-	6 8 0
12½	11½	Lancs. Cotton £1	48/9	45/-	5 11 1
13½	11⅜	Lever £1	51/10½	50/7½	5 6 8
15	15	Lon. Brick £1	58/9	57/6	5 4 4
75	65½ *m*	Marks & Sp. A 5/-	59/9	57/6	4 5 9
16	14	P. & O. Def. £1	62/6	61/-	5 14 11
25	25	P. Johnson 10/-	41/6*	43/-*	4 15 3
12½†	18·6	"Shell" Stk. £1	94/4½	85/-	5 12 1
25	25	Tube Invst. £1	6⅞	6⅞	4 1 8
20	17½	T. & Newall £1	97/6	90/-	4 8 11
10	9	Union Castle £1	37/-	35/-	5 14 3
50	33⅜	U. Sua Betong £1	64/4½	59/4½	16 16 10
12½	9⅜	Vickers £1	52/-	46/3	5 8 1
42½	38⅜	Woolworth 5/-	47/-	43/6	4 17 8

(h) Yield 20% after capital bonus. *(k)* Yield basis 10%. *(m)* Allowing for capital bonus. *Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended July 28, 1951, total ordinary revenue was £84,078,000, against ordinary expenditure of £58,702,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £3,918,000, the surplus accrued since April 1, 1951, is £55,862,000 compared with a surplus of £75,475,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951–52	Receipts into the Exchequer (£ thousand) April 1, 1950 to July 29, 1950	April 1, 1951 to July 28, 1951	Week ended July 29, 1950	Week ended July 28, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	253,203	288,148	16,888	23,048
Sur-tax	128,000	27,000	27,700	900	900
Estate, etc., Duties	180,000	63,450	68,600	3,400	3,200
Stamps	55,000	16,365	21,500	950	1,300
Profits Tax / E.P.T.	312,650	61,020 4,500	85,000 ...	5,300 300	7,000 ...
Other Inland Rev.	500	50	55	...	...
SpecialContributn.	1,500	1,970	1,200	100	50
Total Inland Rev.	2302400	427,558	492,203	27,838	35,498
Customs	930,500	275,091	314,144	10,582	12,287
Excise	720,500	220,636	228,813	34,636	33,713
Total Customs and Excise	1651000	495,727	542,957	45,218	46,000
Motor Duties	62,000	7,277	8,833	520	862
Surplus War Stores	20,000	10,476	8,795	30	...
Surpl's from Tradg.	50,000	22,974	57,500	...	...
P.O. (Net Receipts)	5,400	...	700	...	700
Wireless Licences.	13,600	3,100	3,400	650	700
Sundry Loans	27,000	5,172	6,765	...	...
Miscell. Receipts	105,000	20,316	17,389	533	318
Total Ord. Rev.	4236400	995,600	1138542	74,789	84,078
SELF-BALANCING					
Post Office	179,431	52,900	56,700	4,000	3,800
Income Tax on E.P.T. Refunds	4,900	3,160	1,675	275	77
Total	4420731	1051660	1196917	79,064	87,955

Expenditure	Estimate, 1951–52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to July 29, 1950	April 1, 1951 to July 28, 1951	Week ended July 29, 1950	Week ended July 28, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	122,076	126,758	2,800	2,654
Payments to N. Ireland	38,000	10,910	11,150	1,446	1,507
Other Cons. Funds	11,000	3,697	3,957	75	...
Total	584,000	136,683	141,865	4,321	4,161
Supply Services	3452921	779,645	936,897	34,287	54,541
Total Ord. Expd.	4036921	916,328	1078762	38,608	58,702
Sinking Funds	...	3,798	3,918	100	...
Total (excl. Self-Bal. Expd.)	4036921	920,125	1082680	38,708	58,702
SELF-BALANCING					
Post Office	179,431	52,900	56,700	4,000	3,800
Income Tax on E.P.T. Refunds	4,900	3,160	1,675	275	77
Total	4221252	976,185	1141055	42,982	62,579

After decreasing Exchequer balances by £519,611 to £2,845,701, the other operations for the week increased the National Debt by £11,741,591 to £26,324 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
E.P.T. Refunds	95
Export Guarantees Act, 1949, s. 3(2)	310
Housing (Temp. Accom.) Acts, 1944 and 1947	50
Local Authorities Loans Act, 1945, s. 3(2)	8,100
Development of Inventions Act, 1948, s. 11(1)	20
Cotton (Centralised Buying) Act, 1947, s.21(1)	5,000
Misc. Financial Provisions Act, 1946, s. 2(1): — War Damage: War Damage Commission	3,000
Misc. Financial Provs. Acts, 1946 and 1950: Civil Contingencies Fund	20,000
Finance Acts, 1946 and 1947: Postwar Credits	511
	37,636

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	5,004	2½% Def. Bonds	420
3% Def. Bonds	119	3% Ter. Annuities	1,796
Tax Reserve Certs.	2,147		
Other Debt: — Internal	1,623		
Ways & Means Advances	5,066		
	13,958		2,216

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
July 29	3140·0	1969·4	382·8	...	405·0	5897·2
1951						
April 28	3230·0	1789·8	434·3	...	319·5	5773·7
May 5	3220·0	2040·3	439·0	...	319·5	6018·8
„ 12	3230·0	2015·2	448·6	...	319·5	6013·3
„ 19	3230·0	2035·1	436·4	...	319·5	6021·0
„ 26	3230·0	2043·5	434·8	...	319·5	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
„ 9	3220·0	2114·4	370·4	...	320·0	6024·8
„ 16	3220·0	2090·9	385·4	...	345·0	6041·2
„ 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
„ 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
„ 14	3230·0	2129·1	373·2	...	344·5	6076·8
„ 21	3230·0	2161·9	335·4	...	344·5	6071·9
„ 28	3220·0	2176·9	340·5	...	344·5	6081·9

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
July 28	240·0	340·8	240·0	10 2·72	58
1951					
Apr 27	230·0	369·0	230·0	10 2·44	48
May 4	240·0	364·8	240·0	10 4·52	15
„ 11	250·0	350·3	250·0	10 2·79	60
„ 18	260·0	350·9	260·0	10 2·80	63
„ 25	250·0	336·6	250·0	10 2·98	65
June 1	250·0	349·5	250·0	10 2·78	60
„ 8	260·0	355·2	260·0	10 2·80	62
„ 15	250·0	344·0	250·0	10 2·88	62
„ 22	250·6	344·0	250·0	10 2·81	62
„ 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
„ 13	250·0	345·2	250·0	10 2·81	61
„ 20	230·0	323·8	230·0	10 2·84	60
„ 27	230·0	342·8	230·0	10 2·55	53

On July 27th applications for 91 day bills to be paid from July 30 to August 4, 1951, were accepted dated Monday to Saturday as to about 53 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for August 3rd. For the week ending August 4th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Totals 16 Weeks ended July 22, 1950	Totals 16 Weeks ended July 21, 1951	Week ended July 21, 1951
Savings Certificates: —			
Receipts	27,650	64,000	3,000
Repayments	41,700	47,500	2,500
Net Savings	*Dr 14,050*	16,500	500
Defence Bonds: —			
Receipts	5,680	14,834	780
Repayments	17,278	15,250	835
Net Savings	*Dr 11,598*	*Dr 416*	*Dr 55*
P.O. and Trustee Savings Banks: —			
Receipts	201,386	211,759	11,649
Repayments	216,853	268,417	18,284
Net Savings	*Dr 15,467*	*Dr 56,658*	*Dr 6,635*
Total Net Savings	*Dr 41,115*	*Dr 40,574*	*Dr 6,190*
Interest on certificates repaid	8,996	11,516	613
Interest accrued	38,527	38,750	2,411
Change in total invested	*— 11,794*	*— 13,308*	*— 4,992*

BANK OF ENGLAND RETURNS

AUGUST 1, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued: — In Circulation	1393,656,376	Govt. Debt	11,015,100
In Bankg. Department	31,700,448	Other Govt. Securities	1409,729,110
		Other Secs.	743,035
		Coin (other than gold)	3,512,757
		Amt. of Fid. Issue	1425,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1425,356,823		1425,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	360,000,000
Rest	3,755,388	Other Secs.	28,475,700
Public Deps.: —			
*Public Accts.**	*14,482,673*	*Discounts and Advances*	*8,944,845*
H.M. Treas. Special Acct.	*2,257,958*	*Securities*	*25,230,919*
Other Deps.: —	385,809,655		
Bankers	*294,202,074*	Notes	31,700,448
Other Accts.	*91,607,581*	Coin	679,609
	420,858,674		420,858,674

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

COMPARATIVE ANALYSIS
(£ million)

	1950 Aug. 2	1951 July 18	1951 July 25	1951 Aug. 1
Issue Dept.: —				
Notes in circulation	1328·9	1367·9	1380·9	1393·7
Notes in banking department	21·5	32·5	19·5	31·7
Government debt and securities*	1349·3	1395·8	1395·7	1420·7
Other securities	0·7	0·7	0·8	0·7
Gold and Coin	0·4	3·9	3·9	3·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.: —				
Deposits: —				
Public Accounts	11·2	13·9	14·8	14·5
Treasury Special Account	246·5	0·7	2·3	2·3
Bankers	293·1	305·8	294·4	294·2
Others	98·6	84·1	88·9	91·6
Total	649·4	404·5	400·4	402·6
Securities: —				
Government	596·1	356·7	367·0	360·0
Discounts, etc.	14·8	10·2	7·7	3·2
Other	28·6	22·7	23·8	25·2
Total	639·5	389·5	398·5	388·4
Banking dept. res.	28·3	33·0	20·1	32·4
" Proportion "	4·3	8·1	5·0	8·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,400 to £1,425 million on July 31, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows: —

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
July 26	78·5	90·16	190 0	113 8
„ 27	78·5	90·16	186 14	113 8
„ 28	Markets Closed		187 11	113 14
„ 30	78·5	90·16	187 10	114 2
„ 31	78·5	90·16	187 6	114 0
Aug. 1	78·5	90·16	189 6	114 4

COMPANY MEETINGS

THE STANDARD BANK OF SOUTH AFRICA LIMITED

LARGER PROFIT

MR M. F. BERRY'S STATEMENT

The one hundred and thirty-eighth ordinary meeting (being the annual general meeting for the year 1951) of The Standard Bank of South Africa Limited was held on July 25th in London, Mr M. F. Berry, the chairman, presiding.

The following are extracts from his statement circulated with the report and accounts for the year to March 31, 1951: —

You will observe from the balance sheet that compared with last year the principal changes on the assets side are increases in the totals of "bills of exchange purchased" and "advances." These increases amount to £12 million and £18½ million respectively. The larger figure of bills of exchange being handled by the bank is a reflection of the increased movement of goods following the gradual relaxation of import control and the steadily rising price level which started with devaluation and has been further extended since the commencement of hostilities in Korea and rearmament in Europe and America.

Importers who foresaw the likelihood of shortages resulting from the diversion of manufacturing energy into rearmament in the countries from whom they have hitherto received their supplies of manufactured goods have accepted the opportunity to improve the position of their stocks.

INCREASE IN ADVANCES

The larger total of advances arises from the same causes, although in this case, where finance is required pending their realisation, the rising price of raw materials exported by the countries of Southern Africa has had an important effect.

Turning to the liabilities side of the balance sheet, the principal change of note is the increase in "current deposit and other accounts." This now amounts to £272 million—that is to say, £40 million more than last year. So far as the Union of South Africa is concerned, this movement is principally attributable to the exceptionally high prices which have been ruling for wool during the last season and the flow of capital funds from overseas: in the case of Southern Rhodesia it is a reflection of the expanding industries and the inflow of immigrants' capital.

DIVIDEND AND BONUS

Turning now to the profit and loss account you will note that after providing for taxation, and after making a transfer to the credit of reserve for contingencies, out of which reserve provision has been made for any diminution in the value of assets, the profit amounted to £809,224—that is to say, £48,532 greater than last year. Adding the balance of £178,524 brought forward, there is a total of £987,748 to be dealt with. Out of this sum an interim dividend of 7s. per share was paid on January 27, 1951.

From the balance remaining, £891,498, the appropriation to bank premises of £150,000 is repeated, leaving available for allocation £741,498. It is recommended that an amount of £400,000 should be allocated to the officers' pension fund and that a final dividend of 9s. per share, together with a bonus of 4s. per share, be paid, leaving a sum of £170,873 to be carried forward to next year's accounts. The dividend and bonus now recommended will amount to a total of £325,000 gross, and after deduction of income tax will appear in the accounts at £118,125 and £52,500, respectively.

The affairs of our wholly owned subsidiary, the Standard Bank Finance and Development Corporation, Limited have been conducted with satisfactory results during the year under review and a net profit of £9,436 has been realised.

FAVOURABLE CHANGE IN UNION'S ECONOMY

The most important feature of the economy of the Union of South Africa last year was the great change which took place in its balance of payments. From a deficit in the year 1949 a considerable surplus of receipts over payments was achieved. In large measure this favourable result was due to the high prices obtained for exports from the Union, notably wool and base metals.

DEVELOPMENT OF RESOURCES

The past year has seen considerable further capital development of the Union's resources. It should be appreciated that when conditions elsewhere are more settled and when perhaps the internal price level is lowered, this development will depend more than it does at present on high standards of efficiency and productivity. The effect of economic factors has been reflected in an increase in the quantity of money in circulation. Rising prices tended to subdue the demand for luxury goods, but the trading volume was well sustained by an expanding demand for essential goods backed by steadily rising levels of employment and earnings. Demand has also been stimulated by the expectation of shortages and of further price increases. Retail trade was not handicapped to any important extent by shortages of stock, but it is significant that local products represent a substantially increased proportion of the goods now available in the Union.

The expansion in manufacturing industries, particularly in engineering, electrical and textile goods, has been maintained but most sections of secondary industry are experiencing difficulty in securing sufficient supplies of raw materials.

MINING AND FARMING

Conditions in the gold mining industry did not remain as favourable throughout the year as they were immediately following devaluation. The industry continued to be handicapped by shortages of European and native labour which are likely to be intensified by the increasing demands of the Orange Free State goldfields, and, more recently, supplies of electrical power had to be curtailed. Costs have risen. The sales of diamonds last year exceeded the previous record and the strength of the markets was fully maintained, the demand for gem stones being particularly keen.

Favourable conditions existed for the farming industry and farmers' incomes, particularly those in the wool industry, showed a substantial rise. The sharp rise in wool values continued until the early months of this year and practically all that was offered in the auctions was sold. Towards the end of March, however, competition weakened as a result of the withdrawal of American buyers and uncertainty concerning their future buying policy. The check to the buoyancy of the wool market occurred, however, when most of the clip had been sold.

The report and accounts were adopted.

LONDON COUNTY FREEHOLD AND LEASEHOLD PROPERTIES

MR THOMAS J. CULLEN ON RENT CONTROL

The forty-first annual general meeting of the London County Freehold and Leasehold Properties Limited, was held on July 30th in London.

Mr Thomas J. Cullen (chairman and managing director), in the course of his speech, said:

It is heartening to see that notwithstanding the continuous increases in all outgoings, and with rents of controlled properties still pegged at the 1939 level, some slight improvement has been made in our net revenue balance.

Other countries, where there is a similar shortage of house accommodation by reason of the cessation of building during the war and war damage, have dealt with rent control in varying degrees, and have endeavoured to see that the permitted increase in rents does not lag too far behind the increased cost of repairs. Why have our Government been unable to deal with this important matter? It is in the national interest that every member of the community should be adequately housed by modern standards, and nothing militates against this more than rigid control of rents on an uneconomic basis.

The completion of practically all war damage rebuilding will bring a substantially increased gross income in the ensuing year. There will, of necessity, be some further increases in expenses, but, before the increase of 20 per cent. tax on distributed profits, we looked for quite a substantial increase in net income. Now I fear that this iniquitous tax will absorb almost the whole of the estimated increase.

The report was adopted.

A. C. COSSOR LIMITED

GREATLY INCREASED PROFIT

The thirteenth annual general meeting of A. C. Cossor Limited, was held on July 26th in London, the Rt. Hon. Lord Burghley, K.C.M.G., LL.D., the chairman, presiding.

The following are extracts from his circulated statement:

On this occasion I can lay before you the accounts to March 31, 1951, without apologies or reservations. Here you have the realisation of four years of hard work and careful planning, in the form of a trading profit which is, with the exception of the peak war year of 1945, the largest your company has ever made.

The company's net trading profit, after providing for all charges, amounted to £321,117, as compared with £114,659 last year.

For the group as a whole the net result is a profit of £164,657, as compared with last year's figure of £99,370. All of our subsidiary companies made profits for the year.

The radio and television division had a very satisfactory year.

The volume of our television sales approximately equalled that of our radio sales, and both were greatly in excess of those for the previous year.

The instrument department made steady progress.

Our marine radar business had a somewhat disappointing year. We have had at all times more orders on our books than we could fulfil, but we have been working on the introduction of a new model, and this has caused delays in our production programme.

As to prospects, we have a healthy order book, and we have made careful plans of the same kind as we have made in the past; with that we must rest content and see what the current year will bring forth.

The report was adopted.

THE BRITISH PLASTER BOARD, LIMITED

SUBSTANTIALLY INCREASED TURNOVER

WITHDRAWAL FROM VOLUNTARY PRICE AGREEMENT

UNFAIR MINISTRY REQUEST

LORD BELPER ON EFFORTS TO SECURE JUSTICE

The thirty-fourth annual general meeting of The British Plaster Board, Limited, was held on July 26th at 20, St. James's Square, London, S.W.1.

The Right Hon. Lord Belper, P.C., D.L., J.P., the chairman, presided.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended March 31, 1951:—

Mr L. Biggs and Mr H. N. Butler have been invited to join the board of directors. Mr Biggs is a director and general manager of our subsidiary, The Gypsum Mines, Limited. Mr Butler is a partner in a leading firm of chartered accountants, and has been closely associated with our work for several years. You will be asked to confirm the election of these two gentlemen to our board. Their wide experience will be of great value to our group.

BALANCE SHEET

In my previous statement, I indicated that your board favoured a revaluation of the company's assets, and steps have been taken to accumulate information to guide us in assessing the up-to-date values involved. In the light of the widening acceptance by industry of this principle, your board propose to carry through such revaluation during the course of the current year.

In the meantime, you will observe that an appropriation has been made to a central obsolescence and replacement reserve as a first step in bringing the funds available for the eventual replacement of assets into line with the realities of the situation. In preparing the accounts for the coming year, detailed estimates will be made, as indicated, in order to arrive at the probable replacement costs so far as they can be judged at present, and the life of the assets will also be calculated as closely as possible. If circumstances permit it is then the intention of your board, in future, to write off from the profit and loss account a sum equal to the estimated income-tax wear and tear allowances, plus an additional sum to bring the total provisions up to the amount necessary to allow for replacement in due course. Meanwhile, the amount of £75,000, which has been transferred to the central obsolescence and replacement reserve, is not to be taken as indicative of the additional annual sum which will be required, but simply as a general provision.

You will note that the central obsolescence and replacement reserve account also includes an amount of £55,764. This is the result of the sale of certain assets—mainly the factory buildings at Wallasey which were no longer required—in terms of the post-war £, the assets having been bought mainly prewar. It will be obvious that this figure represents a depreciation in sterling and not a true profit on realisation.

The increase in the value of the shares noted under the heading "associated company" is due to the purchase of an additional holding in Gypsum Industries, Limited, of South Africa, following the agreement reached at the time of the amalgamation, to which I referred a year ago. You will be pleased to learn that the South African company is now making good profits and that the whole of the loans have been repaid, including the £40,000 which was still outstanding at the date of the balance sheet now under review.

TURNOVER

Turnover has been increased substantially during the year but there is ample surplus capacity in the mines, mills and factories to cope with further demands. The output from the plasterboard factories would have been larger had paper been available in sufficient quantity.

NEW DEVELOPMENTS

Recently, you will have read of the national shortage of sulphuric acid, due to the difficulties of sulphur supplies, and you will be interested to know that we are in negotiation for the supply of large quantities of anhydrite, of which we own big deposits, for the manufacture of this vital chemical.

Since the close of our financial year, negotiations have been successfully concluded with Messrs William Ross and Sons, Limited, Montrose Avenue, Hillington, Glasgow, for the purchase of their valve manufacturing business. Your directors feel that this business can be allied to your die stampings and steel drop forgings manufacture, for the benefit of both.

Our stampings factory is unfortunately short of raw material, and we are faced with a similar difficulty in the forgings concern.

PERSONNEL RELATIONS

Your company continues to enjoy amicable relationships with all the trade unions concerned and agreements have been readily negotiated during the year yielding improved standards for our work people.

In many ways the past year has been a difficult one for your company and its personnel, so that it gives me added pleasure on your behalf yet again to extend to all appreciation of their good work, continued effort and loyal service.

PRICES

You will doubtless have read in the press that three of the more important products of our group have been made the subject of Statutory Orders, namely, gypsum rock, gypsum building plasters and plasterboard. The Orders were made, according to the Ministry of Works press announcement, "owing to the withdrawal of the companies in the British Plaster Board Group from the previous agreement not to raise prices without the Minister's consent."

I take this opportunity to emphasise that the long-standing voluntary agreement with the Government on plasterboard prices had included the all-important practice of setting a price for the industry as a whole. Recently, the Ministry sought to change this practice and demanded that our group should sell plasterboard at prices below those permitted to the rest of the industry.

In the case of building plaster, the Ministry insisted that we accept a lower profit return than had previously been allowed by them as appropriate.

Your directors had maintained over a long period that the prices set were unreasonably low and failed to allow sufficient margin for the making of adequate reserves and the payment of reasonable dividends. It had been hoped that the successful completion of the very large extensions we had undertaken, and the economies resulting therefrom, would have created a situation in which our moderate objectives, by way of dividends and reserves, could be attained.

In the first half of the financial year under review we were in fact enabled to earn profits at a more satisfactory rate. In the second half of the year insufficient paper supplies to cope with increased demands for plasterboard and the large increases in cost of materials and services, outside our control, coupled with the failure to secure Ministry agreement to adequate selling prices, have not only wiped out the additional profits earned in the first half year, but, as you will note from the accounts, have resulted in an overall decrease for the year, in comparison with the previous period. Faced with this deteriorating situation, the request by the Ministry that we sell plasterboard at prices below those set for our competitors and reduce our return on plasters, could not be accepted voluntarily. We therefore gave requisite notice to the Ministry of withdrawal from the voluntary agreements covering plaster and plasterboard, but not that covering gypsum rock, with consequences of which you are aware.

Meanwhile, in the interest of the stockholders, as well as that of the whole of our personnel, it is vital that the justice of our particular case should be recognised without delay. We are taking all possible steps to secure this objective, and I propose to make a further statement on the subject on the occasion of the annual general meeting on July 26th.

DIVIDEND

A year ago I remarked, in effect, that even to maintain the value of the return being received by our stockholders an increase in the dividend was necessary, and I have already referred earlier in this statement to the group's postwar achievements which, in turn, merit an improvement in the rate. In any case, it must be recognised that the dividends which have been paid by this company in the past have been modest when considered in the light of the real capital invested.

In view, however, of the circumstances which I have just described, you will, I am sure, readily understand why the directors do not, on this occasion, feel justified in recommending any increase in the annual rate of dividend, which at one time seemed possible. It is, therefore, proposed to pay a final dividend of 9¼ per cent., which, with the interim of 7½ per cent., will maintain the distribution for the whole year at 16¾ per cent., the effective rate which has been in force for many years.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said: In my statement dated July 3rd, which was issued with our published balance sheet and accounts, I engaged to make a further statement at today's meeting in connection with the restrictions on our prices imposed by the Government. I had, naturally, hoped that our difficulties over prices would by now have been resolved and, indeed, it appeared at one time that we would be left free to set reasonable prices for our own products. Contrary to inferences during the debate in the House of Commons on July 5th, it is common knowledge to those who have followed the history of this group, and would be immediately apparent to anyone taking the short time necessary to study our records, that our invariable policy has been to set low prices, and that this policy has, in the past, yielded considerable benefit to the consumer, to the company's personnel and to shareholders alike.

The Government has decided to reimpose statutory control of the prices of gypsum, building plasters and plasterboard; this has been done in spite of the rejection of one of the Orders by a majority of sixteen in the House of Commons and the rejection of the other two without a vote. Apart from restricting our potential earnings on the risk capital employed to unfairly low levels, this decision has brought into prominence the need for action on a national scale over two matters of importance to our British way of life, namely, a right of appeal against dictatorial decisions made under the Defence Regulations and the achievement of a higher standard of living.

Presumably, as members of a democratic society, we should put the highest value of all upon the liberty of the individual within a framework of law, which must surely be the same for all, recognising that no one man or group of men should have dictatorial rights overriding any rights of appeal. This conception of democracy appears to be denied, so far as industry is concerned and of which our group is an example, by the present actions of the Government.

It is also vitally important that the standard of living of the community shall be as high as possible. To attain a high standard of living, it is surely essential that the best efforts of every member of the community should be encouraged and that a government which sets itself the objective of an improvement in the standards of the community, should direct its main endeavours to the elimination of waste and the encouragement of efficiency. The Government's present actions are in direct opposition to the attainment of such laudable objectives.

I trust that everyone, who can be made aware of this situation, will use such influence as he has, to rectify the trend which is apparent in the three Statutory Orders imposed upon this group.

The report and accounts were adopted, and the other formal business having been duly transacted the proceedings terminated with a vote of thanks to the chairman, directors and staff.

COLTHROP BOARD AND PAPER MILLS LIMITED

RECORD OUTPUT AND PROFIT

MR FRANK W. J. SMITH'S STATEMENT

The thirty-third annual general meeting of Colthrop Board and Paper Mills Limited, was held on July 26th at the registered office of the company, Thatcham, Berks, Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's statement which was circulated with the annual report and accounts for the year ended May 31, 1951:

Before dealing with the results of the past year, I should like to take the opportunity of paying a tribute to the memory of the late Mr J. M. Henry, J.P., who passed away in August last. Mr Henry had been associated with me as a joint managing director since the incorporation of the company in the year 1918. The devoted services which he gave so freely in furthering the interests of the company will always be remembered. He was a man of sterling character, and the directors and all who are associated with the company deeply regret his passing.

As you will have seen from the directors' report on page 3, the profit for the year, subject to taxation, amounts to £492,800, which is a record in the history of the company. We are now reaping the benefit of the new plant installed since the end of the war and financed out of profits. The result is that the company has produced a greater tonnage of board and paper than in any previous year. Taxation takes a proportionately greater toll than ever at £287,342, or 58 per cent. of the profit, but after adding the amount brought forward from last year and deducting the preference dividend for the ten months to the date of redemption, March 31st, there remains a balance of £243,874.

DIVIDEND RAISED TO 25 PER CENT.

The directors propose to recommend the payment of a dividend of 25 per cent., against 15 per cent. for last year, to transfer £131,572 to general reserve, to transfer £30,000 to reserve for possible loss on wood pulp contracts and to carry forward £41,364.

On March 31st the company redeemed out of accumulated profits the whole of the outstanding 143,619 5 per cent. cumulative redeemable preference shares of £1 each at par, together with a premium of 2s. 6d. per share as provided by the articles of association, at a total cost of £161,572, which amount has been charged against the amount standing to the credit of the revenue reserves and undistributed profit. In compliance with the provisions of the Companies Act, 1948, the sum of £149,548 being the total nominal amount of the preference shares redeemed during the year has been credited to the capital redemption reserve, thereby increasing the same from £50,452 to £200,000. After making the necessary adjustments the general reserve will amount to the sum of £100,000.

The issued share capital of the company now consists entirely of ordinary shares, without prior charges of any description. There will no longer be the necessity, as formerly, to provide for the dividend on the preference shares nor the cost of the annual redemption of such shares.

STRONG CASH POSITION

During the year the company has bought and paid for the stock of wood pulp previously held for us by the Government, and has also financed the purchase of further stocks of wood pulp during a period of rapidly rising prices. In spite of this, the cash position, including tax reserve certificates which are equivalent to cash, is stronger at £283,133 than last year when it stood at £230,844, and the total current assets at the end of the year stand at £939,370 compared with current liabilities and provisions of £517,031.

I mentioned above that the directors propose to transfer £30,000 to a new account, "Reserve for possible loss on woodpulp contracts." We have to place contracts at present-day prices for future delivery of wood pulp, and in the possible event of a fall in prices this reserve will help to soften the effect. In addition to this, in order to minimise the consequence of a possible fall in the value of our present stock of raw materials, we have taken in the stock at approximately £110,000 less than present-day prices.

We have not considered it necessary this year to add to the reserve for replacements nor to the provision for doubtful debts, having regard to the large sum transferred to general reserve out of the year's profit.

THE OUTLOOK

As usual I shall not attempt to prophesy the course of business, but we have a good plant, which has been written down far below present-day values. Our financial position is sound, and we have the goodwill of our suppliers and customers. So far as we can reasonably foresee, therefore, we can confidently look forward to whatever the future may bring.

Finally, my thanks are due to my colleagues on the board, and to the staff and employees for all that they have done to provide such satisfactory results as are shown by these accounts.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman, addressing the meeting, said: Before commencing the business of the meeting I wish to refer to the late Mr J. M. Henry, who had been associated with the Colthrop Mills for so long. He was joint managing director of this company with me from its inception, and our association was always most cordial and happy. He attended the annual general meeting a year ago, but unfortunately passed away two weeks later. We all miss him very much indeed.

You have doubtless perused the report and accounts, which you will have noticed are in a new form this year, and which I hope will show the figures more clearly than previously.

I have mentioned a number of the more important points in the statement printed on the back of the report, but it is impossible to cover everything, and so I propose to pass at once to the resolution, and then I shall be very pleased to answer any questions you may wish to ask. I now propose:

"That the report of the directors and the accounts of the company for the year ended May 31, 1951, be and they are hereby approved and adopted; that a dividend of 25 per cent., less income-tax, be paid to shareholders registered at the date of this meeting, that £131,572 be transferred to general reserve, that £30,000 be transferred to reserve for possible loss on wood pulp contracts, and that £41,364, the balance of the profit and loss account, be carried forward."

Mr J. R. Henry, O.B.E. (joint assistant managing director), seconded the resolution, and it was carried unanimously.

The retiring directors (Mr Angus Marshall and Mr C. Priestley Forster) were re-elected and the fee of the auditors (Messrs. Deloitte Plender Griffiths and Company) was duly fixed.

TRIBUTE TO DIRECTORS AND STAFF

Mr F. E. Armstrong, in proposing a cordial vote of thanks to the chairman, directors and staff of the company, congratulated all concerned on the figures of the past year, which constituted a record in the history of the company. The present Government, he said, urged all companies to adopt a policy of moderation and restraint; were it not for the policy of moderation and restraint which had been ruthlessly adopted by the chairman and directors over a long period of years the company would not have been in a position to pay off its Preference capital out of its cash resources and to increase its dividend to shareholders, which, incidentally, was less than one-fifteenth of the gross trading profits, while the collector of taxes took seven times the amount distributed as dividend.

Mr Eric Davenport, in seconding the motion, spoke of the high standing of the company in the trade and the admirable financial strength shown by the balance-sheet.

The motion was carried unanimously, and after a brief acknowledgment by the chairman the proceedings terminated.

TRUST HOUSES LIMITED

REDUCED PROFIT IN SPITE OF RECORD TURNOVER

The forty-eighth annual general meeting of Trust Houses Limited was held on July 27th in London.

Captain A. R. S. Nutting, O.B.E., M.C., the chairman, in the course of his speech, said: Our profit for the year shows a decrease as compared with last year; this in spite of the fact that our turnover was the greatest in the history of the company. Our turnover continues to increase, but unfortunately costs are also mounting and I see no immediate likelihood of any fall.

We have acquired during the year under review the White Swan Hotel at Halifax and the issued capital of the Palace Hotel, Paignton. In addition we have purchased the freehold of the "Lattrell Arms" at Dunster and the Temple Bar Restaurant—both of which were previously held on lease.

I should also like to mention the very considerable extensions that we have made (and are still making) at the Randolph Hotel in Oxford. These alterations have cost a lot of money, and we feel that when they are all complete we shall have a hotel worthy of that great and unique city. Substantial structural improvements have also been carried out at a number of other houses.

We have continually represented to the Government that the purchase tax is having a crippling effect on the hotel industry and that if they want the industry to put its houses into good order relief must be given. It is our constant aim to keep our houses bright and cheerful and we believe that the gratifying volume of our trade is largely due to this policy, but the cost is really alarming, reflecting as it does not only constantly increasing prices but also the burden of purchase tax which increases proportionately with them.

REFRESHER COURSES

I would like to say something regarding what I may refer to as our managers' refresher courses which were inaugurated this last winter and ran during a period of approximately six months. Each course lasted a fortnight and all branches of the hotel industry were covered by means of short lectures and practical demonstrations. Those who attended these courses showed great enthusiasm and, I hope, gained some useful knowledge and help in their arduous work, for running a hotel today is indeed an arduous task and calls for knowledge, tact, and a lot of hard work.

You will not expect me to prophesy and I have no intention of trying to do so; all I can say is that we shall continue in our endeavours, firstly, to keep our standards as high as we possibly can; secondly, to maintain a price which our customers can afford, and thirdly, to extend a welcome to all those who visit our houses.

Your directors have followed with close attention the Government proposals with regard to licensed houses in the new towns. I am glad to tell you that at Crawley, where state management is to be applied, the advisory committee has recommended to the Home Secretary that the company's house, the George Hotel, be excluded from state control and remain in our hands. I am hopeful that in other places we may have the opportunity of proving in the new hotels which will require to be erected that disinterested management as practised by this company is the most suitable method and most to the advantage of the public.

The report was adopted.

THE BRITISH SOUTH AFRICA COMPANY

SIR DOUGAL O. MALCOLM ON DIVIDEND POLICY

The annual meeting of The British South Africa Company was held on July 26th in London.

Sir Dougal O. Malcolm, K.C.M.G. (the president), in the course of his speech, said:

Our profit at £1,460,742 is almost exactly the same as for the year before, just under £2,000 more. Apart from the ever-increasing burden of taxation, which is up by nearly £350,000, so close to those of the year before that I hardly think that you will want me to go through them in detail.

For the year under review we have thought it prudent to repeat the same dividend as we paid last year—namely, 33⅓ per cent., less income tax (paid as a first and final dividend), and we add, as last year, another sum of about a quarter of a million pounds to our unappropriated profits carried forward, which now amount to the impressive figure of just under £2,100,000.

Our renewed prosperity is, of course, again due in the main to the success of the Northern Rhodesian mining industry; in particular, the copper mining industry. The copper mines, and we along with them, would be doing even better still were it not for the difficulties connected with the supply of fuel for the mines.

I am satisfied that every possible step is being taken with the willing co-operation of all concerned to improve the position. Our general outlook remains excellent and certain important matters, including very large matters of policy, arise from it.

INTERIM PAYMENTS

In the first place, we agree that the time has now come when we can fairly contemplate meeting a desire that has been in the past often expressed by our stockholders for interim dividends of the ordinary kind, to be followed by final dividends at the end of our financial year. We are in hopes of being able to take this step in respect of our year now current. The life of our Northern Rhodesian mineral rights comes to an end on October 1, 1986. This is a long way, but not an infinitely long way, off; and this consideration points, in our mind, to a conservative dividend policy while the sun of prosperity shines upon us brightly as it does at the present time.

We think that, while pursuing what I have called a conservative dividend policy, we should set ourselves to build up out of profits while we still have our mineral rights a great body of long-term investment mainly in Southern Africa. For that, we consider, good opportunities exist for profitable investment, opportunities of which with our close association with Rhodesia and with such important groups as Anglo-American and Consolidated Gold Fields, we are in an excellent position to avail ourselves. I do not believe that the possibilities of future copper-mining enterprise in Northern Rhodesia are by any means exhausted, or, indeed, fully known yet. Energetic steps towards their further exploration are being taken at the present time, of course, with every encouragement from us. Nor certainly are the possibilities of the West Witwatersrand, and of the new Orange Free State goldfields yet fully known. We have already very important investments in these enterprises, and we should lose no chance that we can prudently take of adding to these investments, which are quite independent of our royalty rights and may, we hope, at least in great measure, replace those rights when these disappear.

The report was adopted.

MILLARS' TIMBER AND TRADING COMPANY

EXPANSION IN ALL LINES

The annual general meeting of Millars' Timber and Trading Company, Limited, was held on July 24th in London, Colonel Clive E. Temperley, O.B.E., M.C., B.Sc., presiding.

The following is an extract from the directors' circulated statement:

The divisible profit for 1950 of the parent company amounted to £86,569 compared with £70,716 for 1949. Your directors recommend a dividend of 20 per cent. on the ordinary shares, against 15 per cent. last year.

Trading showed considerable expansion in all lines during 1950. The quantity of Jarrah and Karri authorised by the Australian Timber Control for export from Australia was again small despite the urgent and insistent demand from overseas markets, particularly for Jarrah railway sleepers. Whilst it is appreciated that Australia's domestic requirements for railway sleepers are urgent, it is unfortunate that, owing to exports being severely restricted, overseas markets may be lost to other less suitable timbers.

The profits earned by Millars' Machinery Company, Limited, were again satisfactory, and its products remain in great demand. The volume of orders received to date shows a further increase. The company's works at Bishop's Stortford are operating at full capacity. Your South African subsidiary was able to increase its purchases of timbers from overseas other than Jarrah and Karri. The merchanting side of Millars' business in timbers other than its own Jarrah and Karri continued to expand and in 1950 reached record figures.

It is anticipated that the profits for 1951 will be satisfactory.

The report was adopted.

JOHN I. THORNYCROFT

CAPITALISATION OF RESERVES

An extraordinary general meeting of John I. Thornycroft & Company, Limited, was held on July 31st, in London, to consider a resolution capitalising £300,000 of the general reserve fund, and approving its distribution as ordinary shares of £1 each to the ordinary shareholders at the rate of one fully paid ordinary share for each ordinary share of £1 each held.

Sir John E. Thornycroft, K.B.E., M.I.C.E. (Life Governing Director and Chairman), in the course of his speech, said: It was fifty years ago that your business was converted into a limited liability company, and I think I can claim that the products that have been produced have operated in practically all parts of the world, and that your company is looked upon with respect by a very great number of people interested in the engineering and shipping spheres.

For the last ten years a very considerable portion of the profits have been ploughed back into the business to consolidate the company's financial position, and in recent years this policy has complied with the Government's policy in respect of dividends.

The company has been using the £300,000 reserve, which it is proposed to capitalise by issuing the existing ordinary shareholders with 300,000 additional ordinary £1 shares. In fact, all the reserves, that the company has been able to plough back into the business, have been required to finance the company's operations and provide for future liabilities, and your board is of the opinion that it is only just to give the ordinary shareholders title to a portion of the company's reserves by issuing these 300,000 ordinary shares, which truly can be described as "plough shares."

The resolution was approved.

BRITISH GLUES & CHEMICALS LIMITED

SIR ROGER DUNCALFE'S REVIEW OF A RECORD YEAR

The directors' report and accounts for the year ended April 30, 1951, were issued to the stockholders on July 31st. The following are extracts from the review by the chairman, Sir Roger Duncalfe:—

In my forecast last year I said it would be unwise for stockholders to expect continuance of profits on the scale of that year. In the actual event this year's record profit exceeded by 50 per cent. the previous year's profit, which was itself a record. Various factors contributed to this result. Increased world demand, accentuated by the Korean crisis and rearmament, helped us. Our product stocks were reduced with consequent profit. With our postwar development programme virtually completed we were favourably placed to meet the increased world demand to which I have just referred. The substantial savings in works costs achieved by technical improvement were augmented by increased production and this served in some measure to counteract cost increases outside our control. New products found a ready sale. Our North American companies did well. Thus, international conditions, however unsatisfactory they may have been in other respects, moved in our favour.

Another factor lies behind the year's achievement. There is a virility, an urge, and a forward drive in our Group, the effects of which cannot be measured in any forecast. These qualities flow from the ever-growing strength of our personnel. Their careful selection and training by our managing director, Mr Harold J. Cotes, now ably assisted by our assistant managing director, Mr I. H. Chayen, is indeed yielding good results, and the contribution made by the younger men in all departments of our business grows year by year. I take pride in saying this and in expressing on your behalf gratitude to our managing director, who, for many years, has made it his unceasing care. I thank all our employees for a year of good work and of solid achievement.

CONSOLIDATED ACCOUNTS

The consolidated profit for the year, after providing for taxation, is £422,434 (£253,344). After adjustments the amount available for appropriation is £403,907.

Appropriations are: £50,000 to our pension schemes in respect of back service; £80,000 to replacement reserve (making it £160,000); £10,000 to reserve for tax deferred by initial allowances, making it £61,000; £125,000 to general reserve, with transfer of £100,000 from contingency reserve, making the general reserve £475,000; £33,865 to capital reserve and with the addition of excess profits tax postwar refund £16,135 this new reserve in the company's balance sheet is shown at £50,000. We propose to use it in making the £50,000 ordinary stock bonus issue referred to below.

Fixed assets stand in the balance sheet at £1,015,420, slightly less than a year ago, since depreciation was a little more than capital expenditure.

Current assets at over £2,000,000 (including over £1,000,000 in cash and tax reserve certificates) are approximately £640,000 greater than last year, and are more than double our liabilities.

Our revenue reserves and surplus including future taxation reserves now amount to £1,220,152, as compared with £897,299 a year ago.

DIVIDENDS AND BONUS ISSUE

The directors have decided to pay, on the ordinary stock, as increased by last year's £50,000 capital bonus, a second interim dividend of 25 per cent. making 30 per cent. in all (last year 25 per cent.).

It is proposed, subject to agreement at the annual general meeting, to issue again this year as a bonus to ordinary stockholders £50,000 ordinary stock (two 4s. units for every nine units held). This second bonus issue will not participate in the dividends already authorised by the directors.

PRODUCTION AND SALE

Turnover again showed a substantial increase, partly due to increased production, partly to some reduction of product stocks and partly to rising prices. Our improved technique and the greater production flowing from our new plant and the consequent economies, enabled us to absorb rising costs and thus to delay increases in prices for longer than might have been anticipated. Indeed, it was only in the early months of 1951 that heavy rises in our raw material costs forced a general revision of our product prices. Our new and improved products have proved an outstanding success, and the demand for them is such that we are finding some temporary difficulty in meeting it to the full. We have continued to give our most careful attention to research and development.

Our export business was a feature of the year—we sold to eighty countries and increased our exports both in tonnage and value. Visits were paid to twenty-nine countries. Our exports to North America were especially noteworthy, being nearly twice last year's considerable achievement.

Our business is a world business engaged in the production and sale of commodities essential both in peace and war. Our prosperity must largely be conditioned by world prosperity. The immediate outlook is prosperous but the future remains obscure. However, your company is financially sound, it is well manned, its works are in good shape, and its technique is modern.

OHLSSON'S CAPE BREWERIES

The sixty-second annual general meeting of Ohlsson's Cape Breweries, Limited, was held on July 26th in London.

Mr Geoffrey Dent (the chairman), in the course of his speech, said: The year under review has shown a further marked increase in the cost of living in the Union of South Africa, with a consequent reduction in the spending power of the public. Our trade in the Cape and Natal, in spite of this reduction, was on the whole well maintained. The effect in the Transvaal and in Rhodesia was much more marked. In both of these areas, moreover, we have had to face increased competition, resulting from the advent of two new brewery companies. A reduction in the selling price of beer has been a further adverse factor so far as profits in Rhodesia are concerned.

Costs of production have continued to rise steadily. The trading profits at £543,001 show a decrease of £87,110 due to the reduction in turnover. It is proposed to pay a final dividend of 17½ per cent., making 22½ per cent. for the year.

In August and September last year I visited South Africa and Rhodesia, and inspected all the company's breweries and depots and many of the licensed properties in which we have an interest. I was particularly pleased with the various rebuildings and improvements that have been carried out, and am confident that they will achieve their purpose in providing for more efficient working and for maintaining and expanding the business.

It is pleasing to note that sales for the current year have been fairly well maintained so far, especially in the Transvaal and Natal, but there are signs now of some lack of spending power in the Cape.

The report was adopted.

ST. MARTIN PRESERVING COMPANY, LIMITED

(Manufacturers of Chunky Marmalade, Preserves, etc.)

INCREASED TURNOVER

MR P. A. J. HAMMETT'S SPEECH

The twenty-third annual general meeting of the St. Martin Preserving Company, Limited, was held on July 27th at Maidenhead.

Mr P. A. J. Hammett, F.C.I.S., the chairman, who presided, in the course of his speech, said: Gentlemen,—Last year reference was made to the more competitive conditions to be expected. In face of the fulfilment of that anticipation, it is pleasing to be able to inform you that turnover exceeded that of the preceding year, and that despite increased costs and higher taxation it has been possible to add a further £5,000 to reserve and to increase the credit balance of your profit and loss account while maintaining the dividend and adhering to the policy of writing off capital expenditure to revenue. You will recall that the inception of this practice was in pursuance of the long-established policy of your directors to give primary attention to the strengthening of your company's financial structure, and while no business can claim to be impregnable in these days of unpredictable fiscal and economic legislation, yours is undoubtedly in an exceptionally strong position. Nevertheless, the fact has to be faced that the harsh and burdensome taxation upon companies now prevailing renders it increasingly difficult for industrial concerns to retain any substantial portion of their profits, and almost impossible if a reasonable return is made to those who made their activities possible. Therefore, it may well be that an adjustment of the policy so far pursued may be forced upon us.

GENERAL RESERVE £55,000

The amount of £25,000 standing to the credit of contingencies reserve has been transferred to general reserve. Therefore, with its own brought-forward credit of £25,000 and the appropriation now made from the profits, general reserve stands at £55,000.

Mr H. G. Henly, whose association with the company dates back to 1935, has expressed his desire to retire owing to the increasing demands his other business interests make upon him. It is with the greatest regret that his colleagues accept this position, appreciating, as they do, the invaluable services his wisdom and experience have enabled him to render.

While current conditions make it necessary to view the future with caution, the successful results of the past difficult year give grounds for optimism. Your company's speciality, Chunky Marmalade, becomes increasingly popular, and the sales of the past year created a fresh record. The larger demand now in evidence gives every indication that a new record will again be set up.

Your executive, office, factory and sales staffs and employees have contributed much to the results of the year. Suitable recognition has been made of outstanding achievements.

The report was adopted.

W. J. BUSH & COMPANY

CENTENARY YEAR

The fifty-fourth annual general meeting of W. J. Bush and Company, Limited, was held on July 31st, in London, Dr Percy C. C. Isherwood, O.B.E., F.R.I.C., chairman and joint managing director, presiding.

The following is the chairman's circulated statement:

I should like to record that the current year marks the one hundredth anniversary of the foundation of the business by the late William John Bush in 1851. As a result of increased turnover at home and overseas the accounts of the group now submitted show a profit of £398,648, as against £300,293 in the previous year, an advance of £98,355.

Although in making comparisons the present inflationary period has to be borne in mind the increase in fixed and current assets in the consolidated balance sheet does, I consider, provide an indication of the expansion in the company's business.

The ever-increasing incidence of taxation, the necessity of carrying adequate stocks at much enhanced prices together with the high cost of maintaining plant in a state of efficiency, all involve increasing demands on the company's liquid resources, which demands are accentuated by reason of our steadily expanding business both at home and overseas.

EFFECT OF REARMAMENT PROGRAMME

The diversion of a significant part of the national effort to the programme of rearmament necessitated by the disturbed international situation has already added to our difficulties in obtaining plant for maintenance and devlopment also in obtaining adequate supplies of essential raw materials. As the programme gets into its stride it is anticipated that this problem will become even greater. In spite of this it is gratifying to record that during the year under review we have been able substantially to increase our production and efficiency, with the satisfactory results referred to at the beginning of my statement.

In previous years I have referred to the importance of maintaining research both for development and for increasing the productive efficiency of existing manufactures. In this connection I am pleased to report that we have now completed the reorganisation and re-equipment of our research laboratories, which should increase our efficiency in this vital aspect of our business.

VISITS TO OVERSEAS COMPANIES AND BRANCHES

During the last few years it has been possible for your directors to visit our overseas companies and branches and discuss their problems on the spot. This personal contact is achieving valuable results.

As a result of enhanced costs for replacement of plant and buildings to which I have already drawn attention in this and previous statements, your directors consider it advisable to place a further sum of £50,000 to the reserve against this item, bringing it up to £300,000. It is also considered prudent to increase the reserve against stocks by £50,000, making the total £150,000. A further sum of £100,000 has been placed to general reserve, which now stands at £450,000.

Once again I wish to place on record my appreciation of the loyalty and hard work of my colleagues and the company's staff.

The report was adopted; the payment of a final dividend of 10 per cent. on the ordinary shares, making 15 per cent. for the year, and the payment of a centenary bonus of 1s. per share on the ordinary shares as recommended, was approved.

CITY OF SAN PAULO IMPROVEMENTS AND FREEHOLD LAND

FACTORS GOVERNING DIVIDEND

The thirty-ninth ordinary general meeting of this company was held on July 31st in London, Mr R. G. Mills, the chairman, presiding.

The following are extracts from his circulated statement for the year to February 28, 1951:

The board has felt for some time that there would be distinct advantages in registering a new company in Brazil. This was done on July 6, 1950, when the capital of 20,000 contos (£250,000 at Cr.$80 to the £) was subscribed almost entirely by this company.

The sterling-cruzeiro exchange rate for remittances remained unaltered, viz. 52.416 cruzeiros to the £, to which must be added the reimposed remittance tax of 5 per cent., increasing the effective rate to approximately Cr.$55 to the £. For eleven months of that period there was a complete embargo on remittances; consequently, it was impossible to remit any of the profits.

Since the date of the balance sheet we have received £108,090, of which £14,454 was the balance of the remittable quota in respect of the profits for the year ended February 28, 1949, and the remainder of £93,636 was the undisputed quota of the profits for the year ended February 28, 1950. We are endeavouring to alleviate the position by an arrangement made with the Exchange Controls in Rio de Janeiro and London whereby we should receive a further £30,000 of profits.

RECORD PROFIT IN BRAZIL

The profit for the year in San Paulo amounted to £155,856. In view of the administration in San Paulo having been taken over by the Brazilian company, no proper comparison with the previous year is possible. The net profits are £98,242 after providing for the first time for United Kingdom income-tax. The total charge for UK taxation, after deducting unilateral relief in respect of Brazilian taxation amounting to £42,913, is £43,879.

In the report you will see a statement amalgamating the sterling equivalent of the Brazilian company's profits, amounting to £261,286, making the total profit in Brazil before taxation and appropriations £462,984, compared with £267,345 for the previous year. The figure of £462,984 is by far the highest profit ever earned. These profits are still in cruzeiros and subject to the statutory limitation of remittances.

To those of you who were stockholders last year a reduction in the rate of dividend will come as no surprise. We have decided to recommend a final dividend of 2d. per unit (6¼ per cent.), free of tax, making a total dividend for the year of 3d. per unit (10 per cent.), free of tax. I cannot emphasise enough that under existing conditions this company's rate of dividend is not governed, as is normally the case, by the earning capacity but by the sterling available to pay such dividends and its UK taxation commitments.

The sterling equivalent, calculated at 3d. to the cruzeiro, of amounts receivable from purchasers of land spread over varying periods averaging 15 years, shows an increase of £1,600,000, and has reached the very considerable total of more than £5 million. The arrears at February 28, 1951, were very small. During the year under review the total sales made on the company's deferred payment terms amounted to Cr.$165,500,000 approximately compared with Cr.$75 million last year, which was itself a record and more than double those of the previous year.

The report was adopted and other resolutions were passed.

ASSOCIATED BRITISH PICTURE CORPORATION

IMPROVED RESULTS

The twenty-fourth annual general meeting of this company was held on August 2nd in London, Sir Philip Warter (the chairman), presiding.

The following is an extract from his circulated statement:

During the year the board decided to close the studios at Welwyn and concentrate film production at our modern Elstree studios. Economies arising from this rationalisation, together with our policy of strictly controlling production expenditure, have contributed to a considerable extent to the improved results which we are pleased to record for the year 1950-51.

The trading profits of the group show an increase of £298,651 from £2,205,624 to £2,504,275. The provision for taxation is increased by £189,429 at £1,217,464.

The net profit of the group amounted to £663,609, an increase of £119,987, and the net profit of the Corporation was £624,393, compared with £507,795 last year. Your board propose that the ordinary dividend should remain at 20 per cent.

During the year out of the group's box-office receipts of £18,901,114, £7,009,509 was paid to the revenue in the form of entertainments duty—representing 37.1 per cent. of the takings.

It is not generally appreciated that on what was the most popular price of seat—namely, 1s. 10d.—9d went to the Chancellor of the Exchequer. Too much is taken in entertainments duty and not enough is left to the industry.

The Chancellor of the Exchequer has now agreed to a conference between the Treasury officials and representatives of the industry to ascertain if there is an alternative method of tax collection which will give Exhibitors some elasticity in adjusting prices of admission without creating the anomalies which at present make this practically impossible.

A few days after the close of the financial year the Chancellor of the Exchequer proposed in his budget speech to increase entertainments duty by 1d. on all gross prices of admission from 6d. to 9d. inclusive, and 2d. per seat on other gross prices of admission from 10d. upwards.

The whole industry, represented by the four main organisations covering all forms of production, distribution and exhibition, submitted alternative proposals to the Treasury. Following protracted negotiations, the Chancellor agreed to a compromise plan, which provided for a 1d. tax remission on the 1s. gross price of admission whilst leaving all other prices under 1s. untouched. In addition to his new tax proposals, he has also agreed to seat price adjustments which should bring in additional income.

The Elstree studios have been fully employed throughout the financial year.

Nevertheless it has not been found possible to operate production profitably for the financial year under review, but the sum that it has been necessary to provide for the production deficit is less than in recent years. It is reasonable to anticipate that the "Eady Plan" which, insofar as production was concerned, had no effect during the financial year under review, will, taken together with the extension proposals in the budget, make a material contribution to our production results.

We believe that it will go a long way to foster a stable and successful British film production industry.

The trading for the current year to date can, under the circumstances, be considered satisfactory.

The report was adopted.

GROSVENOR HOUSE (PARK LANE) LIMITED

IMPORTANCE OF TOURIST INDUSTRY

The twenty-third annual general meeting of Grosvenor House (Park Lane) Limited, was held on July 27th in London, Mr Charles S. Taylor, M.A., D.L., M.P. (the chairman), presiding.

The following is an extract from his circulated statement:

Since the last annual general meeting the Rt. Hon. Lord Burghley, K.C.M.G., has been elected to the board.

The profit for the year amounted to £217,032. The directors recommend the payment of a dividend of 6 per cent., less income tax, on the ordinary stock. Although the profit earned was larger than last year, taxation is more than proportionately higher, owing to the increased rates of income tax and profits tax now payable. In addition, a proportion of the repairs and renewals charge, being unspent during the year, is disallowable for taxation purposes.

We are proud to say that the turnover on the past year's trading reached a record figure. This applies to the letting of hotel rooms and flats, and to catering—the three major departments of the company's activities—though the restaurant and grill room business continues to be affected by the reduced spending power so clearly discernible in this country.

TOURIST INDUSTRY'S DOLLAR CONTRIBUTION

The tourist industry contributes nearly twice as many dollars to Britain as any other single industry. It seems to us, therefore, remarkable that hotel-keepers should still be hampered and restricted in so many directions, seeing that hotels constitute one of the key points in the great tourist industry.

The need to employ properly trained staff and to achieve the maximum efficiency of the labour force has become intensified because of the high demand for labour compared with the short supply.

The newly-formed Hotel and Catering Institute will, we believe, develop a higher professional standard of hotel-keeping in this country, and therefore produce a higher standard of efficiency. It is our policy to co-operate with the institute with the object of furthering educational development and raising the standards of hotel and catering staffs.

We are continually being reminded that it is desirable from the national point of view that we should endeavour to attract the maximum number of clients from overseas. This especially applies to dollar countries, which are accustomed to a good standard of hotel-keeping, not only in their capital cities, but in many other of their cities and towns. I fear the time when, if present trends continue, it may be necessary for us to consider reducing the amount of service we now render, which, as is shown by the many spontaneous tributes that reach us, is so highly appreciated by our clients. If conditions make reductions in service inevitable the effect upon overseas travel to this country, in face of keen competition from neighbouring countries, must cause the authorities seriously to consider the position. I am sure that you will agree with me when I express the hope that action will be taken before it is too late. The long-term recommendations of the Catering Wages Commission have not yet been implemented, but I look forward to the final decisions. I believe that the industry as a whole could benefit from a revision of the present Catering Wages Board arrangements.

Notwithstanding the difficulties, I can claim that Grosvenor House is today, without doubt, one of the finest hotels in the world.

The report was adopted.

THE GREYHOUND RACING ASSOCIATION TRUST

MR F. S. GENTLE WANTS EQUITABLE TREATMENT

The twenty-third annual general meeting of The Greyhound Racing Association Trust Limited was held on July 31st at the White City Stadium, London.

Mr Francis S. Gentle (chairman and managing director), in the course of his speech, said: Totalisator turnover fell by 18 per cent., and attendances by 12 per cent., resulting in a drop of £241,000 in revenue, compared with the preceding year. By singling out totalisator betting on greyhound racecourses and imposing on it the 10 per cent. pool betting duty, the Government have driven a great volume of betting into untaxed sources—to the ultimate disadvantage of the Exchequer and at considerable loss to the greyhound racing industry. We do not seek any privileges in our competition with other forms of entertainment. All we want is equitable treatment—but we are not getting that so long as the present discriminatory, unjust and penal system of taxation on betting at greyhound tracks continues.

There is also discrimination in entertainments duty since theatres pay 15 per cent. but greyhound racing pays 45 per cent. The group's tracks produced a total of £2,006,000 in direct taxes last year.

The Royal Commission on Betting agree that betting as conducted in this country today is not a social menace.

The immediate outlook is unsettled, but we shall continue to fight against discrimination in all forms and I feel confident that equity and right-thinking will prevail—which must be to our benefit.

The report was adopted.

EX-LANDS NIGERIA, LIMITED

The thirty-ninth annual general meeting of The Ex-Lands Nigeria, Limited, was held on July 27th in London. Major-General W. W. Richards, C.B., C.B.E., M.C., chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year 1950:—

Production was down compared with the previous year—712 tons of tin concentrates assaying approximately 74 per cent., yielding 527 tons metal, against 725 tons concentrates yielding 537 tons metal. There was an increase in the aggregate mining costs of £10,500 compared with the previous year—£120,246 against £109,721. The cost per ton aggregated £169 compared with £151 per ton.

Tin realisation charges £75,124, which cover treatment, brokerage, freight and royalty, show a considerable increase compared with last year's figure of £43,173. The royalty payable to the Nigerian Government totalled £45,020, which is equal to £63 per ton, or 50 per cent. higher than last year.

The average price we received per ton of tin metal produced was £929.75, which yielded a revenue of £491,026—an increase of £186,266 over the previous year. The Board recommend a final dividend of 7.2 pence per unit of stock, less tax at 9s. 6d. in the £, making a total of 1s. per unit of stock for the year.

Prospecting work, costing £5,272, was carried out with the result that the ore reserves at December 31, 1950, of 4,658 tons showed an increase of 76 tons of tin compared with the 1949 figures, after allowing for the 712 tons produced during the year.

Current operations.—Production for the first five months was 263 tons.

The report was adopted.

NOTICES

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SALES MANAGER wanted for U.K. Concessionaires of RIV anti-friction bearings with London headquarters. Qualifications: must be able to prove thorough knowledge of the industry, particularly on the technical side. Age limit 45. Good honours degree desirable. Successful applicant must be prepared to undergo a medical examination and will, after a period of probation, be eligible for inclusion in Group Pensions Scheme.—Apply, in own handwriting, to Personnel Manager, Box 713.

TELEVISION MANUFACTURERS in Surrey require an understudy to Works Manager. A well-educated man, with good personality, aged about 30-35, possessing University Degree in Electrical Engineering or equivalent and several years' production experience in an executive position, would suit. Commencing salary £800—£1,000 p.a., according to capabilities and experience. The position is an important one which offers good scope to the right man. All applications will be treated in confidence.—Box 715.

LAYTONS Wine Merchants, 2a Duke Street (Manchester Square), W.1, are also party caterers. Welbeck 8808, 1864.

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

ATTWOOD STATISTICS LIMITED invite applications from men holding a good British degree with statistics as a special subject. The post combines statistical and executive work, and is a sound opportunity for a person prepared to be trained in all aspects of Market Research. Experience of graphical presentation an advantage. —Write, giving full details of education, age and previous experience, to Attwood Statistics Limited, Chantrey House, Eccleston Street, London, S.W.1.

FACTORY, centrally situated in Edinburgh, one of the lowest rated cities in Great Britain, presently use as a printing works, approximately 21,000 square feet, existing use light industrial purposes, assessed rent £235, derated to £58. No ground burdens, electric lift, two loading banks, all in modern condition, approximate entry December. Permission to view from and offers to Shepherd and Wedderburn, 16, Charlotte Square, Edinburgh.

FINALS student Institute of Actuaries, 28, seeks post in statistical department stockbrokers; or in Commercial-Industrial Co., with management prospects. Public School, wide general education, plenty of initiative. Minimum £600 p.a.—Box 706.

EXPORT.—Representative of Australian wholesale firm wishes to take sole distributorships and agencies for manufacturers, as leaving for Australia soon.—Box 712.

FOR sale.—*The Economist*, April 6, 1946-June 30, 1951.—Offers to Box 710.

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Applications should be received not later than August 15, 1951, by the Secretary, London School of Economics, Houghton Street, Aldwych, London, W.C.2, from whom further particulars may be obtained.

LONDON TRANSPORT EXECUTIVE invite applications for the post of Supplies Officer. Initially the occupant of the post will be responsible to the Chief Supplies Officer for all work in connection with the requisitioning, receipt, custody and issue of stores stocks with an annual turnover of about £5,000,000, embracing material for the maintenance of railway and road service rolling stock, electrical plant, signalling, and permanent way, as well as building materials and common stock items.

Candidates must have had a wide practical experience of storekeeping and of the forward planning of supplies in relation to engineering workshops, and they will be expected to be familiar with modern developments of stores lay-outs and storekeeping practice and accountancy. A knowledge of purchasing methods will also be required.

The salary for the post will depend on the experience and qualifications of the successful candidate and will be of the order of £1,750 per annum.

The successful candidate will be required to pass a medical examination and on completion of a satisfactory probationary period will be required to join a contributory superannuation fund. Applications, giving full particulars of age, experience, qualifications and present salary, should be sent within fourteen days of the appearance of this advertisement to the Chief Staff and Welfare Officer (F/V.09), London Transport Executive, 55 Broadway, Westminster, S.W.1.

THE UNIVERSITY OF MANCHESTER

Applications are invited for research posts in ECONOMICS, ECONOMIC STATISTICS, GOVERNMENT, SOCIAL ADMINISTRATION AND SOCIAL ANTHROPOLOGY. There are three grades: Grade I, £500 to £1,100 per annum; Grade II, £450 to £500 per annum; Grade III, £350 to £400 per annum. Applications should be sent not later than September 4, 1951, to the Registrars, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

FEDERATION OF BRITISH INDUSTRIES

Applications are requested for post of Assistant Secretary in the Federation's North-Western Regional office in Manchester. Duties include maintaining contact F.B.I. members in the area and secretarial work connected with F.B.I. North-Western Regional Council. Prospects of promotion. Preference given to applicants under years of age. Minimum salary £650 plus allowances; pensionable. Applications should be sent to the General Secretary, Federation of British Industries, 21 Tothill Street, London, S.W.1, to arrive not later than Monday, August 27th.

THE I.L.O. invites applications from men and women of U.K. nationality, aged not less than 28 and not more than 35 years on September 30, 1951, for a post of Assistant Member of Division in the Agricultural Division of the International Labour Office, Geneva, Switzerland.

Qualifications required :—

1. University degree (preferably including economics or agriculture) or the equivalent in experience.
2. Ability to draft clearly and concisely.
3. Good knowledge of French or Spanish.
4. Account will be taken of research experience in agricultural economics, if possible in agricultural labour problems.

Further particulars and application forms may be obtained on application, with stamped addressed foolscap envelope, from the International Labour Office, 38-39, Parliament Street, London, S.W.1.

Closing date for return of completed application forms is September 30, 1951.

WINE is so easy to enjoy; see if you have a natural palate; enter the Wine-Tasting Competition. First prize, a week among the vines. No charge whatever. Closing date for 1st Round is August 30th! Don't delay!—Apply The Friends of Wine, 1, Vintners Place, London, E.C.4.

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The Economist

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Defence With Tears

BRITAIN'S trade deficit is not removing itself while the politicians are on holiday. The gap between imports and exports was bigger last month than in May and only moderately less than the fantastically large gap in June. In July alone the deficit on visible trade was as great as that for the whole second half of 1950. The country is left to go on living happily beyond its income, and the task it will eventually have to face grows more disturbing. Three times in six years Mr Attlee's Goverment has had to collect its courage and recognise that the only way to get out of economic difficulties was temporarily to reduce the standard of living of the British people. The first two occasions followed the crises of 1947 and 1949, and the third was this year's Budget. But this time the resolution to do something about it has faded even more quickly and more disastrously than before.

The situation in April was simple enough. The economic policies of 1950 could not provide in 1951 the extra armaments necessary for national security and the extra exports necessary for national solvency. Therefore Mr Gaitskell had to make room for these things by cutting other things. To put the point with formal correctness: the total of domestic civilian spending—Government and private, for consumption and for investment—had to be reduced in real terms. Bluntly, the practical meaning was that solvency and security must be provided out of the mouths and off the backs of the British people.

All the complexities of current economic discussion turn on this simple proposition. It was implicit in the Budget and occasional lip-service is still paid to it, though in the recent economic debate Mr Gaitskell himself would not go even so far. In a curiously contorted passage he argued that rearmament affected the consumer only to the small extent to which taxes had been increased; he denied that his policy had ever been to let higher prices restrict consumption. But if this was not the basis of the Budget, what was? According to the Economic Survey, there would this year be rather fewer goods for civilians to consume than there were last year. But money incomes would unquestionably be bigger—if only because of the rises in wages—and the Budget raised taxes very little. Plainly, therefore, consumption would be held in check only if prices rose and reduced the real value of money incomes. Without this assumption the Budget would have made no sense at all.

It is easy enough to see why, politically, the Chancellor has changed his tune. Mr Bevan and his friends have said that rearmament will hurt the British worker. The Government is commendably determined to stick to the rearmament programme, but it dare not seem to care less than Mr Bevan does for the living standards of its trade union constituents. And therefore it will no longer admit that consumption must suffer, that security has a real price. Its slogan has become "Defence and Bevan too." Mr Bevan says that because rearmament hurts, it cannot be necessary; by contrast, Ministers

nised last weeek in the submission to the Government by the Rubber Producers' Council of a draft scheme for financing smallholders' replanting as an alternative to the proposals for freezing earnings.

In the long run the eclipse of Communism in Malaya depends as much on maintaining a healthy economy as on defeating the guerrillas by military action and a progressive political policy there today. This eclipse is an interest of the whole free world and fully as much that of America as of Britain. At the moment neither is treating Malaya with adequate justice in the matter of economic policy. Malaya's inflation has been greatly accentuated by the shortage of consumer goods. The trade surplus has been piled up in sterling assets and not released either for spending in Britain or for transfer into dollars. The fault in Britain lies in the Treasury's departmental tendency to regard Malaya too much as a dependency, which can be ordered from Whitehall to deposit a very high proportion of its dollars against sterling balances in London and without sufficient regard to the effects in Malaya. In reality Malaya has a great deal of initiative in the matter, although it toes the line so far as it can. On the other hand, if Britain cannot supply the consumer and indeed capital goods which Malaya needs to meet inflation, the policy of surrendering dollars in conformity with sterling area requirements will be self-defeating if carried too far. It will prevent stability in the Malayan economy and play into the hands of the Communists.

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For America, Malaya represents just that awkward little problem which is inherent in the assumption of world leadership and world responsibilities. And if the reason why Americans should take on these commitments is that they are necessary to the safety of the United States, then it follows that due importance should be attached to the needs of foreign policy against the requirements of industrial mobilisation at home. The price of rubber, which is crucial to the prosperity of Malaya, depends very gely on American demand. American purchases, since April last, have been very much reduced, US synthetic production has been stepped up to around 900,000 tons a year, and private industrialists in the United States are severely restricted by law in the amounts of natural rubber that they may use. The result is that, when present rubber stockpiling ends, an appreciable fall in the price of rubber is expected, and the prospects of future American demand are very uncertain. Nor has the position in tin been very much better. Disagreement earlier this year between London and Washington on the inclusion of tin in the metals to be discussed by the International Materials Conference, was followed by American action forcing down the price from over 180 cents to 103 cents per lb in a matter of weeks.

These tactics are unrealistic on the part of the United States, since they jeopardise the future not only of Malaya but of all South East Asia in the struggle against Communism. Washington is now spending a great deal on and to Indo-China and to the rest of South East Asia. But there is a jagged hole in its policy so long as no better arrangements can be made for buying Malaya's two vital commodities than a headlong rush at one moment and an almost complete standstill the next. In addition, if the United States wants countries to stop trading with the enemy, whatever the cost to their long-term interests in peacetime—and, on top of the loss of earnings through the price fall, Singapore is already losing entrepot trade to Indonesia—full consideration should be given in return to those who depend for a living on doing business with America. As was pointed out to Mr Dewey on his recent fact-finding visit to Malaya, these problems should stand higher than they do on the list of questions where greater Anglo-American co-operation is required.

Now that the long and bitter battle is swinging in favour of the British forces, Malaya is more worth helping than at any time in the past. It is too early yet to predict any decisive and final defeat of the Communist guerrillas, but recent news suggests that conditions should be distinctly better by the end of the year. Although the Briggs plan is behind schedule, more than half the Chinese squatters have now been resettled —280,000, leaving 160,000 still to be dealt with. More information on guerrilla movements is coming in and more guerrillas are being shot; their morale is going down, as the food denial campaign, begun in Johore in June, takes effect. On the political plane, the great questions of Malaya's ultimate status are still unsettled and it is well that they should be, at least until the country has had a period of calm and normality. But definite progress is being made towards self-government within the present constitutional framework, even if this progress is slow. All these events in Malaya are quite as important to the struggle against Communism in Asia as those in Indo-China. If either territory collapsed, the effect would equally be disastrous throughout South East Asia. It would be folly on the part of the leaders of the free world to do anything now, for either economic or political reasons, which would prejudice the great and gallant efforts made in Malaya during the past three years.

A New Epoch

A new epoch seems to have dawned on the world. Never before were all the elements of social happiness so abundant and apparently so assured. Men seem to have no other desire but, by trade, to serve one another. . . In increasing population, extending trade, advancing navigation, improving agriculture, and well-ordered finances, our country possesses more means of happiness and strength than perhaps were ever before vouchsafed to any nation. All these great improvements, contrary to one long-accredited theory, happily for us, and confirming our best hopes, accompany a rapid increase of the people; and totally contrary to another and very prevalent theory, all these improvements are connected with and grow from our town population. They do not spring from the wilds of Connemara, nor from the Arcadian vales of the South and West of England—not from the old population of our rural hamlets, but from the new population of our cities, from amidst the whirl of spindles and the hissing of engines. . . . We cannot, however, refer to our great present prosperity without reminding our readers that it requires as much care to preserve as to acquire; and in this world of change, preservation means continual improvement. To rest self-satisfied is to doom ourselves to decay. . . . That our prosperity may be as permanent and progressive as it is now striking and grand, we must deserve to be prosperous.

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Eye-Witnesses of Aggression

HALF the battle in Korea was won when it was established within the first week who had begun it. If United Nations observers had not been present to report what they had seen all along the frontier of the two Koreas between June 9 and 23, 1950, the Communist insistence that Americans and South Koreans had begun the fighting would have been less effectively answered after June 25. What frustrated the aggressor then might well frustrate him again, and a world desperately in need of peace would do well to examine and adopt every technique which offers hope of making war less likely. In the last three years the stationing of trained observers, drawn from many nations, along threatened frontiers and in disputed territories has been developed as a wholly new technique of this kind.

Such observers are hardly needed where the threat to peace takes the form of a full-scale attack by a major power. A chain of United Nations observation posts along the Elbe would neither deter the Politburo from ordering the Red Army to march, nor would it be needed to show the world where the blame for a conflict in this area lay. But in the immediate future a major war is more likely to begin in a less direct way. It might result from the extension of a relatively small conflict at a point of friction between the Communist and the free worlds, or from the use of one of Russia's satellites to stage another aggression by proxy on the model of Korea. In either of these cases there is much to be gained from the presence at the danger point of a group of men capable of evaluating signs of military preparation, experienced in making objective reports, and drawn from so many different nations that their joint verdict could not be dismissed as a partisan view—except of course by the Communists and their friends, who will dismiss anything. It would be too much to hope that the presence of observers would actually prevent an aggression that had been deliberately decided upon—though on occasion it might do so. The real purpose that observers can serve is to prevent any division of opinion, based upon conflicting versions of the facts, in the free countries and therefore to encourage them to present a united front against the aggression. Thus they would indirectly have a deterrent effect.

The value of having observers on the spot can be seen from the record of the observers already stationed in five troubled areas in Europe and Asia. These men—most of them military officers with considerable experience of battle—have carried out their duties in remote and inhospitable areas with little public recognition. The scale of their work is indicated by the fact that at one time 594 of them were in the field at the same moment; and their experiences provide a number of important lessons for the future.

The United Nations observer system is a comparatively recent, and in some respects almost accidental, development. No mention of observers will be found in the UN Charter, and not until the third year of the organisation's life did the first of them take up their duties. By then the United Nations had already experimented with the technique of sending out temporary fact-finding commissions—a technique also used by the League of Nations, as in the case of Manchuria—and had discovered its limitations. The General Assembly of 1947 broke new ground by setting up a Special Committee on the Balkans, not to collect facts, but to observe

UN Personnel in Danger Areas

	Observation Work Began In	Personnel in Area in 1950 (before Korean War)
Greece	January, 1948	76
Palestine	June, 1948	136
Indonesia	July, 1948	68
Kashmir	February, 1949	63
Korea	May, 1950	22
Total	...	365

continuously the extent to which the Balkan nations complied with the Assembly's recommendations. During 1948 this committee established observation posts, manned by American, British, Brazilian, Chinese, Dutch, French and Mexican officers and civilians, in six sectors of the northern frontier of Greece. Since that time, they have covered the battlefields right up to the frontier, and several have been wounded by Communist fire. Their scope has been limited by the refusal of Albania, Bulgaria and Jugoslavia to admit any United Nations officials to their territory, but that refusal in itself cast revealing light on the Communist governments' claim that Greece was to blame for all friction along the border. No spokesman for the United Nations would claim that the observers have turned the tide in Greece; but Mr Dulles has expressed the American Government's belief that their activity greatly diminished the aid which the Communist nations would otherwise have given to the Greek rebels.

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In the case of Palestine it was only after two periods of full-scale hostilities that the United Nations empowered its mediator, Count Bernadotte, to form small international teams to observe the execution of truce agreements. Several of these men lost their lives at the hands of both Arabs and Jews, and it was not until the beginning of 1949 that Dr Bunche was able to establish a workable system of United Nations observation along the armistice lines on which he had secured agreement. This system is still in operation, with the more or less willing co-operation of both Israel and the Arab states, and the presence of the UN teams has greatly limited the number and scale of conflicts along the armistice lines.

In spite of these experiences the United Nations has been reluctant to create observer systems in good time in other areas. In Indonesia a year elapsed between the first call for a cease-fire and the inauguration of a system of observation; and even then the local Good Offices Committee had to rely almost entirely on its own resources until the closing stages of the conflict. A similar delay occurred in the case of Kashmir, where, however, United Nations observers have now been continuously at work for over two years. And it is of particular interest that in Korea, although a commission had been sent to the country in 1948, it was not until May, 1950, that the first military observers for service along the 38th parallel reached Seoul. Dramatically enough, these officers completed their first comprehensive inspec-

tion of the frontier only a few hours before the North Koreans attacked; their reports completely exploded the Communist claim that the Southerners had been the aggressors. But they were too few, and had arrived too late, to test the validity of the South Korean Government's belief that their presence would have a deterrent effect on the North.

United Nations observers have never, in fact, succeeded in preventing hostilities from breaking out; but this is hardly surprising, as they have only once been sent to a danger area before the fighting started, and even that one instance, as has been seen, was a matter of "too little and too late." They have, however, substantially limited the scale of the conflicts in Palestine, Greece and Kashmir. And they have fulfilled their third purpose, that of revealing to the world which party was responsible for the aggression, in Indonesia, Greece and Korea. In the last two cases they achieved their effect in spite of being barred from one side of the threatened frontier, and in spite of the fact that the Communist governments concerned had openly defied the United Nations and were less concerned about outside opinion than, say, the Dutch in Indonesia or the Indians in Kashmir.

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If the observer system has thus proved its worth, what objection can there be to its extension? The United Nations itself has learnt that the same results cannot be obtained by visiting missions, even when these can be persuaded to leave their hotels and slog through the mud of battle as the observers do. Every military commander knows how easy it is to fake up "window-dressing" for the benefit of visiting civilians; but it is not so simple to prepare or develop a campaign under the eyes of inconspicuous experts who may appear on a nearby hilltop at any moment. If it is argued that it should be left to the press to warn the world of impending danger, it must be pointed out that no newspaper or agency can afford to rely on competent correspondents in remote mountain areas for years on end in the hope of eventually securing a story.

But if international observation is to play its full part in the defence of peace, it must above all be timely. Korea set a precedent for the posting of observers to a danger area before hostilities begin, and provided a warning that it is not enough merely to send them in on the eve of the conflict. If conflicts are to be prevented rather than merely limited, the observers must start work early enough to master both the terrain and the local circumstances before they are required to report. There is no longer any administrative obstacle to such timely action. Although the United Nations early use of observers was a hastily extemporised affair, the position has since been changed by the approval in 1949 of a permanent panel from which the Secretary-General may select observers at short notice, by the formation in March, 1950, of the mobile UN Field Service—which supplies observers with vehicles, drivers, guards and wireless operators—and by the creation last November of a Peace Observation Commission charged with drawing the attention of the General Assembly to areas of potential danger.

There are several areas of potential trouble to which observers should be sent as soon as possible—for instance, Jugoslavia's eastern frontiers and the Punjab border between India and Pakistan. If it is argued that the arrival of observers heightens tension by emphasising the risks of a local situation, the answer surely is that the more widely the idea is used, the less alarm will be caused by each successive attempt to forestall trouble rather than deal with it at the eleventh hour. The chief remaining obstacle is the fact that the consent of the government of a country has to be obtained before observers can be placed in its territory. This difficulty could be overcome if as many nations as possible would pledge themselves in advance to admit United Nations observers at any time on a request from the Secretary-General, in the same way that many of them have undertaken in advance to accept the rulings of the International Court.

Agenda for the Age of Inflation—I

(By a Correspondent)

This is the first of a short series of articles in which the author gives reasons for his belief that prices will continue, on the average of years, to rise, and outlines some of the conclusions that should be drawn. His views should not be taken as necessarily coinciding with those of The Economist.

THE purpose of this series of articles is to show that prices will continue to rise as far as human wisdom can see ahead, that this fact must be candidly recognised and that we must adapt many of our institutions to it. Inflation, properly speaking, is not the same thing as rises in prices; it may be defined as too much money chasing too few goods, and rising prices are merely a symptom of it. Indeed, it is arguable that some price rises are deflationary. Nevertheless, common practice uses the word in both senses; and for convenience, common practice is followed here.

In the United Kingdom wholesale and retail prices have risen since 1913 as follows (1938 = 100):—

	Cost of Living	Wholesale Prices		Cost of Living	Wholesale Prices
1914.....	69	83	1939.....	97	191
1920.....	180	254	1945.....	152	167
1921.....	155	163	1946.....	159	173
1929.....	105	113	1947.....	168	189
1932.....	92	84	1948.....	182	216
1937.....	99	107	1949.....	186	227
1938.....	100	100	1950.....	189	259

Sources: Cost of Living: National Income White Papers back to 1938, then Ministry of Labour; Wholesale Prices: Board of Trade.

In the previous century, from the resumption of gold payments in 1819 until 1914, wholesale prices fell, through many fluctuations, by about 30 per cent.

While it is true that the 1920 peak has even now barely been passed, this time there has been a steady increase in the postwar period, without the least sign of a falling off. *This rise in prices will continue for so far as can be seen ahead.* What are the reasons for this moderately confident prophecy? We shall approach this matter by seeing what tendencies, inflationary or deflationary, have newly arisen since the nineteenth century, which was one of stable prices.

(1) *War and the cold war.* These are sufficient cause in themselves without any assistance from the long list that follows. History does not record a war or near-war that did not raise prices. Let us note in particular that rearmament will not cease after a few years to be inflationary, even if a bigger fighting war does not break out, for weapons of war obsolesce and require to be replaced. There is, to be sure, a mobilisation hump to be got over, but it will be succeeded by a gentle and indefinitely long climb.

(2) *The strength of trade unions.* There is a constant tendency in all free countries for trade unions to become stronger. In particular, rising prices are driving more and more salaried workers into unions. This means that wage claims are less and less resistible and there is a pressure from below on prices through costs, which, whether we call it inflation or not, is also quite strong enough by itself to raise prices indefinitely. This tendency is enhanced by full employment, to which nearly every government in the world is committed. Only an intolerable degree of unemployment could keep modern trade unions in order.

(3) *The sacrosanctity of full employment.* Since the Keynesian revolution in economic thought, inflation has been admitted to have a good side. For inflation is nine-tenths of *any* practical full employment policy. Measures for increasing the mobility of labour, the financing of public works and social services by progressive taxation and other non-inflationary measures, are mere bagatelles. The main weapons are budget deficits, cheap money, devaluation, etc., all of them more or less inflationary. Now that the connection between inflation and full employment has been grasped, the public will be much more willing to accept the former—in the opinion of the writer, rightly so.

(4) There are other aspects of Keynes's doctrines, apart from the central full-employment thesis, and not all of them equally valid. The desirability of cheap money under all circumstances, the implication that internal prosperity can be achieved without reference to international trade, the doctrine that investment automatically generates saving equal to itself, so that no extra effort is required to finance new investment: all these appear to be false, or at least very misleading. Some of them are mere misunderstandings of points on which Keynes expressed himself obscurely, and some are positive mistakes that he made. But in either case they will take a long time to root out of the public mind and their effect is inflationary.

(5) *The shift of all democratic countries to the Left.* Deflation is essentially a Right Wing measure, and, even more important, it is "undemocratic." By this is meant that it hurts a few voters immediately a great deal, rather than many voters a little in the long run, as does inflation. It is very much easier to grant some particular wage claim, tariff or subsidy, in order to level up the money incomes of those who have fallen behind, than to cut the money incomes of everyone else back to the old level, though in the long run the effect on the real income of the parties concerned is the same. The Century of the Common Man is no time for orthodox finance. Moreover, all governments underestimate the inflationary forces at work during an inflation. They are bound to accept the more optimistic of any two estimates put forward. If they do not they are replaced by governments that do.

(6) *Social services.* These are clearly an inexhaustible drain upon the government purse. So long as the government is directly responsible for the incomes of so many defenceless individuals—and this is, of course, a good thing on the whole—it will always be spending more rather than taxing less and this makes it much harder to balance the budget.

(7) *The trend towards equality of incomes and of capital wealth.* Less will be saved out of a given income the more equally it is distributed. The rich pay their taxes largely out of that part of income they would have saved, and the poor largely consume the extra income they receive. It is arguable that, given time, the rich may accustom themselves to their lower incomes and begin again to save, but it is also true—and very much more important—that communities as they grow richer become accustomed to a higher standard of living and save less out of any given income. So that if the rich may regain the saving habit the poor will certainly lose it.

(8) *The price control habit.* If demand is thwarted in one place it will reappear unabated in another, and the effect in the free sector will be more violent than ever. Only if there is no free sector at all will this system work; and the control of all prices whatsoever is not an administrative or political possibility. Price control, then, is clearly mere preaching at symptoms. It is in any case nearly useless unless very little is imported; a condition which can never hold for Britain. Nevertheless, belief in this panacea prevents governments from getting at the cause behind the symptoms.

(9) Moreover some price controls have an upward, not a downward, bias. The sellers of the goods concerned are politically so powerful that the intervention of government in the free market helps rather than hinders them. This is not true, even in a socialist country, in the case of wage-earners, though from time to time specific interventions in labour disputes do raise wages. But it is true of that more powerful *bloc*, the farming community, which unlike labour, never allows ideological considerations of any sort to inhibit economic self-seeking. Farm price support schemes and bulk or long-term contracts of all kinds tend much more often than not to raise prices.

(10) Again, all the foregoing tendencies, with insignificant exceptions, are world-wide. Even if we could master them all at home we should still have to import them. Britain is peculiarly ill-equipped to isolate itself from world trends. The cost of a successfully isolationist policy would be prohibitive in the loss of trade and political influence.

(11) Further there are a number of highly inflationary international tendencies. The first of these is *the end of free trade.* Protection always has an inflationary effect at the moment when it is imposed, for it raises the prices

of certain imports and stimulates the demand for import substitutes, while its depressing effect upon exports takes longer to work out. Similarly, the liberalisation of trade is deflationary in the first instance, and very often it is necessary to avoid inflation in order to keep trade free. It follows that not only is the end of free trade partly the effect of inflation but also in turn its cause, as the determination to keep trade free at all costs imposed a powerful barrier to increases in the quantity of money.

(12) *The end of the gold standard.* Currency controls as well as tariffs isolate the internal price level and enable it to rise above that of the outside world with impunity, at least for a time. When the inevitable correction imposes itself it may take the form of sanctifying the new internal price level and bridging the gap by devaluation. Similarly losses of gold and foreign currency reserves may long be neglected and be corrected in the end, not as of old by deflation, but by devaluation. But this latter is itself obviously inflationary.

(13) A corollary to these two items is the headlong urge towards industrialisation on the part of backward, but politically independent countries. This industrialisation does nothing to enhance the international division of labour and is not undertaken for profit. It is on the contrary very autarkic, requiring protection and subsidies. It follows that even where it raises the standard of life—a question that does not here arise—it is an exceptionally inflationary form of investment.

(14) *The new habit of inter-governmental charity.* In the past if a country, through inflation or any other cause, was running an unfavourable balance of payments it had to stand on its own feet in the end and check the outflow by deflation. Since the last war, however, inflation in Britain and Europe has been floated off by Marshall Aid and the price level has never had to come down. Similarly Indian inflation may well be floated off by the Colombo Plan. The unfavourable trade balance, in other words, is usually met by a kind fairy from without and the spending spree may continue. Moreover, the act of charity inflates the kind fairy in her turn. We have in fact passed from the Welfare State to the Welfare World. We do not equalise incomes only within, but also between, nations, and this depresses the rate of world saving still further.

Laisser faire, peace, the buyer's market for labour, gold fetishism, the religion of free trade and the belief that nothing need be, or at least could be, done to prevent unemployment have all gone, and it is very difficult to think of any new deflationary factors of any magnitude to set on the other side. Indeed, there never have been any really serious deflationary forces at work except in the nineteenth century. The whole history of mankind, but for this interval, has been one of inflation. In the nineteenth century there was no floor and no ceiling to prices. Now there is merely no ceiling.

What would be required to keep the price level stable in the circumstances? Little less, perhaps, than a wage stop, a comprehensive price stop, a large budget surplus every year, a bank rate of 4 per cent, an unemployment rate of 4 per cent and a periodic appreciation of the pound. Any one of these conditions is unthinkable, let alone the combination of them. It will be seen that, if politics is the art of the possible, stable prices are not politics. All sensible men will earnestly desire stable prices, and be prepared to make great sacrifices to this end. But no sensible man will rely on achieving it.

(To be continued)

NOTES OF THE WEEK

Mr Stokes and the Persians

The day-to-day hazards to which the Stokes mission to Teheran is being subjected illustrate vividly the chaotic state of internal affairs in Persia. On Wednesday, just when Mr Stokes was explaining the technicalities of his oil proposals to interested and important Persians, Dr Mossadegh's extremist deputy premier, Hussein Fatemi, was publicly writing the terms off as unacceptable. This in spite of the generosity of the offer, which accepts nationalisation, winds up Anglo-Iranian operations inside Persia, affords the Persian state control of extraction and exploitation of oil, and yields it an adequate financial return as well as a sure market for a period of years to be chosen by Persians. The rub for Dr Fatemi lies in the clause which prescribes that the oilfields and refinery shall, in order to retain the services of good technicians, operate under "experienced and qualified" (i.e. foreign) management.

The explanation of these contradictions in Teheran is that inside four walls—but not for admission outside them—the Mossadegh cabinet now has a divided mind. Several of its members are highly intelligent upper-class Persians, who have learnt during three months of office to appreciate a few hard facts: that Persia cannot maintain its present pattern of existence without revenue from oil; that Persians have not yet the training or capacity to extract sufficient revenue for that purpose; and that either the cabinet must come to some agreement with foreigners or else an unpaid army, civil service and police force will rebel and overthrow present leaders and, probably, the present social structure.

If Dr Mossadegh were publicly to admit these home truths, he would lose the support of the extremist faction which has formed the backbone of his personal following. So greatly do personalities dominate Persian politics that—were he to jettison this fanatic fringe—he could not be sure of replacing it with a posse of moderate supporters. Many moderates who see the great advantages of the Stokes proposals might vote against him out of unwillingness to create a situation in which he would scoop the credit for an oil agreement. What is more, any deviation, even by a little, from the position of the extremist National Front stand might cost him his life. Mullah Kashani openly warned Mr Stokes that any weakening on Dr Mossadegh's part might earn him the fate of his murdered predecessor, Ali Razmara. Dr Mossadegh is, therefore, a prisoner of the state of near-anarchy into which weakness at the top has allowed the Persian domestic scene to lapse.

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On account of this disastrous weakness inside Persia, the odds against Mr Stokes were always great. He has done as well as he could in complex and trying circumstances. At least he has worked the Persians into a position in which the responsibility for any breakdown of reasonable negotiations will lie with them in the eyes of all the world. What else can be thought of people who know they have not the personnel and experience to process and market their wealth, but who turn down every proposal that would create in competent foreigners a willingness to do it for them?

Gromyko Will Be There

Western diplomacy has to prepare for an unruly—and possibly tense—September now that Moscow has accepted the invitation to attend the conference in San Francisco for the signing of the Japanese peace treaty. A year or two ago this acceptance, after the prolonged Soviet refusal to have anything to do with a treaty not prepared by the Council of Foreign Ministers, would have been welcomed as a sign of willingness to resolve disputes through international negotiation. Unfortunately, the bitter experience of Soviet behaviour both in the United Nations over Korea and in the deputies' agenda conference in Paris has soured such hopes. Until there is some evidence of a new spirit in Soviet foreign policy, it is only prudent to assume that the main purpose in sending Mr Gromyko to an international conference is to use it as a sounding-board for propaganda in support of the thesis that the western powers are responsible for the tension of the contemporary world.

The San Francisco meeting may afford a great opportunity for disruptive Soviet diplomacy. Although a draft treaty has now been agreed between America, Britain, and a number of the other allies of the Pacific war, there is widespread uneasiness, not least in Japan itself, at the prospect of a treaty which leaves out the Soviet Union and China; there is discontent in the Philippines and elsewhere at the cancellation of Japan's reparation liabilities; and the fundamental disagreement between London and Washington over the recognition of Communist China has been resolved only by a very unsatisfactory compromise. Mr Gromyko will presumably make new proposals at the conference and thus the old issues will be reopened. In the end he will probably not sign any treaty, but meanwhile his objections to the draft will have received some weeks of dramatic publicity.

Since Mr Malik hinted seven weeks ago at possibilities of a cease fire in Korea there have been signs that Soviet diplomacy might work towards a showdown—or a great general debate—on Asian affairs, and that the settlement of the Korean question and the signing of the Japanese peace treaty might become formally linked with the now familiar demand for a five-power "pact of peace." Whether Moscow has in mind some kind of bargain is uncertain, but it may well feel that the free world's solidarity is more vulnerable east of Suez than it is west of the Elbe. With the Communists in Korea building up their strength fast and their delegation at Kaesong showing little desire to bring the war to an end, there is clearly a possibility that events are moving not towards a settlement of the Far Eastern conflict but towards a more difficult and dangerous phase. The portents must be squarely faced by Ministers and public opinion in this country.

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Polls and Prices

The summertime swing in political opinion seems to have been stopped last month. According to the Gallup Poll, this swing had by the end of June narrowed the Conservative lead over Labour in popular favour to 7 per cent of the electorate. The latest figures, published by the *News Chronicle* this week, show that at the end of July the Conservative lead had increased again to 10 per cent of the electorate—or rather, of those who thought they knew how they would vote in a general election. Though many uncertainties have to be reckoned with in interpreting this result, it means that there is again little reasonable doubt that the Conservative party could win an immediate election.

There are no clear reasons why the trend of opinion in the Government's favour should have been reversed just before the holidays; the event is consequently good reason for concern at Transport House. If the new state of public opinion is confirmed by the next poll, opinion within the Labour party will certainly become more unfavourable to the idea of an autumn election. It would, however, be rash to assume that Mr Attlee's decision to dissolve Parliament will ever be taken according to any precise tactical calculations. The party's strategists may in the meantime occupy themselves in arguing whether or not circumstances will be more favourable to Labour in the spring, but the impression they give is one of singing to keep their courage up without knowing where they are going either politically or economically.

Sir Hartley Shawcross has this week committed himself to the "hope" that prices will reach their peak by the end of the year. "After that . . . the downward trend may be expected to appear." This is what it is convenient to believe, but the basis for it seems slight. No one doubts that some raw material costs, reflecting after a lag the behaviour of the commodity markets, will at least fall before they rise again. But the movement of this country's internal costs is more certain in direction and is likely to be more important in size. Sir Hartley did, indeed, insert the proviso that the country had to be "sensible and resolute enough to avoid the dangers of runaway inflation," but since he also asserted that "certainly the situation is under control" the optimistic effect was not spoiled. Mr Jay, with more experience of economics, has been more cautious; his fair words last weekend were concentrated on the hope that in the next few months prices would not rise so steeply as they did in the first half of the year.

* * *

Shortages Begin at Home

This winter British industry may still suffer some inconvenience from the world shortages of raw materials about which Ministers, as well as Mr Bevan, have made so much complaint. But the volume of production will depend far more closely on the severity of Britain's home-produced shortages; and the worst of these shortages happen to be in the nationalised industries—in steel, transport, fuel and power. This has not been a week in which nationalisation has conspicuously demonstrated those advantages over private industry so often set out in Labour party pamphlets. The Yorkshire miners evidently do not respond to the incentive of working for the community. In spite of the manpower shortage which next year may plunge all industry into a fuel crisis, in spite of their promise to accept foreign workers as a condition of their wage increase in January, most of them have refused to admit Italian workers to the pits. The nationalised steel industry finds the promised cheapness and plenty receding into the distance. The increases in steel prices announced this week were inevitable, given the rise in costs of raw materials, wages and freight, and it is a pity that they were not made before; but it makes poor Socialist propaganda that there have been two general increases in price since steel was nationalised, and none for two and a half years before.

Power cuts in August make an even worse impression. With some generating capacity out of commission for the usual summer overhaul, supply has been inadequate for the unexpectedly cold weather; and in some northern power stations overtime is now banned in support of a claim for a 10 per cent wage increase. This is the shape of things to come. The shortage of power this winter promises to be worse than ever before. The building of new power stations lags farther than ever behind the demand at peak hours as the defence industries make new calls on supply, and as the use of electricity in the home rises steadily. That increase is the consequence of income inflation, of high sales of electric appliances—still obtainable on hire purchase and much used in new municipal houses—and of the absurd promotional advertising that the British Electricity Authority has refused to drop until this year. Thus do the policies of the planned state cancel each other out.

The Electricity Sub-Committee of the Joint Consultative Committee last week made recommendations to minimise

load shedding and the consequent loss of production. It proposed the "staggering" of working hours on a very wide scale in order to reduce the "peak load" by 600 megawatts —twice the reduction secured by similar measures last winter. (The proposals are discussed in a Business Note on another page.) The power shortage is here to stay and the makeshift remedies become more drastic. The electoral consequences of a grim winter seem far more real than the hypothetical advantages of a lower cost-of-living in the spring. When they think about the date of an election, there must be many members of the Government who would still prefer to strike while the iron can still become hot.

* * *

Mr Gaitskell and the Unions

The Chancellor of the Exchequer must have been sadly disappointed by the annual conference this week of the Confederation of Shipbuilding and Engineering Unions. It hardly supported his hopes about the "psychological" effect of dividend control. Besides agreeing on a wage claim of £1 a week for their 2,500,000 members, the engineering unions gave emphatic warning of the harshness of the criticism the Government must now expect from the unions.

The tone for the conference's debate on "the present relationship between profits, wages and the cost of living" had been set by Mr Brotherton in his presidential address on Tuesday. He began by asserting that the real earnings of engineering workers had been reduced by about 15s. a week in the last year and ended by reminding "our colleagues on the political wing of the movement" that the unions had refrained from pressing for more money "until the outrageous increase in profits and prices showed us to be the victims of an economic swindle." He did not imply that the Government had been a party to this swindle. However, he obviously felt that the Labour Party was no longer competent to deal with it. Mr Gaitskell's proposal to control dividends was "apparently supposed to have a psychological effect on the workers" but "I think this is to suppose that the working people of this country are very immature."

The unions, Mr Brotherton said, must continue to advance and protect their members' interests "irrespective of the nature of the Government of the day" or they will have no purpose or influence in industrial life. Just now "it is frankly intolerable that profits should be leaping ahead while wage advances are not even sufficient to keep pace with the cost of living"; and Mr Brotherton concluded that "the socially unbalanced results of a system of private enterprise can only be halted when the system is ended, and in the meantime we say bluntly that if profits are going up so are wages." The fallacies of Mr Brotherton's case are obvious enough, but his colleagues "on the political wing of the movement" should have no illusion that they can expose them effectively by a policy of appeasement.

* * *

Quarrel Over German Coal

The high standard of integrity and public spirit that statesmen must display if national interests are to be reconciled in Europe's co-operative institutions is seldom grasped. Those who wish to understand should study the arguments that are now raging, and will doubtless continue to rage, around Europe's coal needs. In Western Germany the threatened resignation of Herr Blücher, Minister for European Recovery Plan Affairs, from the international Ruhr Authority brings to a head the dispute over German coal exports. American, British and Benelux representatives on the Ruhr Authority, having fixed German coal exports for the current quarter at 6,200,000 tons, last week refused to reduce the amount. Since the quantity was originally fixed, it has transpired that the Germans have secured—partly, indeed, by costly American coal imports—some 2,000,000 tons more for their home consumption than they estimated. Suspicion naturally attaches to their present claim that, if industry is not to contract, they need anything up to 1,000,000 tons a quarter more than the Ruhr Authority is prepared to allow them, and that, unless exports are cut, millions of freezing, unemployed Germans will turn Communist. German threats have almost always proved exaggerated, and there are good reasons for believing that Ruhr output could soon rise sufficiently to cover all winter needs and that much more could be done to prevent waste of fuel.

As France and other countries contributing to Atlantic defence are also short of coal, the solution should be sought in greater production, rather than in attempting—as the Bonn Government has now done—to deter purchasers by raising the export price of the Ruhr product. The Germans have certainly good grounds for objecting to the uneconomic price unilaterally imposed upon them, and for claiming that the Ruhr Authority has no right to prevent them from raising it; but they should try harder to check the drift from the mines. Even the lack of investment in the mines takes second place as a cause of the disappointing output to the appalling housing conditions. Thousands of miners still live in barracks and about 12,000 men have to live apart from their families.

Herr Blücher's threat to resign and take the matter up with heads of Government involves the wider question of German participation in all international bodies on which they will appear as equals, without a veto. Will they refuse to ratify the Schuman Plan because the Ruhr Authority's decisions have given them a foretaste of the way its High Authority will work? If a majority decision goes against them, will they always protest that it is contrary to the "European spirit" and walk out? The days of penal discrimination against Germany must indeed end; and the sooner the Schuman High Authority takes the place of the Ruhr Authority the better; but for their part, Germans must cease to make "Europe" synonymous with "Germany."

* * *

Rocks Ahead in German Waters

The difficulties that Herr Blücher—who is also chairman of the Free Democrat Party—is creating for Dr Adenauer are not limited to the Ruhr Authority. He is reported to have prepared a statement of demands to be made during negotiations with the Occupation Powers. The Free Democrats, it is said, claim that the Federal Republic must henceforth decide for itself such matters as its contribution to western defence, notably the extent of occupation costs, and its relations with the Soviet bloc. In the settlement of prewar debts, the German Government must not renounce its claim to offset against its debts the German assets abroad which were seized as reparations. Lastly, the allies must not insist that the Germans undertake to contribute men to the western forces before the Occupation Statute is replaced by freely negotiated contractual agreements.

These reported demands are probably accurate. They represent the opinion of the majority of the public, and it is known that Herr Blücher has been in consultation on such matters with the *Deutsche Partei*—the third member of the Bonn coalition—before visiting Dr Adenauer in his Swiss holiday resort. His *démarche* will make it still more difficult for the Chancellor to steer the German ship smoothly into western waters.

The German Government has reason to complain that it had no hand in drawing up the estimate for occupation costs, and this is a practice which must and will end with the signing of the new contractual agreements. But the German attitude over the question of occupation costs gives little ground for hope that they will use their coming freedom to make a satisfactory contribution to western burdens. Dr Schaeffer, the Federal Minister of Finance, remains manifestly unwilling to raise taxes to meet the Allied bill.

Both the Federal and *Laender* finances are in an increasingly deplorable condition owing to mismanagement and tax evasions. Dr Schaeffer hoped to avoid raising further taxes, except some minor ones imposed for "optical purposes," by transferring DM 3,600 million of the bill for occupation costs to an extraordinary budget. It would then, he announced, probably be covered by a foreign credit. Last week, however, the High Commission informed him that no credit would be forthcoming, and that tax he must.

A voluntary German decision to join the Atlantic forces and share the western burdens is intended to go hand-in-hand with the conclusion of the new contractual agreements; but the task of drafting them is complicated and, despite American pressure for speed, the draft is not likely to be finished this year. It cannot be expected that it will satisfy all German demands. The High Commission, it is true, will become a Council of Ambassadors with no legislative powers. But the draft will ask for German guarantees that Allied measures, such as decartelisation and deconcentration, shall not be undone, and will provide various means to safeguard the security and rights of the forces stationed on German soil. It will, moreover, enable the Western Governments to resume full powers in an emergency. In order to retain the rights—particularly in Berlin—which arise from agreements with the Russians, care has been taken to see that the new contracts shall not formally constitute a peace treaty.

* * *

Anxious August for M. Pleven

On Tuesday M. Pleven's new Government will begin to test itself against the hard realities of French politics. The National Assembly has voted for the new Prime Minister and for his 37 Ministers; but it is far from certain that it will vote for his policies. During the last ten days of August the rival claims of Catholic and State schools must again be debated, with no certainty of an agreed solution. M. Pleven has listed three economic problems as requiring urgent attention: the fixing of the price of wheat, the procurement of coal, and the replenishing of the almost empty coffers of the social security system. With much of the harvest already in, the urgent need for a new price for wheat is obvious. M. Pleven, who has appointed members of the Peasant Party as both Minister and Secretary of State for Agriculture, and who is fully aware of his dependence on this group's support, must listen sympathetically to the farmers' demand for a substantial increase; but to satisfy their full demands would put prices up by 46 per cent. Even a modest increase may necessitate a new subsidy for the benefit of the consumer, and both the social security system and the coal supply programme are rival claimants for subsidies. Although France hopes to mine 2,000,000 more tons of coal this year than last, imports of American coal are rising rapidly. The new Government has indicated its intention of tackling these urgent problems vigorously by the appointment of M. René Mayer as Vice-Premier in charge of economic affairs, with authority over all the six Ministers concerned. But the continuation of the Monnet plan for economic rehabilitation—which is discussed on page 401—cannot be assured by the adroit distribution of portfolios. Whatever truth there is in Frenchmen's claims that their country gets along just as well without a government, long-term economic planning must depend on governmental stability, which is not yet in sight.

The New Rifle, Continued

At a demonstration last week before foreign military representatives and the press, the technical merits of the new 7-mm. (or .280-inch) British rifle were shown off. They are, indeed, very impressive. The most important items are speed of firing (nearly twice as fast as the American Garand and nearly three times as fast as the Lee Enfield) and weight of ammunition (a division could carry nearly a million more rounds without additional transport). Beside these, the fact that it has slightly less penetrative power is of much less moment; a division equipped with the new rifle could kill many more men, at the ranges that are likely to matter, than one equipped with any other rifle in existence. What is more, it could do so in arctic or tropical conditions and away from metalled roads.

It seems, therefore, to be established that this is the best infantry weapon yet designed. But that fact unfortunately does not settle the argument. Even apart from the quite extraordinary unwillingness of the American military to accept any foreign design of anything, there is the very strong argument that any attempt to change calibres now would inevitably mean, for a period perhaps as long as four years, that the allied armies would have less, not more, small arms fire power.

Perhaps the time table can be used to work out the best solution. First, for the period of the present emergency, it would be wrong to insist on a standardisation that would involve changing the whole of the existing capacity for small arms ammunition. In point of fact, it may be that full standardisation is impossible within that period, and that if another war comes before 1955, it will be fought, as the last war was, with a multiplicity of calibres. To put off standardisation of small arms for this period would be a tragedy, and a condemnation of short-sightedness in the past; but it may well be that there is nothing else to be done.

But if standardisation cannot be hurried, it can be based on the best design. For this, the new British rifle and the calibre of 7 millimetres are obviously most impressive contenders—the more so since, in designing the new ammunition, the ease of conversion to it of existing weapons has been borne in mind. For the short run, in fact, production considerations must prevail; but for the long run, standardisation should be planned on the basis of the best available design. If the British could make it clearer that they do not challenge the first argument, they would be justified in insisting that the Americans accept the second.

* * *

One Cost of Living for All

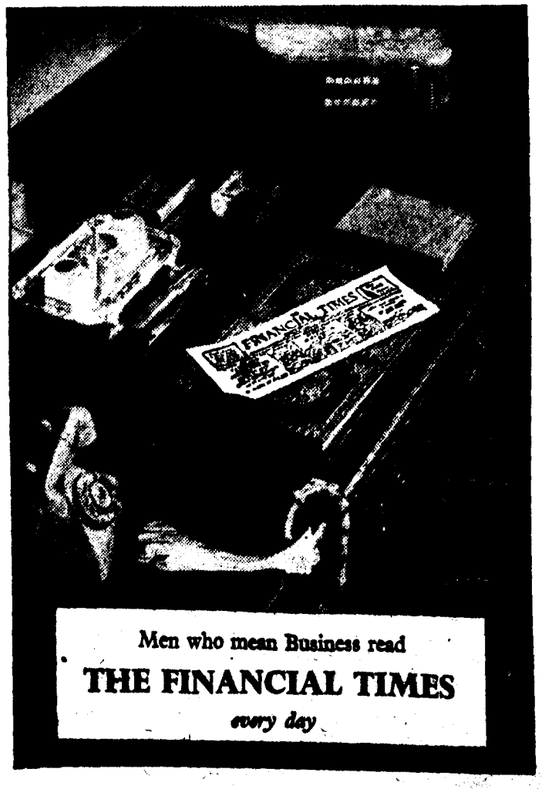
In broad outline the Government's plans for introducing a new cost of living index are now known. The Minister of Labour has accepted the recommendations of the Cost of Living Advisory Committee, and a large-scale inquiry into the spending habits of the community is to be made. The final outcome will be a new index, which will probably be related to the budgets of those households in which the main income-earner receives between £150 and £1,000 a year; this group represents about 85 per cent of the population. These income limits may, however, be modified when the results of the enquiry are known, which will not be for about two years. Details about the information required have still to be thrashed out and much depends on the technical committee's report—expected in about a month—on the working of the existing index of retail prices. Possible adjustments to the present index are also being considered as a temporary expedient.

At present the wages of more than 1,500,000 workers are linked to the interim index. This index is based on the prewar spending habits (adjusted to 1947 prices) of manual wage-earners and those salary-earners then paid less than £250 a year; these were the people covered by unemploy-

ment insurance before the war. Many salary-earners, as well as wage-earners, use the index in arguments for higher pay, though they often demand a different measurement on the grounds that the cost of living has increased more for the middle classes than for wage earners. By proposing to widen the scope of the new index to take in salary-earners and the self-employed with moderate incomes, the Government is hoping to satisfy all demands at one go. Whether it succeeds will depend on what the budget inquiry shows about the variation in spending habits between different groups. Since many wages are now higher than salaries, and social security has been extended to all, some of the prewar distinctions have been removed. What is certain is that if salary-earners still feel the need for separate index numbers, the inquiry will at least provide research workers with better material for unofficial estimates.

The interim index is in disrepute mainly because its weighting is believed to be out of date. There is an even more important aspect of the matter. In attempting to compile a single index for a fairly wide range of incomes, the Government is setting itself a hard task in selecting appropriate items to be included in the index and collecting representative information about their prices. Confidence in the result will depend on a full analysis of the budget inquiry and of the way in which its findings are used to construct an index.

While it is certainly to be hoped that the result will be a more reliable index, to be used as a guide in wage negotiations, it would be a great pity if such an improvement led to any extension of the practice of linking either wages or salaries rigidly to changes in living costs. The old problem of the contrast between "sheltered" and "unsheltered" industries is involved. Attempts to provide security in real incomes for some people are bound to mean that others must bear more than their share of the costs and gains from unavoidable economic changes.

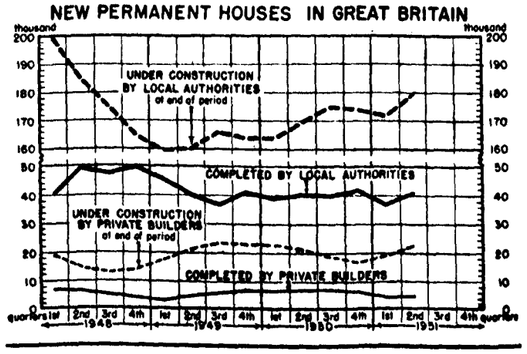


More Houses Being Built

It is to be hoped that the rise in the number of houses under construction, shown in the latest quarterly returns, does not mean that the building programme is again getting out of control. Since the end of 1948, after the concentration on completing houses rather than starting new ones had had a noticeable effect on the number of houses under construction, the ratio of completed to unfinished houses has been fairly stable. In the quarter ended last June, however, the number of houses under construction rose significantly and is now higher than it has been for three years. The number of houses completed remained at the level at which it has been stabilised for the last two years.

Possibly the bad weather last winter delayed the start on many houses, so that the rise shown in the June quarter may be temporary. If so, one would have expected it to be balanced by a similar rise in the number of houses completed.

NEW PERMANENT HOUSES IN GREAT BRITAIN



There was a small fall in the housing labour force compared with the similar quarter of last year. If this means that labour is beginning to be drawn from houses to rearmament, it is particularly important that the smaller labour force should not be dispersed on starting more houses than can be completed at the same rate.

The June figures cannot be expected to show any results from a circular issued this spring by the Ministry of Local Government and Planning and allowing local authorities to build smaller three-bedroomed houses. But this permission, and official encouragement to build more very small houses for the old and the childless, may help to speed up the rate of building in the coming months.

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Supplies for Formosa

As soon as the peace treaty with Japan is signed, Formosa will cease to be what it legally is now—Chinese-occupied Japanese territory; and there will no longer be any doubt that it is what both Mao Tse-tung and Chiang Kai-shek declare it already to be—a part of China. The question of its future will then be clarified to the extent that any action subsequently taken by the United States to keep the Chinese Communists out of Formosa will have to be based exclusively on the right to assist a friendly, recognised government against internal enemies who are also hostile to the United States. As far as can be inferred from the statements made by American defence chiefs in the MacArthur inquiry, it is now American policy on strategic grounds that the island must not be allowed to fall into Communist hands, at least until Peking has given evidence of a profound change of attitude. Such a policy logically implies continued diplomatic recognition of Chiang Kai-shek and non-recognition of the Peking Government, for support of resistance in Formosa would be incompatible in international law and in day-to-day practice with the recognition of Peking.

A somewhat similar situation to that which now exists with regard to Formosa arose in 1939 over Minorca. At that time the resistance of the Spanish Republican Government had collapsed and Spain was being taken over by General Franco, who was expected to side with Germany and Italy in the event of a European war. In France it was strongly urged that French naval protection should be given to the Republican garrison holding out in the island of Minorca, strategically placed on the sea route between France and Algeria. In the end no action was taken, but the principle involved was the same. In the present case there seems no reason to expect that American policy will quickly change from the course adopted since the beginning of the Korean war, of helping Chiang Kai-shek to hold out in Formosa. Considerable supplies are now going there for both military and economic aid, and Taipeh representatives are buying in Washington under an ECA grant. The prevailing American view is that even a small bird in the hand is worth several in the people's democratic bush. There is, however, a danger of a fresh strain on Anglo-American relations when—if at all—the Korean war comes to an end; for the British Government's hopes of a Far Eastern settlement depend on a general recognition of the Peking regime. If America follows the opposite course, Britain may have to choose between a serious conflict of policy with America and an attitude of mere passivity in Far Eastern affairs. Those who oppose aid to Chiang and would like to see Formosa in Communist hands have yet to suggest a place to which he and his 600,000 Nationalist followers might migrate.

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Zionism at a Crossroads

The emotions that spring from a sense of fulfilment were amply—and quite justifiably—displayed at the opening ceremonies of the 23rd World Zionist Congress, which took place in Jerusalem this week. It is fifty-four years since the first such congress, meeting in Basle amid the distress created by the Dreyfus case, set as its aim the establishment of a Jewish national home in Palestine. This year, for the first time, the congress is able to meet in the city of Zion and in the state of Israel. The "Basle programme" is therefore out of date.

What is to take its place? If the state of Israel were economically strong enough to dispense with outside aid, or if all Zionists were so far to fulfil their creed as to consider themselves exiles and migrate to Israel, the World Zionist Organisation would have no reason for existence in its present shape. As neither hypothesis is likely to become fact, a "Jerusalem plan" must be devised in order to find a new direction for the energies of the powerful human machine built up over two generations. The attempt is causing tremendous dissension.

Some peculiar problems are raised. For instance, how far is it prudent for the World Zionist Organisation to work for political support for Israel among the Jews of the Diaspora? Many Jews feel, and with some reason, that to create a series of national pressure groups could jeopardise the position of Jews as citizens of the country of their choice. A second question, which splits opinion inside the right wing of world Jewry, is how far the collectors of the dollar gifts that keep Israel solvent shall have a say in the internal affairs of the new state. The left wing of Jewry, of which Mr Ben Gurion is the seer and figurehead, is hotly opposed to any such practice; much hangs on the attitude of the corresponding right-wing figurehead, Dr Aba Hillel Silver of the United States. A more domestic and even thornier problem is how to define the future role of the Jewish Agency *vis-à-vis* the World Zionist Organisation, from which it sprang in 1929, in order to make room for the participation of non-Zionist Jews in effort for Palestine. At many points the two bodies now overlap and clash.

Radical reorganisation of the tasks of long-standing institutions is always difficult; vested interests tend to fight for the retention of rights and duties. Jews, moreover, are notoriously uncompromising people, and the Congress faces an unenviable task. Yet it would be a tragic anticlimax if the Congress were to fail at this first meeting in Jerusalem to produce any clear-cut solutions. It would let down world Jewry as a whole were it to disperse, as at least one earlier congress has done, on a note of agreement that differing factions shall continue on their unbending ways.

* * *

The Balloons Go Up

Leaflet balloon warfare has now been launched by an organisation of East European exiles with its centre in Munich. Czechoslovakia is the first target, and the airborne leaflets will not only carry anti-Communist propaganda to the Czechs, but will also provide particulars of times and wave-lengths for the radio broadcasts which are being sent out by the organisation. Undoubtedly, this is an important and serious move in support of the resistance to Communism behind the iron curtain, but the very fact that such an extremely ridiculous procedure has to be used in order that one part of mankind may speak to another gives the measure of the sad condition into which Europe has fallen. In Czechoslovakia and other lands the Communist monopoly of thought will now be infringed by the noxious emissaries of political liberty drifting on the winds of heaven, and their rulers must indeed suffer the nemesis of the Soviet boasts in recent controversy that Communism does not try to cut off the peoples under its sway from communication with the outside world.

Practically Ministers of the Interior are faced with a number of difficult problems. They may feel that the bourgeoisie in sending balloons over the iron curtain is hitting below the belt, but that will not stop the balloons coming. As the prevailing winds of Europe are westerly, the west has the advantage over the east in this form of warfare, and in any case retaliation in kind would be useless, for the airborne leaflet loses its sting when the Communist party can do its screaming quite legally. One can, of course, shoot down balloons, but if there are a great many of them, some will accomplish their purpose; as the late Lord Baldwin would have said, "The balloon will always get through." After all the precautions that have been taken to seal the land boundaries of the Kremlin's empire with barbed wire, control points, and security officials, both canine and human, it must be quite unnerving to think of the silent messengers of the free world flitting high overhead in the darkness to wreak havoc with the people's simple faith in the sober Gottwald and the kindly Stalin. It may not be cricket, but even the most scrupulous liberal will not refrain from wishing good luck to the gunners in this long-distance mental bombardment, and to the messages that have gone with the wind.

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The Fourth Birthday

On two different days of this week, first Pakistan and then India celebrated the fourth anniversary of independence. This difference of view over what is in fact one date is symbolic of the deadly hair-splitting which now goes on day in and day out between the two capitals of this divided sub-continent. This year the anniversary has come at a moment when an acrid exchange of letters, speeches, and telegrams between the two prime ministers, Mr Nehru and Mr Liaquat Ali Kahn, has carried the Kashmir dispute

Whenever Export figures are quoted there comes the accustomed reference to 'expert British Craftsmanship.' But . . . have you stopped to ask yourself . . .

"Who are Britain's Craftsmen?"

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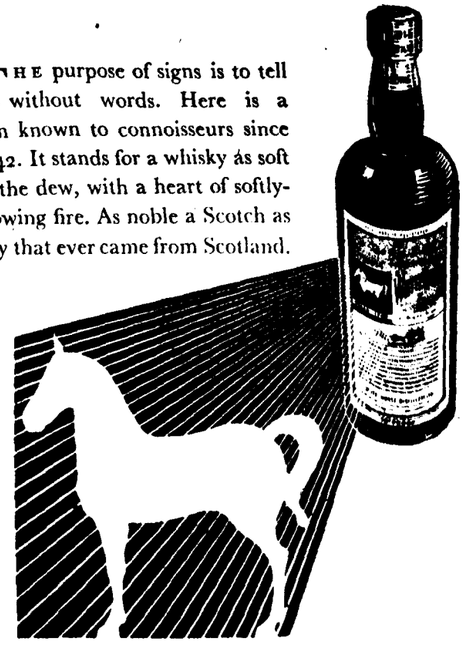

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another step further on the road to nowhere. Again this week Mr Nehru has spoken of his deep desire for peace with Pakistan and he is certainly sincere, with that all-excluding sincerity that has made his reputation. But there can be no denying that his terms have created an atmosphere of crisis in Karachi, and that as the summer of 1951 draws on the situation is growing worse rather than better.

For the moment, although the Pakistan press is in a hysterical mood, well-informed people in Karachi do not believe that war will start yet, simply because neither side wishes deliberately to attack the other. Nor has there so far been any exceptional movement of refugees in either direction, and this is a hopeful sign. On the other hand, there are two serious difficulties to be faced in the next two months, and September is likely to be an even more anxious period than either July or August. One will be the report to be drawn up by the UN mediator, Dr Graham. If he reports the failure of his mission, or if the Security Council fails to take prompt action on any recommendations he may make, there is no knowing when, or where, or how far the hotheads will force Mr Liaquat Ali Khan's hand. The other difficulty is the probable taking of a vote in the Kashmir Constituent Assembly for accession to India, and India's acceptance of this as a *fait accompli*. Such actions would contravene the Security Council's resolution of March 30th as a disposition of the state contrary to the agreed principles, and some Pakistanis might seek to treat that as a *casus belli*. They recognise the obvious danger that such a vote—although held in only the Indian-dominated section of the country—would give the world a colourable impression of the legality of India's absorption of Kashmir.

Although British opinion is now widely blamed in India for being pro-Pakistan, all that people in Britain desire is to be allowed to remain the loyal friends of both sides and that both should keep the peace. Whatever the rights and wrongs of the dispute, it is clear to the outsider that Pakistan must accept some of the blame for the sudden worsening of the situation. From June onwards Pakistanis seem to have lost patience very abruptly although a great deal was, and still is, running in their favour. They would be quite wrong to suppose that British sympathies would be extended to them if they now precipitated a war.

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Local Government Efficiency

It is hard for the ordinary citizen to understand the crazy workings of local government, and he would be astonished if anyone were to calculate the time, typescript and talk taken for an official paid £2,000 a year to get £50 of expenditure approved. Stimulated by the Local Government Manpower Committee the London County Council has now done a useful piece of self-examination and has decided that to save manpower and to improve efficiency it will increase the area of delegation to its committees and officers.

The LCC could indeed have gone a great deal further; but under the pressure of its vast amount of business it already pushes down the chain of command a great deal of business which by other authorities is transacted protractedly and distractingly on the top. As was pointed out a year ago, in an article in *The Economist* of July 29, 1950, it would be possible to remove many of the criticisms of local government today by improvements in internal efficiency rather than by the much more cumbersome and possibly less effective method of altering the structure. Central government departments have made various efforts recently, particularly over schools and housing, to slough off some of their day to day control. None of these attempts has been startling, but they are in the right direction. Local authorities have not yet reciprocated. It may be that further reforms will come out of discussions which are now going on, but it is difficult to feel that any big changes are contemplated. As long as local authority members insist on the kind of detailed financial control they now exercise and are not prepared to give their chairmen and chief officers a much wider field of authority, so long will they be compelled, by the pressure of business, to muddle through, and to decide the biggest issues without proper discussion. It will need courage to undertake the necessary reforms, but without them more local government functions will almost inevitably be drawn into the net of central government.

* * * *

Potatoes Reappear

The potato shortage which struck London and other towns last week is now almost at an end. There is always a tendency for potatoes to be scarce at this time of year; it is the "bridge period" between the earlies and the main crop which comes on to the market at the beginning of October. But this year that slight gap was very much exaggerated by the fact that the crop of second earlies was late and smaller than usual. The weather at planting time was very bad, and when at last the farmers were able to get on to their land to sow potatoes they were also busy sowing corn. The acreage sown to first earlies was 138,000 acres compared with 183,000 acres the year before. For second earlies and the main crop it was 595,000 acres in 1951 compared with 683,000 acres in 1950. Because the sowing was late the crop was backward, and because the early summer was dry the yield was below average.

The introduction of a controlled price of 2d. per lb. (unsubsidised) on August 1st encouraged farmers to sell all they could in July and as little as possible in August; it also concentrated the shortage in the towns by inducing them to sell some of their crop direct to consumers instead of to their usual merchants. The greengrocers therefore asked the Minister of Food to withdraw the price control, but Mr Webb argued that a high price for a week or two would encourage farmers to lift small potatoes, which would be better left to swell; it would thus be a wasteful use of the crop in the long run.

The whole episode certainly illustrates the inflexibility of price control in face of unusual circumstances. But Mr Webb was plainly right to stick to the control last week when once it had been imposed. His decision has been justified by the rapid recovery of supplies. This is due to the rains of the last ten days which have brought on the crop, and perhaps to the fact that farmers were glad to get their potatoes to market before the wholesale price fell by 10s. a ton on Wednesday. With the acreage of the main crop well below last year's, it is possible that the shortage may reappear after Christmas, but it is too soon to make a forecast.

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THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

Letters to the Editor

"One Way Only"

Sir,—I for one cannot agree with Mr Seers that "the threat of Communism stems from the disparity between the living standards that people believe they should have and what they actually enjoy." The threat of Communism seems to me to stem from the fact that the rulers in the Kremlin are dedicated both by Communist doctrine and by old-fashioned Russian imperialism to communise and conquer the world. That they will do without war is possible; otherwise, as Lenin remarked, he didn't mind if three-quarters of the human race perished so long as the quarter which survived was Communist.

That is not to say that we should not continue to do what we can, and as quickly as we can, to raise the living standards of the peoples of Asia and Africa. But this can only be a long-term plan which could have no immediate practical effect upon the ambitions of the Kremlin. Moreover, there is a characteristically pharasaical ring about these proposals. It is as if no one had ever given a thought to solve it. Persia is a typical (and topical) example. If ever given a thought to the problem before, still less done anything practical to solve it. Persia is a typical (and topical) example. If ever Western "economic and technical aid" made the desert blossom, it is there. There was mutual aid at its best. But I have yet to hear any of the authors protesting against Persian intransigence.—Yours faithfully,

GILBERT LONGDEN

House of Commons.

The Borderline of Treason

Sir,—Your thoughtful article in *The Economist* of August 11th must surely have made many of us re-assess certain values.

The great point that was made at the trial of William Joyce was brilliantly expressed as "Protection draws allegiance, allegiance draws protection." As was said at the time by one commentator, if William Joyce had got off then a British passport would have become worthless. In leaving these shores, Winnington travelled on a British passport. His extraordinary route to China from London was by way of Prague, where, curious coincidence, he was able to report the progress of the *coup d'état* to the satisfaction of the *Daily Worker*. Under whose protection he moves today one can only guess, but he must have reached his Communist haven on a British passport and he certainly remains accredited to a London newspaper.

In the same way, Mrs Felton must likewise have travelled on a British passport, going and returning under its protection. If we accept the impossible conception that protection need not draw allegiance, then we have only ourselves to blame if allegiance is held to draw protection on the same haphazard principle. "Treason" may indeed be a harsh term to apply; but at least we must admit that we are in these cases dealing with something that is certainly not loyalty, and it is the interest of all to define the offence and punish future offenders.—Yours faithfully,

Llandaff F. J. BROWN

*

Sir,—Disloyalty, hard to define, is easily recognised if pronounced enough to be dangerous to us or to our Allies, and will be decisively repudiated by the vast majority of us, so the risk we run from treason will be a much less evil than the injury to our rights of free speech and discussion, caused by further treason laws.

What practical damage can the *Daily Worker* reporter do to us? He is much more likely to give away useful information to the United Nations' intelligence service than to demoralise our troops or their friends at home.

It may seem hard to give so much rope to the disloyal, and so little to our fighting men; but hard cases make bad law, and if we are too extreme in attacking what is done amiss (in the absence of practical injury) we shall defeat our own ends, as the House of Commons may do, if it gets too finicky about "privilege."—Yours faithfully, W. E. HORROCKS

North Wheatley, Notts.

Dividends Under Control

Sir,—In each of the five paragraphs of the letter from your correspondent, Mr Austen Albu, MP, in your issue of August 4th, there is contained a fallacy or unpractical suggestion which, it must be regretted, is typical of much of the muddled economic thinking which we must now expect from many members of Parliament.

Thus, in paragraph 1, "there can be none [no argument] in support of a return to investors which exceeds the gilt-edged return by much more than the risk involved." Whether the gilt-edged return is, for this purpose, the yield from Exchequer Bonds or, say, 4 per cent Consols or whether the words "much more" refer to 1 per cent or 10 per cent is unstated: "the risk involved" presumably is to be decided by the Treasury, with or without the help of Mr Albu. After recent Government losses on semi-commercial projects, there can hardly be confidence in departmental ability to assess commercial risks. In this connection, Mr Albu should note that quite a number of shares of engineering, textile and plantation companies were giving yields of 10 per cent and more prior to dividend limitation, and new companies in the same categories must be capitalised on similar standards. Or does he suggest compulsory investment?

In paragraph 2, dealing with large companies, he says, "it cannot be argued that . . . dividends are an incentive to enterprise or efficiency . . . the majority of shareholders play no part in their policy or management. . . ." This will, no doubt, be gratifying for shareholders who have made the position of these great concerns possible, and thereby helped to stabilise regular employment for a large number of workpeople.

Paragraph 3 implies that the larger companies are less important in formulating new products and new processes since "in so far as they [companies distributing *less* than £10,000] are responsible for new products and new processes they will continue to receive a commensurate . . . reward." Thus, numerous small holders of the larger industrial companies are apparently less important than those in the rich one-man companies.

Paragraph 4 is particularly enlightening since "when the large public companies need new capital for similar purposes, they should find no difficulty in raising it on terms which allow only a limited return . . . 5 per cent is ample to cover all risks except those arising from a major slump." (Issuing Houses please note!) There is apparently to be no consideration of equity or of quality, and presumably the presence of a major slump would be officially notified to the industrial and financial communities by the Treasury. Also "investors will still be willing to invest in shares paying appreciably above the gilt-edged rate." Again, no explanation is given of this meaningless phrase.

Finally, paragraph 5 makes an abstract plea for different but unspecified treatment for different sized companies. No indication is given of how, when or why. —Yours faithfully,

GODFREY J. CHANDLER.

Friern Barnet.

Sulphur Shortage

Sir,—In your issue of May 12th it was said that "Reserves (of sulphur) are thought to exist elsewhere in the world, in New Zealand and Iceland, for example, which are at present unexploited."

New Zealand's sulphur resources have been carefully surveyed, and the total pure sulphur content of some thirteen deposits in the North Island has been assessed at about 16,300 tons. The element occurs mixed with pumice and other impurities.

Some 32 miles off the North Island coast there is the uninhabited, 700 acre White Island, which is a scene of geothermal activity. Several companies have worked White Island intermittently since 1843 and have extracted altogether some 10,000 tons; the last venture ended with serious loss of life. The sulphur remaining is in small quantity and is very difficult to extract.

New Zealand used 73,000 tons of sulphur in 1950. If all the native sulphur were recovered regardless of cost, the effect on our national economy would be small.—Yours faithfully,

E. J. FAWCETT, Director-General

Department of Agriculture,
New Zealand

New Rifles for Old

Sir,—In the Note in your issue of July 14th you are a little severe with the "military experts."

In order to give a high rate of aimed fire by means of a bolt mechanism worked by hand, the .303 was designed to take rimmed ammunition. The design was simple and successful and resulted in a rifle superior in respect of rapid fire to the German Mauser taking rimless ammunition, and equally accurate at long range. The 1914-18 war demonstrated the need to mechanise small arms fire in order to increase the areas which could be denied to the enemy by the volume and density of the fire sweeping them. There was a demand for a light machine gun of far greater dependability than the Lewis gun. The chief trouble was due to the problem of disposing of the spent rimmed cartridge case by means of simple, light, reliable mechanism. This problem, it was found, was greatly simplified if a rimless case was employed. The military experts considered it would be wise first to produce a new simple reliable light machine gun taking rimless ammunition to be followed by an entirely new rifle taking the same ammunition. A high rate of rifle fire being no longer so necessary, it was thought that the new rifle should be more like a sporting rifle and particularly designed for quick accurate performance at ranges beyond that of the sub-machine gun.

After long tests the Czech ZGB was selected with its rimless ammunition of the standard size used in Europe. At this stage the military encountered the civil experts (they control the purse strings!) who contended that to introduce a new calibre of rimless ammunition would render useless the stocks of .303 rimmed and the machinery for making it. It was useless to point out that existing stocks would be exhausted long before rearmament could take place. The military experts were ordered to redesign the ZGB, a long, difficult and thankless task, which failed to produce the Bren in quantity by the outbreak of war and ensured the continuance of the .303 until this day.—Yours faithfully,

Hemel Hempstead R. C. MONEY

Mauritius and the Seychelles

Sir,—The Mauritian education programme referred to in your article of July 21st is not only ambitious but successful, and it is this which constitutes the greatest potential, if not actual, problem for the island. The island is clearly overpopulated and emigration is discouraged. Hence, there is a bottleneck of intelligence and ability which the professions cannot assimilate.

The tension is normally released by recruitment on a non-commissioned level into the Royal Pioneer Corps. The recruits are transhipped for training to the Canal Zone, Egypt, where they seethe in indignation at colour discrimination and "wog" treatment, returning home to foment already strained relations.

In these respects therefore the education programme tends to do more evil than good.—Yours faithfully,

LOUIS OZANNE

The Queen's College,
Oxford

Books and Publications

Managerial Evolution

The New Society. By Peter F. Drucker. *Heinemann.* 339 pages. 15s.

Mr Drucker is not an economist; his concern is with political economy, the accent being firmly on the word "political." Throughout this penetrating, comprehensive, enormously stimulating and frequently exasperating book he studies the problem of modern industrial organisation as a political problem, a problem of power, responsibility, allegiance, legitimacy, and the techniques of government and citizenship. The unique feature distinguishing the industrial enterprise from all other political entities is that it must by its very nature give primacy to economic aims. Profitability, the production of more wealth than it consumes is its *raison d'être*. Questions of ownership leave fundamentally unaffected the harmony between the interests of the enterprise and of society, since society demands the production of that surplus as the necessary condition of a dynamic progress which it cannot renounce. Its production is the responsibility of management, essentially the most important governing body of today, a pluralistic element in the political picture. Here the argument of Mr Burnham's "Managerial Revolution" is recalled but not echoed.

The primacy of economic motives brings about a profound political disharmony within industry itself—and this regardless of whether ownership is private or public, whether management is tyrannous or benevolent, whether the workers are represented or not. To management, wages are a cost, to workers they are an income; to management, a flexible labour burden is essential, to the worker, security of livelihood is equally so. Even with full worker ownership this conflict persists. "Sure, this is my plant," quotes Mr Drucker, "but somebody has to protect my rights as a downtrodden working stiff against my privileges as a bloated capitalist stockholder." That "somebody" must be the trade union; the union is inevitably, in political terms, an opposition—and one which cannot come to power without automatically taking on the lineaments and role of its adversary. The worker, consequently, suffers from a split allegiance; the union leader, once the union has achieved recognition and respectability, suffers from a divided purpose.

Management itself also suffers from what one may call a "constitutional" confusion. It generally understands its own functions very imperfectly, it lacks mutual comprehension between its own ranks, it is, compared with other systems of authority, appallingly weak in its methods of self-perpetuation. In the workers' opposition to essential profitability, in management's unawareness of its own function, in the basic antinomy of the unions, Mr Drucker finds disquieting evidence that "the trend in American industry is towards the social melting point" where a free society becomes impossible. He is firmly anti-Utopian. The remedies he proposes will not produce an ideal society, merely, at best, "a livable society for our time." They include emphasis on the "plant community" as a self-governing social unit, a "rational" wage policy within whose framework particular bargains shall be negotiated; profit-sharing, not by distribution of dividends to individuals but by the building up of common funds; a "predictable income and employment plan" for each enterprise, offering not an impossible 100 per cent security but guarantees based on experience and enlightened forecast; reform of those union regulations which either impair civic freedom or immobilise labour; federalism in big business—a more radical and fruitful concept than decentralisation; the encouragement of competition, not by hostility to bigness as such but by removal of discriminations against the small, the young, the experimental. Mr Drucker condemns the centrally planned economy as magnifying, without resolving, virtually all the problems of big business; "middle way" democratic socialism he regards as a necessary evil for nations faced with dislocation crises akin, in their acuteness, to the strains of war. The best hope lies in free enterprise, American style; but only if free enterprise faces its own political implications.

His book stands wide open to criticism. His view of "mass production" society as something wholly novel economically and politically, to which all previous theory and experience is irrelevant, suggests a very superficial reading both of history and of economics; on trade cycle and depression theory he is naïve; he seems unaware of any possible clash between "profitability" and welfare. Nevertheless, "The New Society" is better worth reading and serious thought than many a book less open to criticism in detail

America and Russia since 1809

America Faces Russia. Russian-American Relations from Early Times to Our Day. By Thomas A. Bailey. *Cornell University Press (London: Geoffrey Cumberlege).* 375 pages. $4.00 and 32s.

The development in international relations which made the United States the protagonist in a world conflict with Communist Russia came about with extraordinary swiftness, and it is now difficult to realise how strongly pro-Soviet in 1945 were both the Administration in Washington and the main body of American public opinion interested in foreign affairs. In those days the advocacy of an American-Soviet partnership for running the world was based not so much on the fact of wartime alliance as on the contention that American and Russian national interests did not, and never had, clashed, whereas Britain and Russia had nearly always been at loggerheads; therefore, it was urged, the peace of the world depended on America and Russia getting together, as the two strongest postwar powers, and not allowing Britain to make mischief between them. As so much then was made of the tradition of American-Russian amity, it is of great interest to trace the history of these relations and see how and why they deteriorated.

Professor Bailey of Stanford University has written an account of American-Russian relations, beginning with the arrival of John Quincy Adams in St. Petersburg in 1809 as first minister of the United States to the court of the Tsar and ending with the Atlantic Pact and last year's outbreak of war in Korea. It is a very fair-minded piece of historical writing, supported by wide research, particularly on sources for American public opinion at different periods, though marred by a number of factual errors, such as the assertion that the Russians set up the Lublin government in Poland during the last war before breaking off diplomatic relations with the Polish government in London. In general, the book establishes the fact that, although there has been in the past relatively little conflict between America and Russia at the diplomatic level—questions such as that of Alaska were settled amicably—there has always been a strong American popular antagonism for the habits of Russian despotism. The frontispiece illustration reproduced for a book entitled "Siberia and the Exile System" published in 1891 might have been taken from a pamphlet on Soviet forced-labour camps at the present day.

However, between 1941 and 1945 all such things were forgotten in America, and public opinion was highly favourable to the Soviet regime, while President Roosevelt pursued a policy of staking all on Russian good will which was, in Professor Bailey's words, "in the nature of a gigantic gamble." The outcome is aptly summed up by the author with the remark that just as Pearl Harbour unified America for the Second World War, so the "crude and blustering tactics" of the Soviet leaders in the immediate postwar period aroused the American people, who were "in a mood to be lulled to sleep," to undertake a "huge and costly preparedness program," for the defence both of itself and of the whole free world.

A Change of Mind

Reflections on the Constitution. By H. J. Laski. *Manchester University Press.* 220 pages. 12s. 6d.

Professor Laski delivered three lectures at Manchester University in February, 1950, shortly before his death. They are now printed with the addition of a useful index but without the editing that sometimes makes excellent essays out of rather formless academic discourses. This should moderate criticism. Yet no revision could have changed this book's main significance. Mr Laski's last essay in political theory would still have stood as a remarkable monument to the muddleheadedness of the British Left at the beginning of the nineteen-fifties.

The subjects of the three lectures were the House of Commons, the Cabinet and the Civil Service. Although the treatment is discursive, the general impact is plain: it is conservative and optimistic; there is little wrong with the British constitution, and it is probably flexible enough to be adapted easily to such reforms as changing conditions demand. In all this Mr Laski showed a wholly admirable ability to change his mind. The muddle arises from his unwillingness himself to recognise that he had changed his mind. In 1938, in his "Parliamentary Government in England," Mr Laski propounded with some brilliance an approximately Marxist view of the British system of government. It was established by property owners in the interests of their property; it was admirably suited to the period of capitalist expansion, but it was unlikely to survive. How, then, did it come to be working so well as Mr Laski thought in 1950, after being used for five years for an attack on property by a Labour government? Mr Laski still argued, as he had done before, that until 1914 Britain was

> governed by a single party divided into two groups each of which had little difficulty in accepting the same major principles of action.

But where in 1938 he thought that the rise of the Labour Party constituted a revolution, probably incompatible with parliamentary government, in 1950 he was content to say merely that it had "profoundly" altered the character of Parliament—without, apparently, shaking the foundations of parliamentary government at all. Since the analytical basis for this change of view was not discussed, the lectures were disappointingly superficial and confused.

Mr Laski examined various proposals for constitutional reform—notably Mr Amery's—and found most of them unsatisfactory. He contributed some useful suggestions of his own. Perhaps his most noteworthy practical judgment is that "the work of the permanent civil servants at the top of the hierarchy was far less creative in the second world war than in the first"; the basis and implications of this view deserve much fuller consideration. But, while Mr Laski could call on a powerful logic to dismiss many criticisms of Parliament, he could also commit himself to such views as that "a government ought to be free, save on occasions like Munich, to choose its own time for an appeal to the electorate." Who judges what is like Munich, and have there often been occasions when an election would more certainly have confirmed an existing government in office? Again, Mr Laski asserted that Mr Chamberlain's "disastrous" foreign policy "compelled" the Labour Party to refuse to serve under him. Was it then the Labour Party, not Mr Churchill (who did serve under Mr Chamberlain), that had provided clear-sighted criticism of appeasement? But though Mr Laski was often wrong, and though in 1950 he had little to add to the understanding of constitutional theory, his last work is like all the others in being important reading—not least because of its prejudices—for students of politics and political theory.

Economic Averages

What Happens During Business Cycles. A Progress Report. By Wesley C. Mitchell. *National Bureau of Economic Research, U.S.A.* 386 pages. $5.00.

This book was intended as a tentative report on the results so far obtained by the National Bureau of Economic Research in the ambitious programme of measuring business cycles on which it has been engaged for thirty years. Unfortunately, its author died before writing his detailed sections on expansion, recession, contraction and revival, and when even the general section on business cycles was unfinished. His editor has wisely refrained from attempting to complete the original design, so that what is presented here is only the less interesting—though still valuable—first half of what would have been an important book.

The author begins by describing briefly the intentions, methods and materials of the National Bureau's research project. The details are already available in the Bureau's earlier fat volume on "Measuring Business Cycles," but they are here presented in a form more useful to the non-specialist. Part II, which occupies two-thirds of the book, is devoted to variations in the cyclical timing, conformity and amplitude of nearly 800 series representing specific activities, and to differences in cyclical behaviour within and between these series. The detailed study of these variations not only gives quantitative content to a number of generally accepted notions about business cycles, but also discloses a number of interesting details—for example, cattle slaughter varies cyclically, but hog slaughter (like the wholesale price of bananas) varies contra-cyclically. Part III makes a start at fitting all this specific information into a general account of business cycles.

One of the most important findings is that business cycles have their own peculiar time-shape, which does not seem to conform at all closely to what can be produced by a mathematical model.

It is a great pity that Mitchell died before finishing the book; Dr Burns's introduction makes clear what a great deal of interpretation remains to be done. What Mitchell completed, however, leaves unanswered two basic doubts about the National Bureau's approach. The first relates to the bureau's ubiquitous averages, which automatically create cycles where some economists see only intermittent fluctuations of activity. The second relates to its Benthamite determination to have each series count as one; where the bureau asserts that "all animals are equal," the average economist would want to add "but some are more equal than others."

Co-operative Utopia?

The British Co-operative Movement in a Socialist Society. By G. D. H. Cole. *George Allen & Unwin.* 168 pages. 12s. 6d.

The future of retail distribution is a territory that orthodox economists and socialist philosophers alike fear to tread. Here is Mr Cole rushing in—not even exploring the problems of the next few years, but actually mapping out socialist policy for a generation or so ahead. If he succeeds in touching off serious discussion of the subject within the Labour movement, his boldness will be justified.

The book's chief proposals are original enough. Starting with the co-operative movement as a socialist experiment, Mr Cole concludes that it is as undesirable as it is unlikely for the co-operatives to succeed, unaided, in establishing any monopoly of the trade in consumer goods. He then goes on to inquire what the architects of the collectivist economy of the future can hope to put in place of large scale capitalist enterprise when the time comes to socialise retail trade. Nationalisation is too bureaucratic and centralised for this purpose; municipalisation has equally obvious drawbacks. His problem is to reconcile the principle of consumers' choice (which implies diversity and competition) with that of public ownership and democratic control. His solution is to leave the existing co-operatives and a fringe of small scale private traders to go their own way, but for the state to take over the large chain and department stores and put them under a form of consumer control. These "mutual" trading concerns, reorganised on a local basis by state and municipal nominees, are intended gradually to co-opt the consumers into their management by the device of paying dividends on purchases, which will accumulate to confer shareholding and voting rights on loyal customers.

There is nothing inherently fantastic about this forcible extension of the co-operative formula, if, as Mr Cole is careful to assume, it takes place in an economic and social climate already sufficiently collectivist. This condition, however, begs the whole question. If ever public opinion is ripe for such a scheme, the whole nature of capitalist enterprise in the consumer goods trades is likely to have altered out of all recognition. Meanwhile, interference with retail trade will continue to be political dynamite. It is even probable that many professing socialists will be shocked by this cold-blooded attempt to translate the comfortable beatitudes of their creed into the stuff of everyday life.

Symposium on Incomes

Studies in Income and Wealth. Volume 13. Published for the Conference on Research in Income and Wealth by *The National Bureau of Economic Research, 1951.* XIV + 587 pages. Price $6.

The volume and variety of data on the distribution of personal incomes in the United States are in striking contrast to the dearth of such information in this country. Here the mainstay of income distribution estimates (until the 1949-50 income census is published) is an income census for 1937-38 taken on the basis of income tax returns. There it requires an army of research workers to analyse and digest for practical purposes the mass of material collected annually.

This symposium of papers was presented at the 1949 meeting of the United States Conference on Income and Wealth, a meeting devoted entirely to income size distribution. The basic material, which was discussed and analysed and which represented the fruits of about ten years statistical reporting in the United States, included ten field surveys of family income, besides returns collected by the Bureau of Internal Revenue tax, the Bureau of Old Age and Survivors' Insurance and the estimates of aggregate incomes by source and of numbers of families and single individuals made by the National Income Division of the Department of Commerce and the Bureau of the Census. Most of the fourteen authors and joint-authors have had practical experience in collecting the data they criticise. The scope and variety of the American economy gave them a wide field over which to range in their methodological discussions.

The result is a stout volume of considerable practical interest to all who make or use estimates of the size distribution of personal incomes. The emphasis is on the methodological aspects of the subject rather than on its theory or on the actual results of the surveys. There are no startling discoveries and no new theories, but there is the result of much critical and painstaking analysis of detailed statistics and much sensible criticism of the statistical reporting procedures which gave rise to them.

Shorter Notices

Annual Abstract of Statistics, No. 87 1938-1949. Central Statistical Office. *HMSO.* 319 pages. 17s. 6d.

The new Annual Abstract continues as in the previous issue to give a wealth of information in a well-presented form. As well as revising material and bringing it further up to date, some new tables have been added which include fertility statistics and a useful enlargement of national insurance statistics. A note of warning must, however, be sounded. Revision of certain series seems inevitable as later information becomes available and in some cases they have already been altered by the time the annual volume is published. This applies, in particular, to figures of employment, national income and balance of payments.

Directory of Shipowners, Shipbuilders and Marine Engineers, 1951. *Tothill Press Limited.* 880 pages. 30s.

The forty-ninth edition of this directory follows the general arrangement adopted four years ago. It gives details of leading shipping and shipbuilding companies of the world and the services they provide. A great deal of new material from Germany, Italy, and Japan has become available. The inclusion of five indexes does not seem excessive for the amount of information provided.

GOVERNMENT PUBLICATIONS

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AMERICAN SURVEY

Fair Share for Labour

Washington, D.C.

THE economic strength of organised labour in the United States is enormous, but its political strength is at best sporadic and is now at its lowest point. Nevertheless, of its own free will labour has denied itself the use of its economic power during the defence emergency in exactly the place where it has greatest need of this, its most effective weapon. For the American Federation of Labour and the Congress of Industrial Organisations have made what is termed "an implicit no-strike pledge, limited to disputes in the area of wages," and to industries affecting the national defence. As it works out in practice, however, the pledge is much more real than the word "implicit" would suggest, and the limitation much less real. By the very nature of collective bargaining, when a trade union undertakes not to strike for wages it bars itself from striking for other benefits which supplement or take the place of wage increases.

The no-strike pledge was given in fact, though not in those specific words and not without qualification, when the two labour organisations agreed to participate in the tripartite Wage Stabilisation Board (WSB) and subscribed to its regulations. This really meant that the trade unions agreed that, in all labour disputes affecting defence production, and there are few important ones that do not, they would abide by the majority verdicts of an arbitration board made up of representatives of labour, management and the public, whose decisions are subject to the approval of one man representing the government, the Economic Stabiliser, Mr Eric Johnston.

But in labour's "implicit" pledge, there was an equally "implicit" condition, based on logic and fair play, if on nothing else. It was that, in place of labour's economic weapon, the strike, there should be substituted a mechanism to provide, firstly, for the maintenance of real wages and, secondly, for their increase by an amount roughly equivalent to the economic gains accorded to, or wrested by, other less inhibited elements in the nation. This month the WSB took the final step needed to accomplish the first objective; its major problem in the coming six or eight months is how to effect the second.

After last January's temporary freeze of wages and prices, Mr Johnston quickly allowed workers to negotiate for wage increases up to 10 per cent above the levels of January, 1950, a figure roughly comparable to the change in the cost of living since that date. A few weeks later, he permitted the continued operation of "escalator" clauses in wage contracts negotiated before the freeze, even though they might go through the 10 per cent ceiling. These clauses provide for the automatic adjustment of wages, usually every three months, to compensate for changes in the cost of living in the preceding quarter. They constitute one of the most important and promising advances toward stable labour relations made in the last decade. The decision, however, created two classes of workers, those who could maintain their real wages in the face of rising prices and the many more who were not allowed to do so. To end this impossible situation, the WSB recommended early this month that the latter group might negotiate similar escalator clauses, if it wanted to, or that its members, if they preferred more conventional flat wage increases, might seek them at six-monthly intervals in amounts proportional to cost-of-living increases. Mr Johnston must approve the recommendation as a simple matter of fairness.

A decision on this point might have been avoided, or at least postponed, had it not been for the burlesque of an inflation control law passed by Congress in July. But under its price control provisions, or rather its lack of them, there is no prospect of holding the cost of living anywhere within 10 per cent above the levels of January, 1950.

*

Congress's emasculation of anti-inflation powers will also force the WSB to find an answer to its second problem, that is how labour, as well as farmers and businessmen, can share in the rise in the nation's prosperity. Spokesmen for those groups, in and out of Congress, never tire of arguing that support prices for agricultural products, and the prohibition of effective price controls on them, are necessary incentives to production, as are also opportunities of making ever higher profits in industry and trade. Within limits, the arguments are probably right but, if so, then it is also true that the workers need some incentives too.

If labour's future economic benefits, over and above the maintenance of its real wages, could be, in fact, actual incentives to and rewards for higher production, as farm and commercial profits are supposed to be, then they could be permitted without fear of inflationary consequences. A device for achieving this is to be found in the contracts of the United Automobile Workers negotiated by the union's president, Mr Walter Reuther, who was also the pioneer of the escalator clause. In addition to the automatic cost-of-living adjustment, those contracts provide for the grant of an annual wage increase of four cents an hour, or about 2½ per cent, the estimated national yearly gain in productivity.

The WSB and Mr Johnston approved the continuing operation of these clauses in existing contracts, just as they approved the cost-of-living escalators. By the same logic, they must approve equivalent productivity bonuses for all other workers. But the problem is remarkably difficult. In the case of the General Motors Corporation, which welcomes the bonuses as enthusiastically as does Mr Reuther, it is certain that the real productivity achieved will equal or, more probably, exceed the wage increases; in any event, the company has agreed in the contract not to use them as an argument to justify higher prices for its output. But other companies may not have the same productive skill. Although, in the present tight labour market, almost all employers will be delighted to pay a productivity bonus, some of them will not realise an equivalent gain in productivity and most of them will insist on using the additional payment as an element of increased cost warranting higher price ceilings. In those cases, obviously, the bonus will have dangerous inflationary consequences.

The test case will come in the steel industry. The contracts of Mr Philip Murray's United Steel Workers expire on January 1st. His men need an increase of about 12 cents an hour—four cents for the rise in the cost of living, which is easy, four cents for the increase in productivity in 1951 and four cents more for that in 1952, for the bonus in the automobile industry is anticipatory and Mr Murray must get what his young rival, Mr Reuther, is getting.

The steel industry is unlikely to object to the amount, provided, and provided only, that it can use the last two four-cent grants, as it can the first, to justify higher price ceilings for steel. So far, it shows no signs of conceding the principle of productivity gains that Mr Reuther taught the automobile industry to embrace. To complicate the matter further, it is by no means certain that Mr Murray wants the grant to take the form of a productivity bonus. For his philosophy of labour-management relations is as far behind that of Mr Reuther as the steel industry is behind the General Motors Corporation in the same field. He is an inherently conservative man, intensely distrusting Mr Reuther and his "socialistic" notions.

How Mr Murray decides to play the game will set the pattern for most of the rest of American labour, just as the attitude of the United States Steel Corporation in the case will set the pattern not only for the steel industry but, as is usual in the United States, for the rest of all heavy industry as well. And, with respect to labour and management and the country's economics as a whole, the solution of the WSB will be for the defence emergency period what the "Little Steel" wage formula was in the last war.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

American Notes

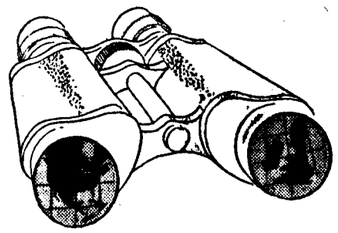
Foreign Aid Under One Roof

In the first round of this year's debate on foreign aid, the Administration has lost less than it feared in dollars—$650 million cut out of a total of $8.5 billion—but it has been routed on the control of the mutual security programme. The House Foreign Affairs Committee has recommended unanimously the creation of a single independent agency, to be known as the Mutual Security Administration, to run foreign aid, which this year for the first time was submitted in a single package. The military would continue to procure and distribute military equipment, and the responsibility of the State Department for "over-all" foreign policy is specifically safeguarded. But instead of the co-ordinating committee under State Department leadership which at present allocates aid funds and which the Administration wishes to continue, there would be a single administrator of Cabinet rank, in whom authority and responsibility would be concentrated, as they were in Mr Hoffman when the Economic Co-operation Administration was made independent of the State Department. Such a solution has additional charms for those who would not be sorry to lessen Mr Acheson's powers.

Last week the Brookings Institution published a report which, unlike most earlier private studies, argues that the State Department is the only agency to administer foreign aid programmes and co-ordinate all action dealing with foreign affairs. But this report is probably too late, even if it were enough, to convert the Senate committees, which have concluded their hearings and in their draft are likely to come down on the side of an independent agency, even though, if confusion is to be avoided, its independence cannot get very far.

The cuts made by the House Committee fall most heavily on economic aid, which loses $400 million of a total of $2.2 billion, while military assistance is reduced by only $250 million out of $6.3 billion. The same pattern seems certain to be repeated in the Senate, where even Senator Taft, though he favours a $1 billion cut in economic aid, disapproves of any reductions which might jeopardise General Eisenhower's chances of success in Europe—and give substance to the spiteful rumour that he is trying to undermine his chief rival for the Republican nomination. The Senate committees will be strengthened in their resolution by reports, filtering out of a party of Senators who visited Europe last month, though since denied, that General Eisenhower believes the United States must push ahead rapidly to rearm Europe or else abandon the effort entirely, and that in time it might even be necessary to send more American divisions to Europe.

The Senate Foreign Relations Committee has already approved $400 million for Spain, divided equally between military and economic aid, and deleted the criticisms of General Franco which its sub-committee expressed. Strangely enough, after all the MacArthur furore, the Administration's request for $307 million for General Chiang seems more likely to stir up a storm. This is presented as the simple consequence of the Korean war and the decision to deny Formosa to the Communists. But it is a third of the total allotted to the whole Far East, and even Senator Connally, one of the Administration's leaders, in challenging it, remarked scornfully that if General Chiang cannot protect Formosa he cannot protect very much.



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Censuring McCarthy

The shameful part Senator McCarthy and his staff played in defeating Senator Tydings of Maryland last autumn receives full, and fully justified, condemnation in a sub-committee report, laid at long last before the Rules Committee of the Senate. Senator McCarthy is listed as one of the three outside influences responsible for the odious "back-street" campaign in which a faked composite picture—purporting to show Senator Tydings in conversation with Mr Earl Browder, a former Communist leader—and insinuations against Senator Tydings's patriotism and loyalty were exploited. This was Senator McCarthy's revenge for the way Senator Tydings had dealt with his charges of disloyalty in the State Department.

The committee does not propose that Senator Butler, the beneficiary of this vendetta, should be expelled from the Senate, because there are no established rules of conduct which would provide grounds for such action. But it does suggest that such standards should be drawn up, and that violation of them, whether by a candidate or any sitting Senator, should be grounds for expulsion. Two Republicans, Mrs Margaret Chase Smith and Mr Hendrickson, who last year signed a Republican protest against McCarthyism, voted with the Democrats to condemn the Butler campaign.

The lack of any code of Senatorial conduct—and the necessity of securing a two-thirds majority—also means that Senator Benton's demand for an investigation which might lead to Senator McCarthy's expulsion is bound to come to nothing. As Senator Benton pointed out, any other Senator would have the decency to resign after such a report had been tabled, but in Senator McCarthy's case this is mere wishful thinking. Senator McCarthy is not in the slightest degree repentant or chastened; within two or three days he was once more availing himself of Senatorial immunity to list 26 employees of the State Department who, he said, were being investigated on loyalty charges. One, at least, Mr Davies, a high foreign service officer, had been cleared and restored to duty the week before with the full confidence of the Department. The only cure for Senator McCarthy is in the hands of the Wisconsin voters, who next year have the opportunity of depriving him permanently of his platform and immunity in the Senate. But the Senate will betray its own standards, not to speak of its own interests, if it does not make character assassination grounds for expulsion and thus nip McCarthyism before it spreads.

* * *

Tools Come First

The machine tool industry, which was starved after the war and almost submerged by a flood of government tools being sold off cheap, has enjoyed a solicitous and unrelenting attention ever since it was realised that aircraft producers are behind schedule chiefly because they must wait as long as two years for vital metal cutting and shaping machines. The chief task of Mr Harold Boyer, head of the new Aircraft Production Board, is to reduce this waiting period. The tiny industry, whose output before Korea was only valued at $250 million a year, will have orders totalling $2.9 billion by next June, according to Mr Charles Wilson, director of mobilisation. At present rates of delivery, this is a seven-year back-log. But Mr Wilson is convinced the industry can repeat the miracle it achieved between 1939 and 1942, when production soared from $200 million a year to $1.5 billion, even though the tools needed today are far more complex and no running start has been provided by foreign orders, as it was in 1939 and 1940.

The government is releasing the machine tools it put away in 1945 for a rainy day, but unfortunately these cannot fill the most urgent needs, which are for machines to turn out guided missiles and jet engines. Some tools are being bought abroad, from Italy, for example, though this can be only a drop in the bucket. The automobile industry has promised, if the price is right, to produce machine tools with the resources kept, in happier days, for producing new models. But not much relief can be looked for in this quarter, as long as passenger cars continue to be turned out. One reason the machine tool bottleneck is so tight today is that there is no wholesale conversion of peacetime tool resources, as there was during the war. Instead, additional plants are being reopened or built.

Mr Wilson, acting as fairy godmother to an industrial Cinderella, has produced with a wave of his wand a feast of incentives and aids, though the industry is still inclined to grumble that they fall short of what is needed. A $100 million revolving fund has been created, similar to one operated during the war, to finance production of tools even before manufacturers order them. The machine tool industry has been given first call on its own products, a super-priority to safeguard the industrial seed-corn. Steps have been ordered to protect and enlarge its supply of skilled labour. In meeting the industry's price complaints, however, Mr Wilson has been less successful. He ordered the price controllers to the rescue when it was realised that the freeze, in January, calculated on delivered prices, in reality rolled the industry's prices back to those prevailing in 1950. Manufacturers insist, however, that the new formula, which relates profits to assets rather than production, encourages them to put on the brake rather than step on the accelerator. If this is true, it is certain to be rectified, for nothing is too good for machine tools today.

* * *

Tariff Ups and Downs

The Customs Simplification Bill, first introduced last year but unlikely to get as far as the Senate floor this year, has at least begun its Congressional journey, in the House Ways and Means Committee. The sharpest objections are likely to come from whisky distillers, for under the new proposals importers of whisky and rum would pay duty only on the alcohol in the bottle, not, as at present, on the water as well. Otherwise the Bill does not provide for any specific reductions in tariffs, but only for streamlining their administration, in order to remove the suspicion that even today the main purpose of US customs regulations is to prevent imports at any price. The most important change suggested in the Bill is that in future tariffs should be calculated on the import value of the goods, not on their value in their country of origin, which often includes purely domestic levies, such as the British purchase tax.

The official arguments for the Bill are not only that it will reduce the cost of the customs service and increase foreign trade but that it is necessary if the United States is to fulfil its obligations under the General Agreement on Tariffs and Trade. But at the next meeting of the signatories of this agreement, in September, the United States will ask to be released from another of those obligations, the tariff concessions made to Czechoslovakia. The reason for this request is not the conviction of Mr William Oatis, the AP correspondent in Prague, although that explains why Congress is demanding that trade relations with Czechoslovakia be broken off at once. The request to GATT is the result of the latest version of the Reciprocal Trade Agreements Act, passed several weeks ago, which requires the abandonment of all tariff concessions to countries in the Soviet orbit. Czechoslovakia is the only one of these countries that participates in GATT; in the case of the others the United States had only to give the necessary notice that it was terminating most-favoured-nation treatment.

As with the clause in the new Defence Production Act which has just led to the imposition of strict import quotas on foreign cheese, there is a protectionist flavour about this raising of tariff barriers, although the trade affected now amounts to only about $80 million a year. But political considerations are more important, for Congress is determined that the Soviet satellites shall not draw any benefits from the United States and its allies, even if the prevention of this trade involves cutting off America's nose in order to spite Russia's face. This has already been done once, with the Kem amendment which would have stopped all foreign economic aid if the President had not suspended the measure. Representative Battle is now trying his hand at plastic surgery; his proposals, which have already passed the House, are workable, giving the President the necessary discretion, but they still leave the United States open to the charge of trying to teach its allies to suck eggs. Most of them are already conducting their trade through the iron curtain along the lines that the Battle Bill insists must be followed by those who wish to qualify for military and economic assistance from the United States.

* * *

Policemen Don't Strike

New York City's 19,000 policemen, said to be the largest force in the world, have long complained that their lot is harder than that of the rest of the community and that their wages, hours and pension arrangements compare unfavourably with those of other municipal employees. They were thus naturally disposed to listen when Mr Michael Quill, head of the Transport Workers' Union, hissed in their ears that, if they joined him, he could give them a slice of the apple he had just won for another group of city workers, the men who run the transit systems. On July 1st the transport workers were awarded a forty-hour week with no loss of pay, more than the Policemen's own Benevolent Association had ever been able to win for its members.

Early this month Mr Quill was claiming that more than half of the police force had joined his union. This was thought to be an exaggeration but, when he announced that he was about to charter a new branch for policemen only, the City Commissioner of Police promptly forbade members of the force to belong to any union at all. The order had to be amended to cover only police trade unions when some policemen confessed to membership in such harmless bodies as musicians' unions, so that they could earn a few extra pennies in the orchestra pit in their off-time. Mr Quill, always ready for a fight, promptly went to court to combat the order on the grounds that it was contrary to the State Constitution and denied the policemen their civil right to join a union. The result of the case is not yet available.

* * *

The city officials argue that a trade union has no point unless its members can strike, a luxury which cannot be allowed to policemen. There is some strength in this argument, when applied to a union led by Mr Quill, who has certainly made free and often unjustified use of the strike weapon. But there are already 62 police trade unions in other cities, all of which have signed "no-strike" pledges (as Mr Quill is also ready to do), and have managed to bargain very successfully with their employers, without holding a strike over their heads. It is also argued, again with extra point in New York, where inter-union conflicts on the water-front and elsewhere are not unknown, that policemen who belong to labour organisations might have a divided loyalty that would prevent them from keeping order with strict impartiality. Finally, city officials claim that the policemen are well served by their Benevolent Association and need no other organisation; however, not only is the quality of the service questionable, but to labour leaders the association smells of a company union. For these reasons both of the big national labour organisations are backing Mr Quill. He threatens to go underground should he lose his case, and he will have some success there as long as the city government does nothing to remedy the policemen's grievances.

Are Book Clubs Fair?

To enrol in the Book-of-the-Month Club, it is necessary only to agree to buy, usually at less than the retail price, four out of some seventy-five monthly selections during the first year of membership. There were seven books to choose from during July, amongst them Boswell's "London Journal" and General Bradley's autobiography (at $3.95 instead of $5), and the new member would also receive a free copy of "Kon-tiki" as the first of the book-dividends that come automatically with every second purchase. The basis of the system is that the book club leases the printing plates of its selections from the publishers, paying about 10 per cent of the retail price for each copy printed and guaranteeing to produce a special edition of a certain size; this is probably several hundred thousand copies in the case of the Book-of-the-Month Club and its chief rival, the Literary Guild, each of which have about half a million members.

The book trade has not shared the general business prosperity of the postwar years, for rises in prices and in sales have not kept pace with rises in costs, and many publishers depend on book club income for their profits. But the country's 3,000 booksellers blame their lack of profits on the fact that about one-third of all book sales are now made through the 50 book clubs, some of which specialise in a particular subject, yachting, for example. The booksellers' general complaint is that members of clubs, receiving their books through the post, never go into shops where they might be tempted to broaden their interests and buy more books. To this the clubs reply that the great majority of their members live in places where there are no book shops, and that many of them are people who never thought of buying a book at all until they joined a club.

The particular complaint of the booksellers is directed not so much against the book clubs as against the publishers who allow the clubs to sell their volumes at cut prices and even to give them away, while forbidding the shops to do either of these things. One large bookselling chain has retaliated by enrolling all its employees as book club members, and then selling their cheap and free copies over the counter at the normal retail price and at a handsome profit. But smaller firms can do no more than refuse to display the regular editions of books chosen by the book clubs. The Federal Trade Commission has long suspected that the publishers' discrimination against the booksellers is illegal and that the favours shown to book clubs have restricted competition in the trade. Encouraged by the recent Supreme Court decision against retail price fixing, the commission has now charged six of the leading publishers with unfair trade practices. If the charges are upheld, booksellers will be free to compete on equal terms with the book clubs, by leasing printing plates and by selling books at any price they like. Whether this improvement in their competitive position would do their profits any good is another question.

Shorter Notes

In July the employment figures broke several records; there were more people, 62,526,000, at work than ever before and fewer unemployed, 1,856,000, than ever before in this month, when many young people who have just left school are seeking jobs. There were as many women at work as at the peak of the last war.

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The government is rounding up the leaders of the Communist party by areas; arrests in California have now been followed by arrests in Baltimore and Washington. Altogether 39 Communists have been charged since June, when the Supreme Court upheld the conviction of the original eleven leaders for conspiring to advocate the overthrow of the government by force. Four of the first batch are still at large, but since then none have escaped.

THE WORLD OVERSEAS

UNO's Army of Experts

IN June, 1950, fifty-five governments promised to contribute a total of $20,069,411 to enable the United Nations to expand its programme of technical assistance for underdeveloped countries. This sum was intended to finance the first eighteen months of the expanded programme, from July, 1950, to December, 1951. But only $11,396,328 had been received by the Technical Assistance Board (TAB) up to July 1st of this year, in spite of repeated reminders sent by Mr Trygve Lie to the governments concerned. Among the 22 nations which have paid their contributions in full, Canada, India, Belgium, Switzerland, Turkey, Pakistan, Indonesia, New Zealand and Egypt have between them provided over $2,000,000. France has paid in nearly the whole of its quota of $1,207,500, Britain two-thirds of its $2,128,255, America half of the $12,007,500 it pledged ; six other countries have handed over parts of their contributions, while 24, including Sweden, Brazil, Italy, Uruguay and Persia, have so far provided nothing at all. The Soviet Union and its satellites have boycotted the programme and given nothing towards it, although their delegates to the UN Assembly voted in favour of it when it was first discussed.

The fund as yet available is thus barely one-eighth of the sum originally cited as adequate for a two-year programme. Lack of money is one of the points stressed in the latest report of the TAB, which declares it "imperative that all governments pay their pledges in full at the earliest possible date," and shows in detail how the activities already in hand or planned will cost about $15,400,000 by the end of 1951. This report has been prepared for the Economic and Social Council, now meeting at Geneva, which must make up its mind about the scale on which the work can continue in 1952.

Helping Those Who Help Themselves

But the report also shows how various and widespread the practical activities of the Board now are. In accordance with the basic principle that the under-developed countries are to be helped to help themselves, its activities take four main forms. First, experts in many different spheres are sent to these countries to advise their governments and to start development work. Second, a modest amount of special equipment is supplied to countries which cannot easily buy it owing to currency and other difficulties. Third, men and women from the backward countries are granted fellowships and scholarships which enable them to study abroad. Fourth, international study centres and training courses are organised at which specialists from countries which face the same problems come together to learn the latest techniques and to exchange their own practical experiences. By these four methods the Board helps backward countries to develop among their own nationals enough skill to carry on the schemes initiated by the foreign experts who are loaned to these countries for a few months or years.

By July the United Nations had undertaken to provide 45 countries with 741 experts, and had actually recruited 449 ; it expected to have to find another 674 by the end of the year to meet the steady demand. It had provided 551 fellowships and scholarships, and planned to provide 590 more during 1951. Of the experts already recruited 120 were American, 49 British, 38 Dutch and 37 French ; the others were drawn from 50 different countries, including 25 of the countries receiving help. Over a third of these men and women were recruited for tasks connected with farming, forestry and fisheries, while 70 were assigned to health, 71 to education and scientific work, and 60 to industrial development.

These general categories cover a vast range of specialised activity. Indonesia, for example, began by securing a visit by a UN team which worked out a general development programme. It is now using the services of experts on agriculture, forestry, cottage industries, handicrafts, labour problems, education and nutrition. An Indian has been sent to Jakarta as the Board's representative to co-ordinate this work. In Haiti a similar representative—an Englishman—has been at work since June, 1950 ; he supervises the activities of other UN experts who are developing pond fisheries, basic education, co-operatives and small industries, irrigation and the control of cotton pests. Iraq has obtained the services of specialists in biology, chemistry and physics who are improving the teaching of these subjects in Baghdad, and is being sent experts on adult education, village crafts, farm mechanisation, livestock diseases, malaria, tuberculosis and the disease known as *bejel*. Six agricultural experts have gone to Chile to make a general survey of possibilities of development and to help deal with urgent problems such as this year's widespread potato disease ; Chile is also obtaining the services of experts on fisheries, secondary education and teacher training. Burma is being helped in the fields of manpower, wages legislation, livestock, forestry, malaria and radio. Persia has asked for expert help in the development of ports and railways, cotton, jute and silk textiles, electric power, posts and telegraphs. Eire wants the loan of experts on reclamation of marshland. Among the British dependencies receiving aid, St. Lucia has secured the loan of an Icelandic expert on the industrial use of fumaroles, or live vents of volcanic steam, in which the island abounds.

The studies now being pursued by nationals of the under-developed countries through UN fellowships cover an equally wide range of subjects, as do the international courses and study centres. The latter are generally arranged on a regional basis ; thus a three-month course for 54 specialists from Asian countries has been held in Lahore and a shorter course in Rangoon ; 50 men and women from Latin-American nations are being trained at a basic education centre in Mexico ; and over 200 social welfare workers have attended a seminar for the Arab world in Cairo. Among other regional projects in operation are a rice hybridisation programme for Asia, and a Latin-American drive to control foot-and-mouth disease.

Problem of Priorities

As regards co-ordination the technical aid programme has had to overcome mountainous obstacles. The TAB brings together, under the chairmanship of Mr David Owen, the British Assistant Secretary-General of the United Nations, representatives of Uno itself and of all its specialised agencies, such as the Food and Agriculture Organisation, the International Labour Organisation, and Unesco, each of which has a part in the programme. Uno and its agencies seem to have successfully dovetailed their earlier technical aid activities into the expanded programme which began last year, and they are making every effort to secure friendly co-operation with the Colombo Plan authorities and with the Americans who are handling their own national economic aid projects. There remains, however, the wider problem of relations with the governments of the 64 nations and dependencies which have asked Uno for help.

As the new TAB report points out, neither the Board nor any other UN body can decide which problems any given country should tackle first ; they can only meet specific requests. Some countries have asked for a general survey and for recommendations, but no government is bound to accept such recommendations. On the other hand, Uno naturally gives priority to those tasks which seem most urgent and practicable, and pursues only those which seem to be giving worthwhile results. In its report the Board criticises those governments which fail to supplement Uno efforts with their own. While admitting that many projects can go forward only when more capital is obtainable, it warns recipient governments that it is chiefly up to them to create conditions attractive to both foreign investment and local savings. It is particularly interesting to note the Board's emphasis on improving national administration and public finance, which it describes as "a necessary corollary to all phases of the technical assistance programme." It hopes to increase its activities under this head fourfold in 1952—always assuming that the contributing nations prove willing to devote another minute fraction of their resources to this modest programme, which offers such great economic and political returns.

Four Years of the Monnet Plan

[FROM OUR PARIS CORRESPONDENT]

THE office of the *Plan de Modernisation et d'Equipement* has recently published a detailed version of the report which was issued in outline earlier in the summer and noticed in *The Economist* of June 23rd. The document describes item by item the progress made in the basic sectors of France's industry which is clearly reflected in the favourable trends of the country's production and trade. The broad picture of the operation controlled by M. Monnet's office is provided by the following table:—

TABLE I

THE MONNET PLAN: INVESTMENT FROM 1947 TO 1950
(In Thousand Million Francs)

	1947	1948	1949	1950	Total
METROPOLITAN FRANCE					
I Nationalised companies :—					
Coal mines	26	48	65·5	67·4	206·9
Electricity	55	67	106	108·7	314·7
Gas	1	3	7	6·1	19·1
Railways	10	27	29·5	21	87·5
Air France	3·8	5·6	4·7	5·6	19·7
TOTAL	73·8	150·6	212·7	210·8	647·9
II Private and mixed companies :					
Compagnie nationale du Rhone (development of Rhone valley)	4	11	18·4	18	51·4
Steel and ironworks	7	20	38	49·4	114·4
Petrol and oil	6	14	23	24	67
Other industries*	12	35	50	54·8	151·8
Agriculture (including fertilisers, agricultural machinery and food industry)	32	65	82	101	280
River shipping	0·5	1·5	3·6	2·5	8·1
Merchant fleet†	0	0	0	0	0
TOTAL	61·5	146·5	215	249·7	672·7
TOTAL METROPOLITAN FRANCE	135·3	297·1	427·7	460·5	1,320·6
Total overseas territories	10	38	71	91	210
GENERAL TOTAL	145·3	335·1	498·7	551·5	1,530·6

* Non-ferrous metals, cement, chemicals, wood-pulp, artificial textiles, engineering industry, tourism. † Financed preponderantly or entirely by the Treasury under the Reconstruction Budget.

The four objectives which have dominated this essay in economic planning are: To increase production ; to achieve full employment and maximum productivity ; to expand trade and restore the balance of payments ; and to increase the national income and raise the standard of living. As the report demonstrates, the situation with regard to the first and third heads has been entirely transformed: the combined index of industrial production has now reached almost 150 (1938 = 100) and in 1950 dependence on dollars to balance payments had decreased by well over a half since 1949. Unemployment moreover has remained insignificant and at least a fair start has been made towards stepping up productivity.

The manner in which these investments were financed was dictated by the circumstance that the postwar French public was quite unwilling to subscribe to long-term loans, whether to the State or to private enterprise. The financial objective was therefore to inject public funds into industry in order to modernise it, increase its revenues, and therewith its capacity to finance itself. As the table below shows, this aim has been considerably attained, although the revenues of industry are in any case greatly limited by price-control of basic products (coal, steel, electricity). As the report puts it, "the French practice is to make the taxpayer or private saver supply the funds which the consumer is not asked to give."

TABLE II: THE FINANCING OF INVESTMENTS
(Thousand Million Francs)

Resources	1947	1948	1949	1950	Total
Public funds	11·8	193·6	310·7	356·4	872·5
of which the modernisation and equipment fund	...	153·0	259·5	312·3	724·8
Funds at the disposal of industries themselves	67·0	107·0	160·5	176·5	511·0
Bank loans and loans from special agencies	66·5	34·5	27·5	18·6	147·1

A glance at the figures for 1947 and 1948 (the first year of Marshall Aid) respectively is all that is needed to see to what extent French recovery during the four years has depended upon the francs set aside as the counterpart of the American goods sold in France by the French Government. Through American aid channelled into the modernisation and equipment fund such an industrial revival has however since taken place that in 1950 industry was itself able to finance over half of the total investment made, as against less than 30 per cent in 1948.

What may be said about the standard of living, the perpetual stuff of day to day politics? The report argues that in spite of the allocation of an average of 20 per cent of the national resources to investment between 1947 and 1950, France had by 1950 increased private consumption by 25 per cent since 1946, thereby slightly exceeding the consumption level of 1938.

In terms of products, the individual average consumption for 1950 is quantitatively slightly below that of 1934-38 for bread and fats ; slightly above it for meat and game and 10 per cent above it for milk ; while for industrial goods the average has very slightly fallen between the periods. By far the most serious economic shortage is in housing. This is recognised by the report, which gives the figure of 175,000 houses built or rebuilt since the war (with another 758,000 repaired after war damage). For 1951 the target is 100,000 (against 68,000 during 1950). But even this number is 140,000 short of normal building abroad.

TABLE III: COURSE OF CONSUMPTION*
(Thousand Million Francs of 1938)

	1938	1946	1947	1948	1949	1950
Food	145	118	116·5	125	140	146·5
Non-durable goods	35	33	34	38·5	40·5	42
Clothes, textiles and leather goods	40	33	34·5	39·5	34·5	36
Durable goods	29·5	23	28·5	33·5	33	33·5
Services	59·5	53	59·5	62	66·5	66·5
Housing	28	24	24·5	25	25	25
TOTAL	337	284	297·5	323·5	339·5	349·5

* Between 1946 and 1950 the population rose from 40·5 to 42 million.

It is obvious from these consumption figures how stern the economic ordeal of many millions of the French population has really been and, with some measure of rearmament, will continue to be for some years yet. If consumption is to rise appreciably during the next five years a great effort will have to be made towards a greater productivity in the manufacturing industries. The new ECA scheme will give impetus to this ; but unless a highly differential taxation system is adopted towards enterprises in accordance with their performance in raising productivity, it is doubtful whether the measure will prove immediately effective. The main chance of a quick rise in the standard of living remains, as always, a drastic lowering of the French tariff wall on consumption goods.

The report concludes with the opinion that the sole possibility of France's supporting a sizeable rearmament effort is to press on full steam ahead with the investment programme in order to produce more coal, electricity, steel and food at lower cost. At the same time a significant sentence is aimed, it appears, at those Frenchmen who regard France's participation in the Atlantic Pact as the main source of its economic evils :—

> Investment in those sectors producing for consumption, and especially agriculture, fulfils a necessity. For were a conflict to break out and were we to be cut off from our sources of external supply, it would be even more imperative to safeguard the very existence of the French people better than it was safeguarded from 1939 to 1945.

Thus, whether in the event France is to have peace without a very large armament effort or peace with it ; whether it is to have war with occupation of its territory or war without it, its task remains essentially the same—to equip and modernise its economy. The Monnet Plan is neutral ; neutral in home politics because no political group could shirk the task it accomplishes (Communism triumphant could only try to substitute rouble for dollar aid): neutral in foreign politics because it is irrelevant to them and they to it.

Recovery from Disillusionment

[FROM OUR CORRESPONDENT IN INDIA]

INDIA is entering its fifth year of independence a mature and stable state. There are few countries in the world today whose Government commands so general an acceptance or where totalitarianism of any sort has so small a following ; in Hyderabad the Communist revolt has been broken and no one has burnt a tram in Calcutta for over a year. The economic situation may still be difficult, and the behaviour of Pakistan clouds the future. Nevertheless the most important feature of the last year has been the increase in hope and confidence. The intoxication of independence and the bitterness of disillusionment have made way for willingness to work and to face facts.

No one who was in India in August, 1947, can forget the joy of the crowds at being free and their friendliness towards their ex-rulers, now become their equals and their guests. So great a happiness was bound to be followed by disillusionment. In this case the awakening was brutal. There were the Punjab massacres, the millions of refugees, the murder of Gandhi, and strained relations with Pakistan, when most Indians had hoped the two Dominions would be truly sisters. Worse still, it was found that many of the ills for which the British had been blamed continued even after independence. Corruption did not vanish overnight ; India remained poor ; Congressmen in office did not always practise the virtues they professed in jail. There was a spate of criticism from the public and self-vilification by Congress. The Gandhian had hoped for simplicity, hand-spun cotton, non-violence and self-sufficient villages ; he found the bureaucracy still bureaucratic, the defence forces more necessary than ever, the villager increasingly drawn into a market too often black. Those educated in the West attacked the fall in government efficiency, making no allowances for the difficulties under which the administration was labouring after it had lost over half its best senior men. Corruption has not increased overnight, but the people, trained by Congress in opposition, have become more allergic to it, especially in their own government, and those who equated Congress and Gandhi have been deeply hurt by the resultant mud-slinging.

Recently there has been a recovery of balance. The administrative machinery is creaking less ; notably, in import licensing, the appointment of a new Chief Controller has produced quite obvious improvements, and the Gorwala Report has defined what is necessary to root out corruption. Above all, the elections due in about five months have brought reality back into politics. The Congress, from being a national movement, has become a true political party of the Centre with the departure of dissidents and leftwing members led by Mr Acharya Kripalani, an ex-President, and Mr Kidwai, a Cabinet Minister and its old organiser. Despite some continuing strain between the Prime Minister, Mr Nehru, and the Congress President, Mr Purshottamdas Tandon, room for heresy and intrigue is reduced, and Mr Nehru still towers in the reduced and rejuvenated Congress—in spite of his resignation from the Working Committee—strengthened at every step by Pakistan's last cry of "Jehad" or clenching of fist, determined to squash the Right's hope of a Hindu State. His report to the Bangalore Congress, with its modesty about the Government's achievements, its frankness about its failures, was Mr Nehru at his best ; and the Congress's election manifesto is, in true Morrison fashion, all about digestion and consolidation. Zemindars are to be abolished, but there is no threat of further nationalisation ; the value of cottage industry is recognised, but there is no attack on large scale industry as such. Those who are disillusioned or disgruntled have joined either the Socialists or the Praja party ; the two put together will provide India with a respectable opposition, and even in one or two States, like Travancore-Cochin, perhaps with a government.

Economic Tasks Ahead

The achievements of the old Congress have, in the past five years, been so spectacular that they passed almost unnoticed ; the integration of the States, for example, thanks to the foresight of the late Sirdar Patel, went so smoothly that not even the Princes realised that a revolution had taken place. The achievements of the new Congress are bound to be less spectacular and more painstaking. Politically, now that the Congress has crystallised, all that had to be done, is done. Economically, all has still to be done. Since no coalition can carry out an economic programme, it is only now that it may be possible for old hopes to be fulfilled.

Economics has indeed been the Government's Achilles heel ever since 1947. Monsoons have been bad, prices high, labour productivity low, and industrial output unsatisfactory. The Government has tried to do too much at once in welfare and development. There was all the frustration of great dreams with little results. But here, too, the last few months have shown improvement. Production has been up in steel, coal, cotton and jute. Some new industries, like Diesel engines and transformers, are making rapid progress. The wholesale price index has been held for some months. The balance of payments has tipped from a deficit to enough of a surplus to liberalise imports. The trade and currency deadlock with Pakistan has been broken. The threat of famine in Bihar and Madras has been met ; American wheat is beginning to arrive at last. The monsoon looks promising, and even the railway strike has been averted.

Hope has rushed back ; and there are the Planning Commission Report and the Gorwala Report on state enterprise

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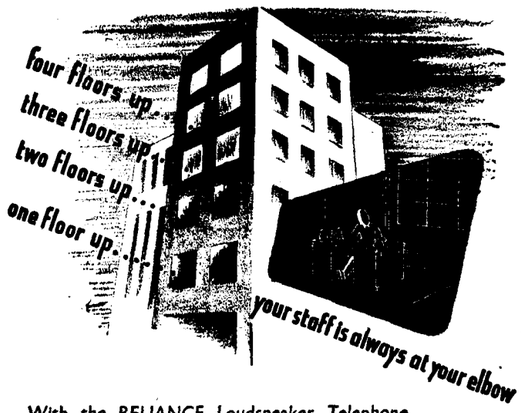

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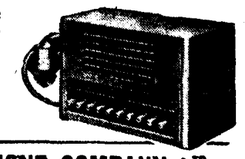

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3	CLIFF QUAY, IPSWICH	27·25
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as assurances that hope will not err. Mr Gorwala has insisted that state enterprise must be as businesslike as business. The draft of the five-year plan shows for the first time what can be done with work and determination; 7 million tons more food, near self-sufficiency in cotton and jute, and 300,000 tons more steel can all be achieved without more foreign aid than what has already been promised. The plan would increase the national income by 2½ per cent per annum—slightly more than the increase in population. If, in addition, India can hope for American aid on the scale given even to undemocratic countries, there would be a real renaissance.

The chances of American aid, however, have perhaps not been increased by the firmness of India's foreign policy. Yet, here again, there is more cohesion than ever. Despite all the talk about British officers and carpets, and the suspicion that the "Anglo-American" bloc is pro-Pakistan, opinion, led by Mr Nehru, is solidly in favour of the Commonwealth, and India has sent an ambulance unit to Korea—many an enthusiastic South American voter against aggression has done nothing. It is felt that Nehru's stand about crossing the 38th parallel has been vindicated by events, and that the present terms could have been obtained then. Over Kashmir, too, Indian opinion is for the first time unanimously behind Nehru: this, and not indifference, accounts for the astonishing calm with which India has met Pakistan's recent outbursts. With its own grievances unsettled and Pakistan's propaganda against the American food loan fresh in its mind, India is determined to make no unilateral concessions. Western attempts to get India to withdraw its troops or to agree to the supercession of Sheikh Abdullah, without even any mention of evacuee property or Pakistan's constant talk of war, will only meet a blank wall. For India sees no explanation of such an approach except bias.

Soviet Harvest Time

THE Soviet harvesting campaign is in full swing. Judging from the preliminary reports pouring in now from all over the Soviet Union, this year's yield should be much better than last year's, except in the Volga Region, where a drought was reported some time ago. On the whole, however, it would appear from Soviet sources that the present grain crop should substantially exceed last year's total crop of 124 million tons, which was below the planned target for that year.

The first reports came from the Ukraine, where the weather was particularly favourable and harvesting began two weeks earlier than usual. Reports have already arrived in the ritual form of cables to Stalin from most of the Ukrainian regions; they announced not only that their respective crop targets have been exceeded, but also that they have already fulfilled their supplies for the State. Despite the growing importance of Siberia as a new granary, the Ukraine still accounts for over 20 per cent of the total Soviet crop. The yield in the North Caucasus is also reported as excellent. This would fit with the rule that in this region a good harvest follows a bad one; last year its crop was poor, and this has contributed to the non-fulfilment of the Plan in the country as a whole. The daily meteorological bulletins and crop forecasts published in the organ of the Ministry of Agriculture maintain that the Siberian crop should be a good one too.

The Soviet leaders must be keenly awaiting a successful conclusion of this year's campaign. The Five-Year Plan results for grain were not very satisfactory, and for livestock-rearing they were downright poor. Moreover, the Soviet Government hopes to compensate in part for the curtailing of light industry's output of consumer goods by a more abundant supply of food. Therefore it has decided to do all in its power to step up agricultural production. It should also be recalled that this year's harvest is the first since the campaign for amalgamating collective farms started and should show how far the larger units will help to increase the yield. Hence, although it is usual for the propaganda machine to be turned on to the countryside during the periods of sowing, harvesting and delivering supplies to the State, many more combine harvesters were sent to the farms this year and the whole campaign was greatly intensified. Its extent can be judged from the fact that in the Dnieprope-trovsk region of the Ukraine alone 400 propaganda centres were set up, and 30,000 propagandists as well as three full symphony orchestras were sent into the fields.

While at the beginning of the year the main propaganda emphasis was laid on supplementary collectivisation, on plans for a new transformation of the Soviet countryside, now Soviet commentators stick more to practical everyday problems. It would seem that the more ambitious plans for bridging the gap between the town and the country through the creation of "agrotowns" have been shelved for the moment, and that Nikita Khrushchev, the Politburo member responsible for agriculture, has been told to go slow with his programme.

It was the more ruthless Khrushchev who replaced early in 1950 the cautious Andreyev as the Politburo expert on agriculture. He was entrusted with the task of carrying out a second agricultural revolution in the USSR, namely the amalgamation of about 250,000 collective farms into roughly 100,000 larger units. The advantages to the regime of these larger units were obvious: they would make possible a more rational division of labour, thus freeing manpower—both labourers and administrative staff—for the towns; they would allow a better control by the Party of the *kolkhoz* in general and of food supplies for the state in particular. But Khrushchev went even further in his plans. He spoke of uprooting all differences between the rural and the town workers. He drew the picture of a Soviet countryside consisting of agrotowns. He also implied that in the new giant farms and agrotowns there would be no room for private plots, only for gardens around the farmer's house.

According to Soviet sources the first part of the programme has been more or less fulfilled. The number of collective farms has apparently been reduced to some 120,000. But in his wider plans Khrushchev was rebuffed. In March, an article of his in *Pravda* was followed the next day by a notice to the effect that it expressed the author's private view and was printed as a topic for discussion. Regional Party Secretaries in Armenia or Azerbaijan, were allowed to criticise the irresponsible policy of "going too fast." This does not mean that the idea of creating agrotowns has been abandoned. The fear of resistance to a policy involving wholesale uprooting of peasants has probably decided the Politburo to shelve temporarily the projects of agrotowns and the suppression of private plots, and to wait for a "safer" period to take them up again.

Overseas Information

To enable *The Economist's* specialists to comment on events abroad a regular flow of information from our overseas correspondents and contacts is required. This information, and the judgments that are based on it, can be applied to commercial problems. Through The Economist Intelligence Unit regular reports, each designed to meet the requirements of a business or other organisation, can be commissioned.

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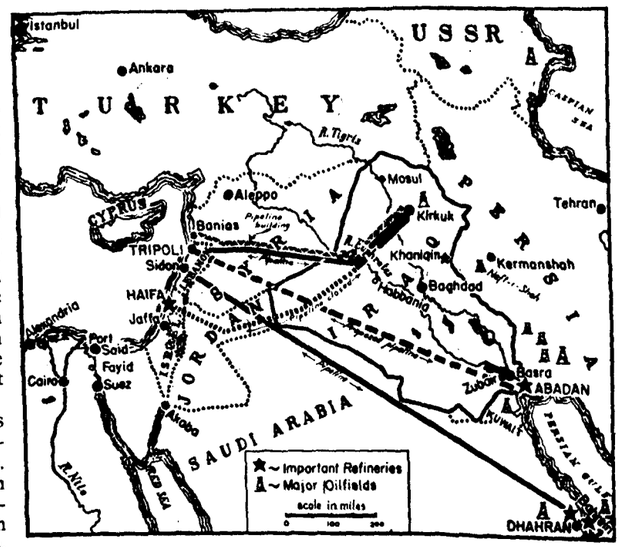
The peasant would probably have clung obstinately to his individual allotment, that remnant of rural private property. The produce of the allotment which he sells on the free market, the so-called collective farm market, still forms an important part of the peasant's income. The authorities seem to have resolved not to abolish the allotment yet, and thus incidentally they have given a breathing space to the free market, which contrary to the common belief has survived two decades of planned economy. The extent and activities of this free market will be discussed in a later article.

Iraq's Oil Wealth

THE Iraqi Ministry of Propaganda has this week issued the text of an oil agreement reached in the negotiating committee in which Iraqi cabinet ministers and representatives of the oil companies operating in Iraq have been closeted for the last three months. The three companies, which are all under one management, are the Iraq Petroleum Company (operating at Kirkuk), the Basra Petroleum Company (due to start production on a commercial scale at the end of this year) and the much older but less prolific Mosul Petroleum Company. The terms of the agreement are so immensely much more favourable to Iraq than any earlier arrangement that they point to two conclusions: the first, that the enormous increase in oil output now taking place in the Middle East enables a company to plough back much more money than hitherto into the country in which it is operating; the second, that here is a management that can move with the times.

Agreement has been reached in committee, but there are still hurdles to be crossed before it becomes operative. The Iraq Parliament's approval is necessary. If this body is to approve at all quickly it will have to be called into special summer session at a moment when most of its members have removed themselves from the heat of Baghdad. In the ordinary course the current recess would last until December.

The agreement seems to meet most Iraqi criticisms of past practices. The first such criticism was that the foreign companies participating in IPC (these are American, French and Dutch as well as British) had always been more interested in their operations outside than in those inside Iraq, and tended to treat this last as a poor relation. Why, Iraqis asked, had 1,068 miles of large diameter pipe for Ibn Saud's Transarabian pipe-line been supplied before the mere 556 miles required for the line from Kirkuk to the sea? Another of their complaints was of dilatoriness in developing the Basra field. A third was that the company employed too few Iraqis in its higher posts. Thus Iraqi grievances were not, as are the Persian, founded on the belief that their country had been robbed of money. The Iraqis therefore harbour far less bitterness against their company than do the Persians. They merely wish to receive an overall rate per ton of oil extracted that is no less favourable than that received by any neighbouring country. One clause in the new document assures them of this.



The terms of the new agreement are as follows: Iraq shall receive 50 per cent of the companies' profits before the deduction of foreign tax. This revenue will be made up of the seaboard value of 25 per cent of the oil from Kirkuk and Mosul, and 33⅓ per cent of that from Basra. Of the total amount of oil so received Iraq will be free to market 12½ per cent for itself, either to third parties or the companies, as it may wish. The rest it will at its own wish sell to the companies at current world prices. The remainder of Iraq's half share of the profits will be paid in the form of tax, or of payments in lieu thereof. In addition to marketing some of its oil for itself, Iraq will also in the not too distant future do its own refining of oil for local consumption. It has long cherished the intention to build a refinery for this purpose near Baghdad; it is now negotiating a contract, believed to be for an £8 million plant, with an American firm. Under the new agreement, this projected refinery will buy crude oil, delivered by the companies to its door at the advantageous price of 5s. 6d. per ton. These arrangements for refining and marketing under local management will give the Iraqis valuable experience of the practical complications of the oil trade.

The Financial Gain

On the basis of present costs and prices, Iraq will receive, therefore, an overall rate per ton of 35s. 6d. in 1951, rising to 39s. 6d. in 1953 and after. Hitherto, the rate has been about 18s. 6d. per ton; that granted by the Arabian American Oil Company to Ibn Saud at the end of 1950 works out at about 30s. The difference in favour of Iraq is largely due to the fact that Kirkuk is much nearer to the terminal of its pipeline to the Mediterranean than is Aramco's field at Dhahran; its production and transport costs are therefore cheaper. Since production at Basra is to reach an annual rate of 8,000,000 tons by the end of 1955, the rate of Iraq's oil revenue is likely to rise to as much as £59 million in that year and thereafter. The dimensions of this nest-egg can be gauged from the fact that Iraq's ordinary budget has in recent years balanced at around £24 million. Iraqi directors are to be appointed to the oil companies' boards, and the present arrangements for training Iraqi technicians both at Kirkuk and in British universities are to be expanded.

If the agreement gets through Parliament, it may constitute something of a landmark. For the Iraq Parliament, by its Development Law of April, 1950, places "all the royalties which the government receives from oil" at the disposal of its Development Board. To this body it has been sufficiently broadminded to appoint, along with four Iraqi directors, an American water engineer and a British secretary. If these six men can between them get development projects under way, Iraq will be the first Middle Eastern democracy to devote all new oil wealth to schemes that are intended to improve the lot of the underdog. It will also be one of the very few governments in Asia to finance such schemes out of its own pocket. It has currently borrowed a small sum from the World Bank, but if it accepts the present plan it will in future obviously not need to do so.

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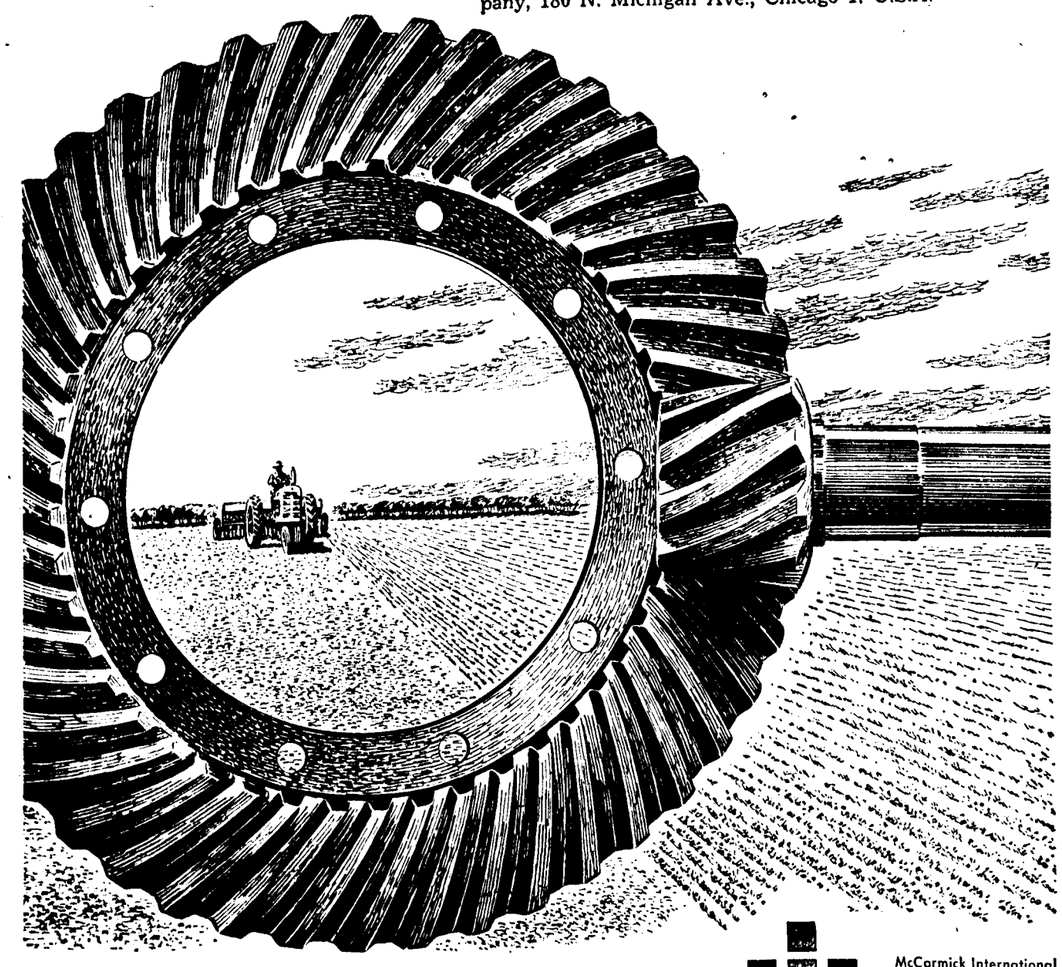

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THE BUSINESS WORLD

Exchange Control and Flexible Rates

THE agitation for a revaluation of sterling now seems to be subsiding and is unlikely to be revived—at least so long as Britain remains in the throes of the latest crisis in its balance of payments. The discussion has drawn attention, however, to one aspect of the general problem of sterling's valuation that deserves much closer scrutiny than it has so far received. The true "equilibrium" value of the currency cannot be ascertained with precision even for a given point of time, and the forces that determine that true value are constantly changing; in the past two years they have been changing very violently indeed, as the swing from devaluation to revaluation propaganda plainly demonstrates. The more clearly this is recognised, and the more violent the changes, the more it may appear desirable, in principle, to abandon the system of fixed parities for sterling, and to adopt instead a "floating" or "flexible" rate. Such a rate might be either one settled in a free market subject only to the intervention of the authorities as buyers or sellers (that is, approximately the system that operated in the thirties), or a rate fixed, as now, by the authorities, but subject to variation as frequently as they deemed necessary, conceivably from day to day. Some of the advocates of an appreciation of sterling did, in fact, propose some such system as this, on the ground that if the pound were "freed" it would appreciate, just as the Canadian dollar did when its formal link with the US dollar was severed last autumn. Discussion of this particular aspect of the problem was, however, generally cut short by a flat assertion that a floating rate is, in any case, quite impracticable in present circumstances, on the ground that it would be incompatible with exchange control. In the interests of clear thinking on the whole problem, this assertion deserves to be examined separately—irrespective of the wider question of the relative merits of fixed and floating rates as such.

Although the question whether—and, if so, how—a moving rate for sterling could be reconciled with exchange control is primarily a technical one, it cannot be wholly divorced from wider issues of principle. In particular, it is highly relevant to the technical problem to ask whether the rest of the sterling area would automatically follow sterling in its floating movements and whether the freeing of sterling would similarly involve a freeing of most of the currencies outside the dollar block. If the severing of the rigid sterling-dollar link loosened the whole pattern of exchange rates, it is relevant to the purely technical inquiry to ask whether this would involve a split of world currencies into two main blocks, one adhering closely to the US dollar and to gold and the other to sterling, or whether the floating currencies would begin to float in terms of one another as well as in terms of the dollar.

These questions primarily raise issues of policy and not of technique. It must be seriously questioned whether the rest of the sterling area, other than the colonies whose monetary policy is determined in London, would leave London unfettered discretion in deciding the day to day rate of exchange between their currencies and gold—which is what would be involved if they accepted the principle of following closely in the steps of a floating sterling rate. It is true that their ownership of substantial sterling balances would tend to influence sterling area countries to maintain the parities of their own currencies with sterling, in order to save them from running exchange risks on these substantial external assets; but it is by no means certain that this would outweigh other considerations. Some members of the present sterling club might reconsider their position and choose another anchor for their currencies. Moreover, non-sterling countries whose currencies floated off their existing gold or dollar parities would probably think many times before linking their currencies to sterling in the political and economic circumstances of today. It is, therefore, more than likely that a decision to let the pound rate go free would involve not merely a fluctuating sterling-dollar rate, but an extension of this state of flux to a wide sector of the pattern of international exchange rates, including, perhaps, that within which there now exists the stability of the sterling system.

This brings to the fore the first of the technical problems that would arise if the sterling rate were allowed to float freely—the problem of the probable re-emergence of disorderly cross-rates for sterling in the many countries where it is quoted. In most of the British Government's bilateral payments arrangements, assurances have been exacted from the other parties that they will strive to maintain orderly cross-rates in their respective markets, i.e., to ensure that the rates for sterling and dollars quoted in these centres will not deviate from the parity indicated by the current dollar-sterling rate. If this rate were no longer fixed, these agreements and understandings would lose the anchor to which they are at present attached. A floating sterling rate, without free international exchange arbitrage (which must be excluded if control of capital movements remains), would in fact produce a wide diversity of cross-rates between sterling and the dollar. "Free" and largely unrelated markets in sterling would flourish in all important financial centres of the world and perhaps within what is at present the sterling area. The re-emergence of markets for cheap sterling would create new loopholes in the existing structure of exchange control and would call for new restrictions on the freedom with which sterling can be used in international transactions. The defensive measures against this re-emergence of disorderly cross-rates and cheap commercial sterling markets might, for example, call for a considerable contraction of the transferable account facilities and of the administrative tolerance by virtue of which transfers of sterling may now be made between non-sterling countries with which only bilateral agreements operate. This is a sphere in which questions of principle and technique are inextricably intermixed. So far as principle is concerned, it can be asserted, paradoxically, that a move towards freedom by letting the sterling rate "float" would have to be accompanied by a retreat from freedom in the manner in which exchange control is operated in the United Kingdom.

A second sphere in which questions of principle and technique intermix concerns the requisite size of the gold and dollar reserves, given the probability that a need for intervention would arise if the sterling rate were allowed to float. A floating rate would obviously have to be controlled by the Exchange Equalisation Account. For this purpose the gold and dollar reserve, though it must serve the needs of the sterling area as a whole, would have to be available to go into action at any moment—and, of course, without reference to the other members of the sterling area. This reserve is at present inadequate for that purpose. The matter thus becomes a question of technique as well as of principle, for it would become technically difficult, if not impossible, to maintain effective exchange control of sterling if the reserve available for intervention in the market were inadequate to prevent severe fluctuations in rates; and that, in turn, would affect confidence in sterling. Without such confidence the technical task of maintaining exchange control would be made immeasurably more difficult.

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So far as the pure mechanics are concerned, the problem of reconciling exchange control to a floating rate should present no great difficulties. The basic objectives of exchange control are to conserve and allocate foreign exchange resources, to control capital movements, to ensure that investment abroad flows into desirable channels, and to ensure the repatriation of the proceeds of export trade. To serve these purposes all residents in Britain are obliged to surrender any specified foreign currencies that come into their possession, and to take sterling in exchange. Amounts that may be taken out of the country for expenditure by tourists or by emigrants from the United Kingdom are strictly limited. In the case of residents outside the sterling area, specific limitations are placed on the use they can make of their current sterling earnings, while capital assets belonging to them are blocked and can be invested only under rigorous limitations. All these objectives can be attained as easily with a moving as with a fixed rate. The necessary formalities, the filling of forms, the delegation of authority to the banks, would persist without appreciable difference in a regime of moving rates.

Where technique might at first give some trouble would be in the operation of the foreign exchange market. Twelve years of strictly controlled buying and selling rates, a period during the greater part of which the banks have operated as agents of the Bank of England and not as principals, have had a deleterious effect on the dealing skill of London bankers. It is true that in recent months there have been opportunities of relearning and reacquiring the necessary deftness. For some time the banks have been acting as principals in their exchange operations to the extent that they are allowed to marry their transactions provided that they settle their positions with the Bank of England at the end of each working day. That has gone a little way towards restoring the atmosphere of a market, though the advance has been minute, because official buying and selling rates remain fixed and the market has always been able to operate with the knowledge that the authorities will be there to supply their needs or take over their balances at pre-ordained rates.

The opening of a market in Canadian dollars at controlled but fluctuating rates has also given the London market modest but valuable experience in reacquiring the mysteries of this trade. Foreign exchange brokers have had to open shop again and dealers have in a very small way had to show some inkling of dealing skill. The experience gained so far with the Canadian dollar has, it is true, been of such a parochial character that it offers no guide to what would happen if the sterling rate were set free. It can be assumed that the adoption of a "free" sterling rate would not mean the reopening of arbitrage foreign exchange dealing, since capital movements would presumably remain forbidden. The need to hand over specified currencies to the authorities would remain, and no bank would be allowed to carry positions over and above the foreign exchange balances required for normal working purposes. In other words, a freeing of the rate would not involve a return to anything like the fluid and active conditions that marked the prewar foreign exchange market. But it would recreate a position in which dealing skill would once again come into its own.

Important changes would have to be made in the gold purchasing arrangements within the sterling area if the sterling rate were to be allowed to float. At present, arrangements are made for purchasing newly-mined gold at fixed prices, under comparatively long-term contracts. These arrangements would have to be amended if there

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were no longer to be an official fixed sterling price for gold—not an insuperable difficulty but one that could give rise to trouble if, for example, British and South African pounds were to fluctuate in terms of one another. Another technical adjustment to a floating rate might be called for in the existing facilities for forward dealing. A moving rate would almost certainly increase the demand for forward facilities. There is no reason why these facilities should not be extended to meet all genuine requirements of international trade. The opportunity might be taken to raise the cost of these facilities; at present they are inordinately cheap. It might in fact be desirable to free the forward market in foreign exchange before freeing the spot. The authorised banks could be allowed to buy and sell forward exchange for genuine commercial transactions at rates that, while fixed in a competitive market, would give them a reasonable return and would not, as at present, be rates dictated by the authorities.

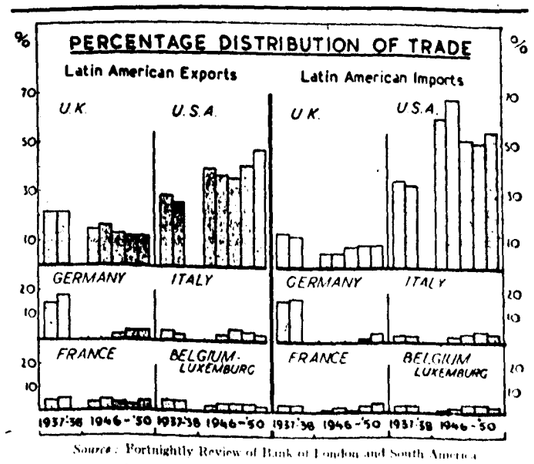
Certain technical difficulties might arise as a result of the impact of a floating rate for sterling on Britain's membership of two international monetary organisations, the International Monetary Fund and the European Payments Union. It may be doubted whether the IMF would survive the blow of sterling's virtual departure from the club—which is what a floating sterling rate would involve. It is true that IMF has shown increased toleration towards the vagaries of its members, but what can be tolerated with impunity when countries such as France or Canada diverge from the rules of the club is no measure of the disruptive consequences of a severance of the link between the two basic world currencies, the dollar and sterling. If the IMF mechanism were to be thus disrupted or discarded, a new set of technical problems would have to be faced; their eventual solution might conceivably involve a reconstitution of the tripartite agreement of the 1930s. The European Payments Union, for its part, could hardly be operated as at present in a regime of fluctuating rates. The machinery of monthly clearing of balances resulting from thousands of operations effected at varying rates would defy the ingenuity even of the OEEC experts responsible for this monument of monetary wizardry.

What, then, is to be the verdict on the possibility of reconciling exchange control and moving rates? It is, first, that a moving rate would offer no insuperable difficulty for the day-to-day operation of exchange control; secondly, that the London market would probably adjust itself quickly to the new situation and would benefit greatly from the return to more or less competitive dealing conditions where skill was still something that mattered and was rewarded; thirdly, that a moving rate might create new sets of problems calling into question the hegemony of the sterling area, possibly causing a proliferation of unrelated and divergent rates of sterling and thus perhaps damaging the position of sterling as an international currency; finally, that any such development would require considerable amendment of gold purchasing arrangements within the sterling area and might endanger the adherence of Britain to such international organisations as the International Monetary Fund and the European Payments Union. In short, any "freeing" of the pound rate is not ruled out because of technical difficulties of reconciling it with exchange control. There may be many and convincing reasons for not launching such an experiment in freedom but, if so, they lie in the realm of policy decisions rather than of technique.

The Latin American Market

WHENEVER the need for Britain to "push" exports becomes more urgent, greater attention tends to be directed towards the Latin American market. Experience in this market since the war has been frankly disappointing. United Kingdom exports to the twenty Latin American republics have indeed multiplied threefold since before the war—their value amounted to just over £150 million in 1950 compared with about £50 million a year in the late 'thirties. But this expansion has not kept pace with the expansion in Latin American purchasing power. Less than 10 per cent of all imports into Latin America last year came from Britain, compared with nearly 15 per cent in good years before the war; more than half of Latin America's imports now come from the United States, compared with about a third before the war. Germany, which is Britain's natural competitor in many products for this market, provided more than 15 per cent of Latin America's imports before the war. Its share is recovering from the negligible proportions of the early post-war years, and last year it was already providing 3 per cent of Latin American imports; in recent months German sales have been expanding rapidly. The accompanying chart, which is reproduced from a recent issue of the *Review* of the Bank of London and South America, shows the most active participants in two-way trade with Latin America before and since the war.

What are the prospects for an expansion of British exports to Latin America in the face of renascent German and established American competition? Any answer to this question involves a sharp differentiation



Source: Fortnightly Review of Bank of London and South America

between two areas of Latin America. In the southern countries (most of which are in the transferable or bilateral account groups for purposes of British exchange control) the great barrier in the way of an expansion of British exports is usually the existence of local import restrictions. In the northern countries (which are in the "American account" area for the purposes of exchange control) the main barrier is probably still Britain's lack of competitive efficiency.

Unfortunately, the prospects for expansion of British trade with the non-dollar countries do not seem very bright. Real incomes in such countries as Argentina and Brazil have not expanded since the war to the same extent as, say, real incomes in Venezuela. Both the big southern countries, together with their immediate neighbours, have chosen to push ahead with industrialisation

UNITED KINGDOM TRADE WITH SOUTH AND CENTRAL AMERICA
(£'000's)

Note.—Figures for 1951 show an approximate annual rate based on the first five months. Since some exports to Latin America are largely seasonal, some figures in this column may give an unrepresentative picture.

Country	UK Exports and Re-exports		
	1949	1950	1951 (see above)
Argentina	51,572	38,752	26,900
Bolivia	952	1,042	1,680
Brazil	34,369	43,334	53,500
Chile	5,575	6,252	4,860
Colombia	3,388	5,962	6,250
Costa Rica	442	818	1,050
Cuba	1,603	3,456	7,360
Dominican Republic	551	530	780
Ecuador	1,002	1,389	1,460
El Salvador	320	587	820
Guatemala	395	806	1,070
Haiti	306	652	600
Honduras Republic	180	267	430
Mexico	2,451	5,154	6,230
Nicaragua	104	330	350
Panama and Canal Zone	2,142	5,065	1,830
Paraguay	893	538	1,490
Peru	4,350	10,607	10,250
Uruguay	10,506	13,847	16,850
Venezuela	14,672	14,408	16,800
TOTAL LATIN AMERICA	135,773	153,796	160,560

programmes at the very moment when the terms of trade have been swinging back in favour of raw material producing countries. Two other consequences of these industrialisation programmes have been a diminution of local exports and a restriction of the use of scarce foreign exchange reserves to those imports that the local government considers essential. The typical British exports for which import licences are now freely granted are fuel, raw materials or semi-manufactures (such as cotton yarn), and machinery; all of these are goods that can readily be sold elsewhere—especially in conditions of world rearmament. A Britain that is seeking to fill the yawning gap in its external payments by increased exports of finished textiles and other consumer goods is not likely to find much new elbow room in the southern markets of Latin America.

The most important country in this region is Argentina. In 1950 Britain's exports to Argentina consisted almost entirely of coal, oil and a few other essentials. The recent Anglo-Argentine agreement provided for the establishment of a mixed consultative committee to consider the scope for expansion of "less essential" British exports to Argentina in 1951. In several recent meetings this committee seems to have made virtually no progress. It is probable that Argentina will agree to issue import permits for textile yarns (which it has lately been importing heavily from Brazil, Peru, the Netherlands, France and Italy); there may also be grants of more import permits for British chemicals. But any licences given for imports of so-called "inessential" British goods (including textile piece goods) seem likely to be of the peculiar sort that do not carry authorisation for use of foreign exchange—in other words of the sort that can be used only by Argentine importers who scrape around for foreign exchange at very high prices on the illegal (or "jet-black") market. Some £14 million worth of these tickets into the black market have apparently been given to would-be importers of British goods in the last three months. Argentina's current difficulties in producing sufficient meat for export do not suggest that its foreign exchange position will permit any widespread granting of import licences for consumer goods for some time to come.

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Prospects for British exports to Brazil seem slightly, though not much, better. Brazil is now threatening to establish a seasonal cycle in living beyond its means. In the early months of each year it announces a grave foreign exchange crisis and sterling remittances are held up. In the spring, when the proceeds of the cotton crop begin to come through, remittances are resumed and by the late summer the Bank of Brazil begins to talk about liberalisation of import permits. Before this talk is translated into action, however, the winter's foreign exchange crisis may have arrived and remittances and import permits may again be held up. There is some hope that this cycle may be mitigated this year since the Brazilian cotton crop for 1951 was unusually good. Against this, however, German competition is reappearing in Brazil on a significant scale.

BRITISH EXPORTS TO LATIN AMERICA, 1950
MONTHLY AVERAGE

	Non Dollar Countries in Western Hemisphere*		Dollar Account Countries excl. U.S.A. and Canada†	
	£'000	Per cent	£'000	Per cent
Food and raw materials	530	*6*	252	*7*
Machinery	1,888	*20*	568	*16*
Vehicles	2,385	*26*	828	*23*
Other metal and engineering products	1,781	*19*	605	*17*
Chemicals, etc.	763	*8*	270	*8*
Textiles and clothing	975	*10*	614	*17*
Other manufactures	951	*10*	363	*10*
Other goods	63	*1*	36	*1*
	9,336	*100*	3,536	*100*

* "Non dollar countries" are Argentina, Brazil, Chile, Paraguay, Peru and Uruguay. † "Dollar countries" are Cuba, Haiti, Dominican Republic, Mexico, Guatemala, Honduras, Salvador, Nicaragua, Costa Rica, Colombia, Panama, Venezuela, Ecuador and Bolivia *plus* the Philippines, Alaska, Porto Rico, Hawai and the Virgin Islands.

In most of the other non-dollar markets of Latin America, prospects for an increase in British exports seem rather brighter in 1951 than in some recent years. Chile experienced an acute balance of payments crisis in 1949 and severe import restrictions were accordingly

introduced. Despite these restrictions, British exports to Chile have lately tended to increase; Britain's share in total imports into Chile in 1950 was over 15 per cent—well back to the prewar level. Peru is a country that, just over a year ago, took the bold step of setting its exchange rate completely free and lifting all import restrictions. Since then its prosperity has increased remarkably and so has British trade to the Peruvian market; unfortunately, however, total imports into Peru are less than $200 million a year, and Britain's share can hardly mount much above a quarter (against one tenth before the war). Uruguay is another country whose total imports do not reach $200 million a year. It discourages "inessential" imports by a complicated multiple exchange rate structure and some import controls, but the British share in this market exceeds 20 per cent and is higher than before the war. Paraguay is a still smaller country and is now in grave balance of payments difficulties; it has lately taken the interesting step of asking IMF experts to decide what it should regard as "essential," and what as "inessential," imports.

The accompanying tables show that about three-quarters of all British exports to Latin America now go to these non-dollar countries; more than half, indeed, go to Argentina and Brazil. Yet it is in the American account countries to the north that the boom in oil and in the prices of primary commodities has boosted prosperity to new record heights. The dollar value of imports into such countries as Venezuela, Mexico and Colombia is now seven to eight times larger than it was in the 'thirties.

Unfortunately, however, the British share in these markets is usually small—often indeed much smaller than before the war. The fault seems to lie partly in lack of direct shipping facilities, partly in lack of market contacts, partly in British exporters' refusal to nurse these markets in such matters as firm delivery dates, and partly in the facile assumption that tastes in these countries have been so completely conditioned by American standards that a British export drive could make no impression on them. It will be interesting to see how much headway British exporters make in the Cuban market now that the pro-American discrimination in Cuba's tariff system is to be mitigated. In most neighbouring markets—where no such discrimination has ever existed—British progress in the last few years has been slight.

Far too many of the British exports that do find their way to these markets are directly related to the local operations of British companies—especially oil companies. Yet the figures in Table II suggest that there should be some scope in these northern markets for greater sales of British textiles and other products that are barred from the more closely regulated markets to the south on the grounds that they are "inessential." Certainly it is noticeable that German exporters of consumer goods are setting their cap at these northern markets. It has been said that one of the most fruitful fields for the present-day merchant adventurers of Britain may lie in the territories that border the erstwhile Spanish main. The most promising individual markets seem to be in Venezuela, Cuba and Colombia, but in some of the smaller countries in and around the isthmus an aggressive and direct sales campaign would also seem likely to yield valuable resuts.

Business Notes

"Pre-Gaitskell" Equities

The equity share markets have this week continued their rally from the shock administered by Mr Gaitskell's dividend limitation announcement just over three weeks ago. On the eve of that statement, the ordinary share index of the *Financial Times* stood at 132.9, and in the phase of the market's plunge into Daltonian "complete disorder" the index dropped to 127.1. By Monday last the whole of this loss had been regained, and two days later the index had risen to 133.6. This level, it should be noted, is still appreciably below the high point reached some weeks before the Chancellor's speech—for that had cast its shadow before. It should be noted, too, that the behaviour of this index, which is based on the prices of market leaders, does not indicate the violence of the effect upon the more volatile securities or upon those that have recently benefited from increased dividends; in these instances the fall was generally greater and the rally less marked than the movements shown by the index. Even so, the speed and extent of the recovery of the market as a whole has taken the City rather by surprise. This behaviour certainly does not signify that investors and businessmen are viewing the consequences of a legal limitation of dividends less tragically than they did at the outset. On the contrary, one of the major sources of the market's resurgence is undoubtedly the hope that the Chancellor's intentions may never, in fact, become effective—though this is a hope that has been voiced rather less widely and less firmly in the past few days than it was a fortnight ago. The other main reason for the recovery, Mr Gaitskell would do well to note, is the realisation that none of his latest proposals can have any real effect in combating the pressure of inflation. Indeed, the fact that he has been constrained to resort to mere window-dressing—by measures of price control and the "psychological" device of dividend restraint—has led many people to conclude that no real resistance to inflation ever will be offered by a Government of the present hue. In these circumstances, even with dividend limitation, sound industrial equities are still regarded as the best available hedge for many people.

This conviction explains not only much of the recovery in the equity share markets, but also the moderateness of the rise in gilt-edged. The fact that, for the time being, dividends have a ceiling but no floor, so that ordinary shares might be regarded on this ground as having even less investment merit than fixed-interest securities, had been expected to provoke some considerable switching of funds into gilt-edged. No doubt some such switching has occurred; but so far the main effect of Mr Gaitskell's move seems to have been to check the opposite movement—the switching from fixed-interest securities into equities—that had been proceeding so actively in the preceding months. In consequence, gilt-edged values are little different now from what they were three weeks ago: the long-dated and irredeemable stocks have risen on balance by a mere 1/4-5/16, and the trend in the past few days has been easier. The scope for any recovery in gilt-edged values is being narrowed, too, by the knowledge that a lengthening queue of trustee borrowers awaits approach to the market. The next in turn is British Guiana, which on Tuesday next will offer £2,180,000 of 3½ per cent stock, 1966-68, at 97. This issue was underwritten in the market last week; £680,000 of the total has been taken firm.

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Wintry Prospect

By a touch of irony, a few days of cold weather have coincided with the seasonal reduction in generating capacity

(because of repairs) to produce power cuts in the north and north-west of England in every way as drastic as those that are in prospect in mid-winter. The estimates worked out by the British Electricity Authority are indeed frightening. The report of the Electricity Sub-Committee of the Joint Consultative Committee of the National Joint Advisory Council describes the prospect as being "more serious than any with which we have had to deal since 1947." That is enough to frighten industry and to freeze the marrow of the private consumer. There are no remedies for this situation. Consumers will go short; the only question is whether they can contrive to make the effects of shortage as little harmful as possible.

The sub-committee records the estimates of the BEA of potential demand at the winter peak:

Average weather	13,800 megawatts
Average Cold Spell	14,400 megawatts
Severe Weather	15,100 megawatts

"It is," says the BEA, "a matter for the committee to decide which of these weather hazards should be taken into account in planning next winter's load spreading." The committee hands back this invitation to indulge in long-range forecasting with the unassailable conclusion that, whatever the weather may be, the gap between generating capacity and potential demand cannot be closed by rearranging industry's demand. Since installed generating capacity is not likely to exceed 12,200 mw. in February next year, there is the prospect of a gap at times of peak demand of 1,600 mw., even on the best assumptions about the weather. Frequency and voltage reductions have now come to be an accepted feature of the winter months. They can be used to dilute maximum demand to the extent of about 1,200 mw., leaving under "average cold" conditions some 1,200 mw. of load to be spread or shed.

Of this margin, industry is adjured to find 600 mw., which means 20 per cent of last winter's maximum demand by industry before load spreading. And there is so little prospect of shortening the duration of load spreading arrangements that the sub-committee recommends that they should apply from the beginning of November to the end of March, from 8 a.m. to 12 noon and from 4 p.m. to 5.30 p.m., Mondays to Fridays.

These fatalistic conclusions are themselves dependent upon two other conditions. "Any dislocation of domestic solid fuel supplies" would seriously increase the maximum demand at the peak. Secondly,

> the sub-committee sees no way of securing adequate means of avoiding load shedding that does not involve some adjustment of the customary hours of work, whether by a simple alteration of working hours, the introduction of double shifts or a considerable switch to night work.

It is a choice between spreading and cuts—and spreading on a scale that is bound to cause household dislocation and can only fall unequally on different industries. It would be surprising if it could be put into operation on an effective scale, but the effort should certainly be made.

* * *

Fuel and Power

It was no part of the sub-committee's task to examine once again the economics of power production and distribution. Another winter approaches with the same old problems still awaiting solution and seriously intensified—with nothing more concrete to offer towards their solution than fanciful ideas of importing power from France. The additional 600 mw of commercial and domestic load that has to be discarded under "average cold" conditions remains a matter of exhortation; it is beyond the power of BEA to secure either by physical or economic means—though there have recently been signs of a readier disposition on its part to consider some of the methods of control that have been discussed in these columns and elsewhere so frequently in the past.

It is something that at long last the Minister of Fuel and Power has announced the composition and terms of reference of a committee to consider

> in view of the growing demands for all forms of fuel and power arising from full employment and the rearmament programme whether any further steps can be taken to promote the best use of our fuel and power resources, having regard to present and prospective requirements and in the light of technical developments.

These terms of reference would seem to leave it opn to the Committee to conclude that all possible steps are already being taken—which would certainly be an odd conclusion, since they are being asked to survey the whole question of the use that is made of basic fuels (mainly coal and oil). The committee includes no representatives from the nationalised fuel and power industries, which is as it should be; it should be capable, when it has reached the end of its burdensome task, of forming the first independent judgments on the most economic and efficient means of using resources that have become pitiably scarce in relation to the demands that are now being made on them.

This again will be of no help during the coming winter. There are other serious problems apart from the gap in power supplies. Will there be a spurt in coal output to match the effort in the spring, which succeeded beyond expectations? The National Coal Board remains optimistic that Saturday working will be generally resumed throughout the industry but it will have to start quickly if distributed stocks (now 13.9 million tons compared with 13 million tons a year ago) are to be raised to a safer level. Manpower remains precariously at the 700,000 mark and there are only a few hundred more face workers than a year ago. Stocks of gas and locomotive coal are not as high as they should be and merchants' stocks of domestic fuel threaten the breakdown of supplies of which the BEA is rightly apprehensive. Will the railways be capable of handling any increase in output? They, too, are seriously concerned about their ability to provide adequate freight transport in the coming winter. Nor is any relief obtainable this winter from greater use of fuel oil. The oil distributors expect to be able to meet the needs of existing consumers (though this may well involve a good deal of contrivance) but they will not be able to satisfy any increase in demand as they have been able to do on such an impressive scale in past years.

* * *

Steel Prices Increased

The need for an increase in steel prices was apparent long before the Government launched its latest Operation Canute. The Minister of Supply's long delay in reaching a decision has been ended at the moment when his colleagues are beginning once again to experiment with all the devices that have failed in the past to keep prices stable. Mr Strauss's belated approval of the increases announced last Monday is out of step, but though it may be late, it is certainly logical. Last April it was suggested in these columns that steel prices might have to be raised by £3 a ton if the rise in cost of materials and transport were to be fully met. Delay has meant that the increase, now that it has come, is a good deal heavier. It is difficult to see what advantages postponement of the decision has brought: indeed, keeping the price of steel products too low during the summer has encouraged demand for steel at the very time that the authorities have been trying to quench part of it by physical allocation.

There is, perhaps, a better argument in the case of steel than could be advanced for most industrial products for keeping prices as stable as possible for as long as possible. The last material increase in steel prices was in April, 1949, and

despite devaluation, rising costs of internal transport, and heavier burdens for imported raw materials, the steel industry has managed to live on the 1949 prices; it has improved its efficiency by producing more steel for a given quantity of coal consumed, and labour productivity in steel melting and rolling has shown a significant improvement. But these advances have been overshadowed by the doubling of prices of imported raw materials in the past year. Freight charges on iron ore from North Africa increased by 190 per cent in the year to June, and the landed cost of imported ore by nearly 60 per cent; because of unexpired contracts for ore and shipping space both of these increases are lower than they might have been, and may yet be. Imported scrap cost £8 13s. a ton in the second quarter of 1950 and £12 2s. a ton in the first quarter of this year; it is now over £16 a ton—for what there is of it.

All told, extra costs of imported raw materials account for 40 per cent of the total proceeds of the higher prices now announced. Another 20 per cent will be absorbed by the revised arrangements to cover the losses on imported finished steel. Such steel has been provided to British users at the home price, the difference being made good hitherto by Exchequer subsidy. This subsidy is to be discontinued and the losses are to be pooled in the steel industry's total costs. It is impossible to say exactly what they will amount to. On the prices ruling in June, imported plates showed a loss of £31 a ton, and sheets a loss of £25 a ton (in each case excluding import duty which is, in effect, remitted). Since there may be sharp fluctuations in steel prices abroad and keen competition on the part of other countries besides Britain for what foreign supplies are available, the total loss to be equalised over domestic steel prices is quite indeterminate. The new pricing arrangements, therefore, introduce a levy of 15s. 6d. a ton on ingot steel to meet the prospective loss on imports. Meanwhile, the internal accounting arrangements continue whereby steel companies that have the advantage of using relatively lower cost raw materials produced at home contribute towards the additional costs of other steel makers who rely more on imported materials. The surplus on this equalisation fund has been considerably drawn upon in recent months to meet higher import costs.

* * *

Prices and Output

The broad effect of the latest increases in steel prices is summarised by the British Iron and Steel Federation in the following table:—

STEEL BASIS PRICES PER TON

	New Price	Increase
	£ s. d.	£ s. d.
Billets	21 16 6	4 7 6
Angles	23 15 6	3 14 0
Joists	24 2 0	3 10 6
Rails	24 10 6	4 13 0
Plates	25 6 6	4 3 6
Re-rolled bars	27 11 0	4 16 0
Strip	28 6 0	4 16 0
Sheet	35 15 6	6 2 6
Bright bars	37 6 9	5 12 6
Tinplate (*a*)	2 14 8½	6 11

(*a*) per basis box.

They range from something less than one-fifth for angles and joists, and certain more highly finished products, to one-quarter for billets. The Federation claims that after giving effect to these increases, steel products will be selling on the average at 130 per cent above the prewar average—little more than half the rise shown by other constituents in the wholesale price level. The Federation also claims that "British steel prices are still fully competitive with those ruling in Western Europe and far below those of the United States." It is not denied, however, that certain German steel products will now be slightly cheaper; this is a point which British engineering concerns who are now showing signs of apprehension about future German competition are not likely to overlook. Broadly, however, the contention is true that the raising of British steel prices nearer to the world level (and distinctly nearer to the non-dollar level) should tend to ensure that steel will be used with greater care and that exports of steel products should show a greater emphasis on higher-valued products and less upon simple articles.

It remains to be asked whether, when this attempt was being made to bring steel prices more closely into line with average costs, further consideration should not have been given to the price of home-produced steel scrap and the prospects of increased deliveries, of which the steel furnaces stand in urgent need. The industry and its leading customers have done well to secure the greatest and quickest return of scrap to the furnaces. The scrap campaign is now attempting to tackle a much more difficult task—to persuade those who have scrap, but who lack the special incentives that apply to producers and large users of steel, to disgorge their supplies. These may be great in the mass, but they are usually small in the piece, and the question whether £4 a ton (plus special costs of collection in some cases) will be sufficiently attractive to get them moving to the steelworks has still to be answered. The virtues of competitive prices for British steel are not to be denied; but what happens if the scrap price on which they are partly based should prove too low to sustain the highest level of output of raw steel that ought to be possible?

* * *

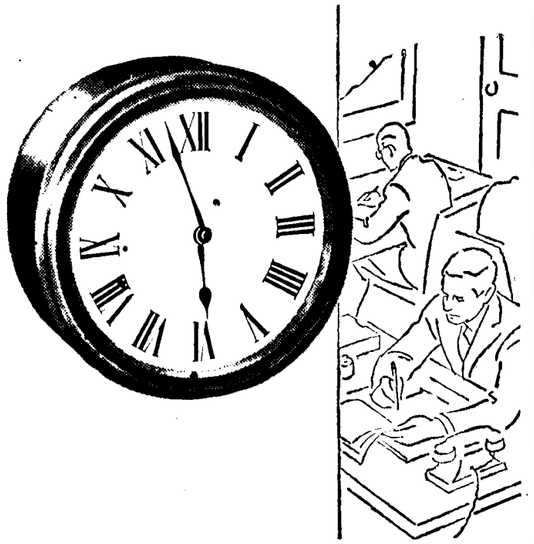
Smaller Trade Gap

Provisional trade figures show that the visible trade gap was smaller in July than in June. The excess of imports (valued c.i.f.) over exports (valued f.o.b.) dropped by some £20 million from June's record figure of £148.9 million to £127.1 million in July. For the first seven months of this year, the excess of imports over exports amounts to no less than £679.3 million, compared with £347.9 million for the whole of 1950. The improvement in the July deficit results entirely from an increase in United Kingdom exports from £200 million to £222 million. Re-exports also increased slightly. Total imports in July at £358.9 million were almost identical with the June imports of £357.5 million. The value of exports approached the high figures recorded in April and May. The increase in the value of exports between June to July is about one-tenth; but export prices will probably have increased further and the July improvement makes only the beginning of a contribution towards the increase of some 20 per cent in the volume of exports which the Chancellor has demanded to meet this year's prospective trade deficit.

EXPORTS TO NORTH AMERICA
(Monthly Averages £ m.)

	USA	Canada	Total N. America
1950, 1st quarter	6·7	8·5	15·3
2nd "	7·3	10·2	17·5
3rd "	10·9	10·9	21·8
4th "	12·8	12·3	25·1
1951, 1st "	11·2	9·5	20·7
2nd "	12·5	13·6	26·1
July	12·4	15·6	28·0

Exports to North America seem to have been more satisfactory, increasing from an average of £26.1 million in the second quarter to £28 million in July. The July figure is about a fifth above that for the first part of the year. Exports to Canada increased to a record figure of £15.6 million whereas exports to the United States fell slightly. Taken as



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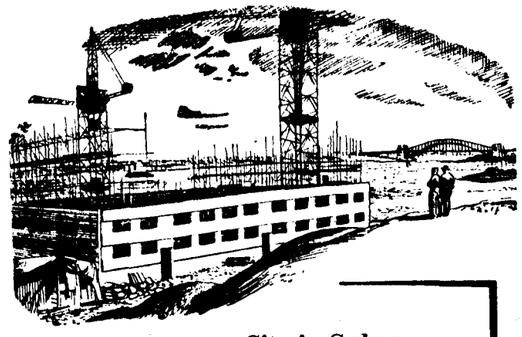

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a whole, the July figures are less disturbing, but imports are still high and show little effect, as yet, of the reaction in world prices since the spring.

* * *

CIC as a "Star Chamber"

Evidence continues to accumulate to witness the depth of the feelings that dividend limitation has aroused in the City and among industrialists. On Tuesday it touched off a characteristically explosive speech from Mr Gibson Jarvie, who told stockholders of the United Dominions Trust (whose dividend was recently restored to its prewar level) that the Chancellor's "amazing" speech had compelled him to re-write his intended address. The revised version comprised a studied attack on Government policy at large, and a plea for freedom that found echoes throughout the City—and far beyond it. The main interest in Mr Jarvie's speech, however, lay in his promised account of the Trust's efforts to secure permission from the Capital Issues Committee for a new issue of capital. He explained that the Committee turned down an application made twelve months ago, and again rejected it on re-submission towards the end of the Trust's financial year, without giving reasons for the decision. Mr Jarvie thereupon protested to the Chairman of the Committee, but failed to secure either a reversal of the decision or a statement of reasons—of the nature of which Mr Jarvie professes complete ignorance. In his opinion, this procedure of "condemning" a company "in its absence" and without stated grounds "smacks of the Star Chamber"; it is all too consistent with the huge extension of legislation by administrative decree and, now, by "arbitrary pronouncement" exemplified by the fiat on dividends.

In principle, there is much force in this criticism of the system of capital control, and it is perhaps a pity that the long overdue challenge should have happened to be launched on this particular issue. In point of fact, it is easy to discern the reasons for the rejection of the United Dominions' application, and equally easy to see that they are in line with existing Treasury policy (irrespective of the merits or de-merits of that policy). In the first place, the CIC, as agent and adviser of the Treasury, is adjured to satisfy itself, before recommending that permission be granted for an issue by a finance company, that all the projects for which the company would use the funds would be such as would be eligible for finance if they came directly before the Committee. In present circumstances, when the Chancellor even admits that the "blind" weapon of rising interest rates has a part to play in his effort to restrain investment, it is scarcely surprising that the authorities are particularly cautious when considering applications by finance companies. Secondly, the banks have been "requested" by the Chancellor to ensure "in particular" that "advances are not made for the increased finance of hire purchase particularly of consumer goods." This wording makes it quite clear that the United Dominions Trust would not be entitled to special consideration merely on the ground that any increase in its instalment financing facilities would be confined to capital goods.

Although these published directives clearly reveal why the Committee has rejected Mr Jarvie's application, it is to be hoped that the authorities will take his criticism of the general principle seriously. There are very few instances in which the reasons for rejections are as apparent as they are in this instance. For the most part, the published directives are couched only in very general terms, and, since the Committee is technically only an advisory body, the instructions can be—and apparently often are—supplemented by unpublished *ad hoc* rulings from the Treasury itself. Because no reasons for decisions are ever publicly stated in individual instances, the authorities are not even morally bound by precedent, and their decisions often appear (and probably are) inconsistent one with another. The mechanism of industrial finance must nowadays labour under appalling difficulties in any case; its burdens ought not to be further aggravated by the entirely unnecessary arbitrariness of the procedure for capital issues control.

* * *

Trade Agreement with Cuba

Britain's long-term sugar contract with Cuba came under heavy fire from the Commonwealth when the first proposal leaked out at the Torquay tariff negotiations at the beginning of this year. The contract, which runs for three years only, forms part of a general trade agreement signed with Cuba last weekend. The agreement will remain in force until December 31, 1953. Britain has undertaken to buy at least 1,500,000 tons of Cuban sugar at world prices during this three-year period at an annual rate of 500,000 tons, with the right to reduce the purchases in any one year to 400,000 tons. Some 800,000 tons of Cuban sugar have already been purchased this year, leaving a maximum commitment of 500,000 tons next year and 400,000 tons in 1953. If sugar rationing is to be abolished, all this sugar will be needed from Cuba in addition to the exports from Commonwealth countries. Britain has also agreed to license the import of Havana cigars to the value of $500,000 in each of the years 1952 and 1953. This sum represents approximately 2,000,000 cigars compared with the current annual imports of 11 million cigars from Jamaica. The import is more than a token, but hardly a threat to Jamaica; hitherto Havana cigars were excluded from the British market, in contravention of the principles of the General Agreement on Tariffs and Trade.

Cuba has agreed to reduce its import duties on specified goods from Britain to the preferential rate levied on American imports. There is also a surcharge of about 2½ per cent *ad valorem* on certain goods. British trade to Cuba will in future compete on the same footing as American trade. The basic list covers some eighty items including earthenware, tools, cutlery, instruments, colours and dyes, chemicals, wireless and television equipment, industrial and office machinery, motor cars, motor cycles and toys. The significance of this concession rests on the fact that until the agreement was signed, the duty on British goods entering Cuba was almost twice that on similar American goods; the value of such goods exported from Britain to Cuba in 1948 amounted to $2,500,000, whereas American exports reached $85 million—a difference that cannot be explained away solely in terms of inferior competitive power of British exports. Under the new agreement British exporters will be able to compete on what is virtually equal footing with the United States for $85 million worth of Cuban trade. It is true that through the operation of the most-favoured-nation clause many other countries will enjoy the same concession as Britain, but Britain stands to reap the largest harvest.

The agreement would seem to be one of those ideal arrangements that benefits both parties. Cuba has been worried about the expansion in sugar production in Commonwealth countries and the consequent loss of the British market. It has now been guaranteed a market in Britain up to the end of 1953 although of much smaller size than before the war. Again Cuba has foreseen the possible decline in the supply of American goods owing to the new defence programme and was willing to open up its market to other suppliers. As for the British undertaking, it represents no more than a promise to buy from Cuba sugar that this country would probably have bought in any case, and it is coupled with an opportunity to increase Britain's dollar exports.

* * *

Cuban and Commonwealth Sugar

The new sugar contract with Cuba in no way affects existing contracts with Commonwealth countries or the new

agreement that is to come into force in 1953—though Commonwealth producers may take a lot of convincing on this point. Britain has already undertaken to find a market for the total exportable surplus of sugar from the Commonwealth up to 1952. The new Commonwealth agreement is to come into operation in 1953 and will last until 1958; during this period exports of sugar from Commonwealth sources are expected to increase from 1,700,000 tons a year to a maximum of 2,375,000 tons. Britain has promised to find a market for more than three-quarters of this maximum quantity from 1953 onwards, and to ensure that the new Cuban contract will in no way hurt Commonwealth producers Britain has made an additional offer to guarantee a market for the whole exportable surplus up to the end of 1953. In this way Commonwealth producers have been offered a guaranteed sale for their entire output for the duration of the Cuban contract.

British consumption of sugar at the present ration scale is about 2,200,000 tons; unrationed demand might exceed 2,500,000 tons. In addition exports of refined sugar amount to about 700,000 tons. Total demand can therefore be put at some 2,900,000 tons a year on current ration scale and 3,200,000 tons or more a year if rationing were abolished. Home production this year will provide 600,000 tons, leaving 2,300,000 tons to be met from imports; of these, 800,000 tons will come from Cuba. These figures take no account of building up stocks. Imports from Commonwealth countries in the first half of this year amounted to 460,000 tons and are unlikely to reach 1,000,000 tons for the whole twelve months. The apparent gap will be bridged by supplies from the Dominican Republic.

The main difference between the Cuban and Commonwealth contracts is that Cuban sugar is bought at world prices and these at present are above the prices negotiated annually with Commonwealth producers, which are insulated from fluctuations in the world market and take into consideration variations in cost of labour and materials to give reasonable remuneration to efficient producers. It was stability of return that Commonwealth producers sought. On sugar, then, it would seem that the Commonwealth has no grounds for complaint about the new Anglo-Cuban trade agreement. Cigars may be another matter. The tariff preference enjoyed by Jamaican cigars is slight, so that next year and in 1953 Jamaican producers will have to compete with Cuban producers for approximately one-fifth of their sales to the British market. Given the General Agreement on Tariffs and Trade, however, the ban on imports of Cuban cigars would have to be lifted sooner or later and it would be surprising if its abolition next year would reduce significantly Jamaica's trade with Britain.

* * *

Trends in EPU

As Mr Gaitskell forecast in the economic debate, the United Kingdom's net deficit with other members of the European Payments Union deteriorated further in July. It amounted to $120.7 million (or £43,120,000) compared with some $52 million in June and $27 million in May. Just over £21½ million of gold had, therefore, to be repaid to the Union, and there was a similar reduction in the United Kingdom's outstanding credit; Britain's net gold receipts from the Union since July 1, 1950, now amount to just under £7,000,000 and its outstanding credit balance has dropped below £83 million. The deterioration in July must have been partly due to the fall in prices of sterling area raw materials sold to Europe, but the trend cannot yet be called an alarming one. In both 1949 and 1950 the sterling area showed a seasonal deficit with Europe in July.

Shortly before the preliminary results of the July compensations were announced, the managing board of EPU published its report on its first year of operations. A large part of this report is taken up with the recounting of statistics that have been previously published, but the text makes it plain that the managing board has been active throughout the year in making studies of, and tendering advice about, the economic policies of member Governments. In the case of countries showing "extreme disequilibria" in their balances of payments, this was, of course, part of the board's statutory duty. Thus the board has been in more or less constant consultation with the West German Government since October, 1950; it records its satisfaction with the steps taken and with the fact that Germany has swung back into surplus with EPU since March—though it still agrees that Germany's imports from the EPU area should be kept down, by administrative methods, to $170 million a month for the time being. The board has also been in consultation during the year with Greece (which agreed to draw up a new import programme under ECA guidance), with Austria (which has been granted $10 million of special assistance on the understanding that it carries through a number of internal disinflationary measures), with Turkey (whose request for special assistance in June seems to have been somewhat curtly refused) and with Iceland. Special consultations have also recently started with the Netherlands.

* * *

Advice to the Creditors

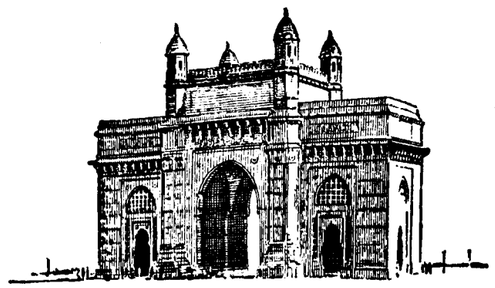
Among the creditors in EPU; Portugal was the first to come near to exhausting its quota. At the beginning of 1951, the managing board therefore approached the Portuguese Government and suggested that it might lift internal credit restrictions, liberalise imports and customs procedure into both the metropolitan area and overseas territories, and, above all, seek to prevent the flight of European capital to Portugal. This approach seems to have met with some success, for Portugal, which at one time had exhausted 96 per cent of its quota, ran monthly deficits in May and June. The board has also had some discussions with the Belgian Government about the flight of European capital into that country.

Finally, the board kept a wary eye on the surpluses that were accruing to the United Kingdom and France in the first nine months of EPU's financial year. The United Kingdom told the board that its surplus in the last six months of 1950 had been shared equally between the United Kingdom and the rest of the sterling area but that the tendency in the first quarter of 1951 was for the overseas sterling area to earn a much larger share of the surplus. It therefore expected the whole surplus to diminish shortly, an expectation that has since been fulfilled. France told the board that it intended to follow a more liberal commercial and exchange control policy; it too has now relapsed into deficit. On the whole, therefore, EPU has good reason to be proud of the achievements of its first year. It is clear that Europe now has not only a useful accounting mechanism that economises in the use of resources and renders discrimination against individually "hard" European currencies unnecessary. It also has a supra-national pressure group that is capable of prodding both excessive debtors and excessive creditors gently in the right direction.

* * *

What Price Wool?

The wool market is returning to its prewar form with wide fluctuations in price for little apparent reason. The trade says that it is "a period of indecision" and refuses to commit itself until it sees more clearly what recommendations on wool allocation will emanate from Washington. This policy of caution was fully felt in the resumed New Zealand auctions on Wednesday. Prices generally fell by 30-35 per cent and those for medium and coarse crossbreds were back to their level of May, 1950, despite the low level of stocks in consuming countries. But perhaps the most striking feature of the sale was the withdrawal of some 30 per cent of the offerings either because woolgrowers were dissatisfied with



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the new level of prices, or because, more probably, buyers were not willing to take larger quantities at even the lower prices. The outlook for next week's sale in Napier does not seem bright.

The publication of the details of the proposed Commonwealth wool scheme this week was well timed, coming as it did with this further sharp fall in wool prices. The scheme, which has been under discussion since January, 1950, is intended to fix reserve prices for Australian, New Zealand and South African wools so as to ensure a reasonable return to woolgrowers. If any particular lot at an auction fails to reach the reserve price, the wool will be bought in by the organisation and offered again at a later date. This system has been used by the Joint Organisation, which having sold last month the last bale of its accumulated wartime stock, is now to be liquidated. The Commonwealth producers apparently have no wish to lose this security of a guaranteed minimum price even though that price may vary from season to season, and Britain agreed to join the proposed scheme to give it an air of respectability by having at least one consuming country on the controlling authority. Financially Britain is committed to provide up to £12 million out of a total of £66 million and in return it gets 30 per cent of the votes.

The scheme is clearly a producers' agreement with Britain footing part of the bill. There are indeed certain safeguards to protect consumer interests such as international consultation before "substantial operations" commence, unanimous agreement of all four governments on the general level of reserve prices fixed from time to time, the institution of a consultative committee to advise the organisation and so on. But none of these provisions give any guarantee that consumer interests will in fact be given as much consideration as producer interests. The scheme, moreover, contravenes the principles of international commodity agreement laid down in the Havana charter; they stipulate equal representation and voting power of producers and consumers. There is still time for second thoughts on the proposals. The Australian woolgrowers have first to approve it by referendum and secondly appropriate legislation has to be enacted by the three dominion governments and by the British Government. The time might seem opportune for a commodity scheme for wool, but would it not be wiser to see what is decided in Washington?

* * *

Economy in Metals

An advisory committee on metals economy has been appointed to ensure the economic use of metals in engineering and particularly in the defence programme. The committee comprises a chairman and eight members, all from industry or industrial associations and its terms of reference are very widely drawn—"to bring under review . . . ways of economising in the use of scarce metals in the design, specification and the manufacturing process of metal goods for both rearmament and civil purposes." This formula includes steel and steel-alloys as well as non-ferrous metals; and the committee includes representatives of the steel industry as well as of users of non-ferrous metals. There is undoubted need and there may be technical scope for economy in the use of metals—nickel among steel-alloying metals, perhaps, and zinc, which is already subject to restriction in use. But whether another committee will ensure such saving remains to be seen. This committee has the undoubted ability to provide the best technical advice to the Government. But such advice, to be truly effective, needs to be allowed to find its effect in the relative prices of metals, so that substitution is encouraged. There has been too much evidence recently of a deliberate policy to keep British non-ferrous metal prices well below the free market prices abroad to suggest that technical advice plus a further resort to allocation and restriction can correct the consequences of excessive demand and limited supplies.

Combating Inflation in Malaya

The Malayan Government's attempts to combat internal inflation have not been singularly successful. At the end of April there was a proposal to freeze part of the producers' proceeds from the sale of tin and rubber in order to reduce the volume of purchasing power generated by high prices for these two commodities. But the proposals were submitted when the prices of both rubber and tin had already fallen some way from the peaks, and when costs of production were rising sharply. To have set aside part of the revenue from the sale of these two commodities at an earlier stage might have helped to curb the inflationary upswing in Malaya. At the present time, however, such a policy would be ineffectual economically, and (as an article on page 379 points out) it might have serious political consequences. Wages have already risen and it would need more than a government plan to freeze part of producers' revenues to bring them down.

The Malayan Government has now abandoned the idea of establishing a stabilisation fund for the tin industry. The United States has been successful in bringing the price of tin down from $1.83 a lb. to $1.03 a lb. in recent months, but production costs in Malaya have not fallen and some marginal producers have been forced out. Bolivian producers are demanding a minimum price of $1.12 a lb., but it is doubtful whether this somewhat higher price would encourage any significant increase in tin output in south-east Asia, though it might relieve the pressure on the Chinese producers in Malaya, who have been hardest hit by the recent fall in price.

The Rubber Producers' Council has submitted an alternative scheme to the Malayan Government in place of the Government's original proposals. Details of the scheme have not been published, but it contemplates the collection of funds from smallholders to finance replanting and new planting. The Rubber Study Group gives estate acreage in 1949 as a little under 2,000,000 acres, of which 553,000 acres are of high yielding stock. Smallholdings cover 1,403,000 acres, but only a very small proportion is planted with high yielding stock. The council points out that the problem of replanting is thus essentially a smallholder's problem, since estates have already replanted a sizeable area and are continuing to do so. But the scheme raises a more fundamental question to which it is important to find the right answer—whether it is wise at this time to replace even a major part of the smallholders' acreage with high-yielding stock.

* * *

Petrochemicals Progress

The financial strain upon Petrochemicals called for special measures in September last year, and the accounts of the company to June 30, 1950, published this week, occasion no further re-examination of the state of the company's finances a year ago. The important feature of the report is the statement of Sir Robert Renwick, who took office as chairman a year ago, on the position and prospects of the company. Sir Robert records, in the first place, that "the nine months since September, 1950, have proved to be a period of real progress." All the individual plants are now in operation; what has still to be secured is a balance of production at rated capacities throughout the plant. The gas conversion plants are all producing materials to the specifications required, but not as yet at rated capacity. This is expected to be achieved by the close of the year, provided that certain constructional work now in hand is completed and that sufficient chlorine can be obtained. The statement does not fail to record a full crop of technical troubles inseparable from running-in a plant of this complicated design, but it also reaches fairly confident conclusions that the measures in hand will bring all sections of the plant to full or satisfactory rates of production by the end of this year.

There will still be difficulties—shortage of chlorine and a dangerous dependence on imported styrene monomer for conversion into polystyrene that will persist until a styrene monomer plant is built. In terms of finance, the accumulated debit at profit and loss exceeded £1,000,000 at June 30, 1950, and the estimated debit to June, 1951, is put at more than £2,000,000. If the chairman's expectations are realised, the piling up of losses should now be at an end; he expects that current revenue expenditure will be covered by current income before the end of 1951, and that during 1952 net earnings, after providing for depreciation, should more than cover interest on loan stocks and indebtedness. This indebtedness is now in process of being increased by further loans to the company to restore its exhausted cash resources.

* * *

Lower Carpet Prices

After Wednesday's meeting with members of the Carpet Manufacturers' Federation, the Board of Trade announced that the maximum prices of home-produced carpets would be reduced by between five and fifteen per cent. This reduction was foreshadowed three weeks ago by Mr Hervey Rhodes in a statement that caused the industry, and possibly Mr Rhodes himself, some embarrassment. Carpet sales had been falling since the end of April, and it needed only such an announcement to bring business to a standstill. The introduction of a cost-plus system of control, also proposed by Mr Rhodes, will not come into operation with the new order, but it does not follow that this project has been abandoned.

It is probable that carpet prices would have fallen without the encouragement of the Board of Trade, though perhaps not so soon. The new prices, which are based on a cost-investigation into carpet weaving carried out by the Board of Trade in April and which take into account present prices of raw materials, are believed to be very close to those put forward by the industry. Competition from imported carpets has become severe—imports have increased five-fold since an open general licence was given at the beginning of 1950. The Board of Trade knows of no instance where home-produced carpets have been sold at less than the maximum prices, but imported carpets, which are subject to a separate price control and which probably account for 20 to 25 per cent of home sales, have frequently been sold at prices below the maximum. This week a Birmingham retailer announced a 25 per cent cut in the prices of Indian carpets. The industry and the retailers have frequently protested against such "unfair" competition, but there are signs that some of them are beginning to think that the same policy will have to be adopted for British carpets. In the light of this week's further fall in wool prices, the new maximum prices may not prompt any notable recovery in home sales.

* * *

Home Textile Sales

Neither the wholesale nor the retail sales indices for June do more than confirm the evidence of previous months. From March onwards there has been a gradual decline in textile and clothing sales, with a gradual rise in stocks. The fear of high prices and shortages that led to heavy buying by consumers and retailers in the spring has concentrated into a few months sales that would normally have been spread over the greater part of the year. Naturally enough, this rapid accumulation of domestic and retail stocks led to a sales recession in the following months. The retail clothing sales index (1947 = 100), which stood at 183 in March, had fallen to 170 by June and the figure would have been much lower but for a sharp jump in sales of shoes (from 138 to 187 between March and June) that followed the announcement of higher utility footwear prices. The index of wholesale turnover (1947 = 100) which stood at 189 in March had slumped to 121 by June, while wholesalers' stocks, which last year remained unchanged throughout May and June, rose this year in the same two months from 159 to 178. Retail clothing stocks have fallen slightly, from 206 in April to 197 in June, but they are still uncomfortably high and include an embarrassing proportion of summer clothing uncleared at the end of the season.

If the figures are compared with the level of sales during the same period of 1950, they show that retail clothing sales rose by 18 per cent and that wholesale sales rose by 23 per cent in the first half of 1951 compared with the same period of 1950. But since retail clothing prices alone (June 1947 = 100) have risen from 119 to 138.6 between last June and this, much of the increase in the volume of sales must be attributed to a rise in prices rather than in real turnover.

There are some indications of the normal seasonal recovery in wholesale sales, retailers' stocks are heavy and this fact alone will encourage them to postpone their orders as long as possible. In addition, the growing public expectation of a fall in prices—a belief that has gained much support from recent statements made by Mr Hervey Rhodes—is acting as a further deterrent to early ordering. Unfortunately, no such fall seems likely this year. The goods that are now being taken into stock by the wholesalers are those carrying the greatly increased utility prices and these prices in turn generally reflect, not the high raw material prices of last spring, but the much lower levels of last autumn and winter.

Shorter Notes

The total working population increased during June by 35,000, of whom 11,000 were men and 24,000 women. This is the second month to show a significant increase in the numbers of women in jobs. Unemployment fell further to 185,800 at mid-July. In the first half of this year there has been a fall of 142,000 in unemployed; the "Economic Survey" forecast a fall of only 28,000.

*

The Economic Co-operation Administration is to provide £3,000,000 of the total cost of £3,500,000 for the extension of copper and cobalt mining in Northern Rhodesia by Mufulira Copper Mines. The project was referred to in *The Economist* of June 9th on page 1396. Production is expected to begin in 1956 and it has been estimated that 16,000 long tons of copper and 500,000 lb. of cobalt will be produced annually. The sum of £3,000,000 comes out of the 5 per cent of Marshall aid counterpart sterling funds earmarked for the purchase of raw materials or for development of mining projects.

*

The result of wage negotiations between the cotton weavers and employers, which had not been announced when last week's issue of *The Economist* went to press, proves, as expected, to be a 5 per cent increase in current earnings plus a special payment at Christmas, making up the total to an effective 10 per cent increase. The terms are identical with those negotiated with the spinners earlier last week. The award affects about 150,000 rayon and cotton weavers and the annual cost to the industry of the two awards is about £4,500,000. Since the end of last year, cotton workers have in fact obtained an effective wage increase of no less than 21 per cent.

*

The preliminary figures of Tootal Broadhurst Lee for the year ended June 30, just published, may seem disappointing in comparison with recent results achieved by other textile concerns. Group profits are higher by £90,608 at £1,977,781, but the net figure after tax of £1,310,000 (£1,030,000 for last year) is down by £189,000 at £667,800. Nevertheless, as the carry forward is more than doubled at £820,669 against £404,871, the reduction in the ordinary dividend payment from 15 per cent (which last year absorbed £77,113 less tax, including employees' shares) to 13¾ per cent can presumably be explained only as an act of submission to Mr Gaitskell.

Company Notes

Furness Withy.—In the report for the year ended April 30, 1950, published last September, the chairman said: "The benefits to be derived from the widespread interests of a group such as ours become daily more apparent." These benefits are clearly apparent from the record profits shown in the preliminary statement for the year ended April 30, 1951; group profits, after all charges, including taxation and the transfer of £730,482 to taxation equalisation account, have risen by £369,403 to £1,515,308. The allocation to fleet replacement account has been increased to £340,000, compared with £200,000. The burden of replacement costs—which the chairman estimated a year ago might be as much as three times the amount of capital originally employed, threatens indeed to become still heavier.

	Years ended April 30, 1950 £	1951 £
Group net profit (a)	1,145,905	1,515,308
U.K. taxation	907,102	725,494
Attributable to holding company	557,933	696,982
Fleet replacement	200,000	340,000
Ordinary dividend	264,000	291,375
Ordinary dividend, rate %	8	9¼
Carry forward	298,684	323,979

The £1 ordinary stock at 35s. 3d. yields 5¼ per cent.

(a) After all charges including taxation, and transfer to Taxation Equalisation Account of £730,482 (£724,715).

The declaration of a 9¼ per cent dividend for the year raises an interesting point on dividend limitation. For the four previous years the distribution to ordinary stockholders was 8 per cent, but, in addition, in March of this year a special distribution was made of 2½ per cent, tax free, from a surplus on investment sales to mark the company's diamond jubilee. Can this distribution be regarded as part of the last pre-Gaitskell dividend? (As it does not rank for any rebate of tax which can normally be claimed on tax-free dividends, it must be reckoned as gross.) If it can, the standard dividend would seem to be correctly interpreted as 9¼ per cent. The White Paper, however, appears to afford no satisfactory elucidation. According to paragraph 3 (a), which relates the average amount of dividend to that distributed in respect of the "last two accounting periods before July 27, 1951, for which a final dividend has been paid," the company's standard dividend would be no more than 8 per cent. Paragraph 5 (c), on the other hand, states that a dividend will in every case be treated as paid for the accounting period ending last before the date of distribution, "except where it is expressed to be a dividend for the period in which the date of distribution falls." As the special 2½ per cent distribution was not related to any specific accounting period, it would thus appear correct to regard it as part of the previous year's distribution, as the directors evidently have done. Which interpretation is correct? If the company is right, all well and good, but if the Treasury does its worst stockholders might next year be penalised by a cut in their dividend to 6¼ per cent.

★

Ruston and Hornsby.—Although there have been substantial increases in costs, a further increase in output and despatches has enabled Ruston and Hornsby to maintain its trading profit at a figure very little short of last year.

The chairman's comments on the report and accounts include particularly important passages on plant replacement. An estimate has been made of the capital sum required to replace machine tools, etc., which were acquired in pre-inflation days, and which should be replaced in the next eight years or so. For this purpose an amount of at least £1,400,000 may be required. Plant replacement reserve has accordingly been brought up to £795,000, and it is the board's intention to set aside £100,000 annually to this reserve in future.

	Years ended March 31, 1950 £	1951 £
Consolidated earnings :—		
Trading profit (a)	1,671,125	1,627,661
Total income	1,782,633	1,803,132
Depreciation	320,609	280,285
Taxation	978,393	1,040,407
Group earnings for ordinary shares	504,396	512,465
Ordinary dividend	169,125	193,725
Ordinary dividend (per cent.)	7½	9
Retained by Subsidiaries	141,860	95,797
Added to general reserves & carry forward	209,951	222,943
Consolidated balance sheet analysis :—		
Fixed assets, less depreciation	2,080,161	2,202,108
Net current assets	6,212,506	6,880,805
Stocks	5,171,436	4,595,362
Cash and tax reserve certificates	912,200	2,250,591
Reserves	3,657,340	4,482,208
Ordinary capital	4,100,000	4,100,000

The £1 ordinary shares at 36s. yield £5 0s. 0d.

(a) After charging depreciation and setting aside £120,000 (£75,000) to cost of plant replacement.

Taxation now payable by the company tops £1,000,000, which the chairman, in the course of some pungent remarks, describes as a "staggering" figure, given the need for building up funds for replacements. The ordinary dividend, declared before publication of the White Paper, is raised from 7½ per cent to 9 per cent, the net amount of which, together with the preference dividends, represents a return of no more than about 2 per cent on the capital employed.

As to prospects for the current year, there is no lack of business coming in—orders on the company's books at the end of the financial year constituted a record—but the material situation is stated to be "deteriorating rapidly," with shortages in greater or less degree in all commodities needed for the company's products.

★

Rickett Cockerell.—The group trading profits of this coal-distributing company show a rise from £207,901 to £269,063. Taxation, however, has eaten very deeply into profits, the total figure being £96,959 out of a group net profit of £162,450; in fact, on a rise in gross profits of approximately 30 per cent the company is paying nearly 90 per cent more in taxation than in the previous year. An increasing strain on the company's finances must also be the maintenance and replacement of its large road transport fleet.

	Years ended March 31 1950 £	1951 £
Consolidated earnings :—		
Group trading profit	207,901	269,063
Depreciation	74,394	81,050
Taxation	51,796	96,959
Group earnings for ordinary shares	43,816	64,794
Ordinary dividend	25,507	24,348
Ordinary dividend rate per cent	10	10
Retained by Subsidiaries	8,467	19,650
Added to Group carry forward	9,842	20,796
Consolidated balance sheet analysis :—		
Fixed assets, less depreciation	612,708	602,651
Net current assets	731,630	782,796
Stocks	320,364	321,454
Cash	58,477	76,470
Reserves	567,906	610,588
Ordinary capital	465,770	465,770

At 12s. 6d. the 10s. ordinary shares yield £8 0s. 0d. per cent.

Apart from the steep increase in taxation, the group profit and loss account calls for no special comment, except that this time there is no allocation to the deferred repairs reserve, which last year received £7,000. The ordinary dividend is repeated at 10 per cent, at which rate it has been steadily maintained every year since 1937-38. While the consolidated balance sheet shows net current assets up by £51,166, it may be significant that bank overdrafts have risen from £35,070 to £48,451, which offsets most of the £17,593 rise in the cash item.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Aug. 8, 1951	Price, Aug. 15, 1951	Net Yield, Aug. 15, 1951 (a)	Gross Yield, Aug. 15, 1951
			£ s. d.	£ s. d.
War Bonds 2½%...	101⅝	101⅛	...	0 3 9e
Mar. 1, 1951-53			0 10 7	1 13 6f
War Bonds 2½%...	101⅛	101⅛	...	...e
Mar. 1, 1952-54			0 15 8	1 18 7f
Exchequer Stk. 2½%	101⅛	101⅛	0 15 7	1 16 10
Feb. 15, 1955				
War Bonds 2½%...	101⅛*	102⅛	0 11 10	1 15 4e
Aug. 15, 1954-56			0 17 6	2 1 0f
Funding 2½%...	101⅛	102	...	0 17 10e
June 15, 1952-57			1 2 8	2 9 4f
Nat. Defence 3%...	102⅛	102⅛	0 15 1	2 4 0e
July 15, 1954-58			1 4 4	2 12 10f
War Loan 3%...	103⅛	103⅛	0 18 2	2 8 7e
Oct. 15, 1955-59			1 4 6	2 13 10f
Savings Bonds 3%...	97⅛*	97⅛	2 3 8	3 12 7e
Aug. 15, 1955-65			1 15 3	3 4 2f
Funding 2½%...	97⅛	97⅛	2 1 0	3 7 1e
April 15, 1956-61			1 13 7	2 18 9f
Funding 3%...	94⅞	94⅛	2 9 9	4 0 11e
April 15, 1959-69			2 0 1	3 10 5f
Funding 3%...	94⅛	94⅛	2 0 5	3 10 0e
Aug. 1, 1966-68			1 19 6	3 9 1f
Funding 4%...	103⅛	103⅛	1 15 9	3 12 6e
May 1, 1960-90			1 19 6	3 17 5f
Savings Bonds 3%...	92⅛*	92⅛*	2 9 8	3 19 5e
Sept. 1, 1960-70			2 0 10	3 10 6f
Savings Bonds 2½%...	90⅛	91⅛	2 5 0	3 8 9e
May 1, 1964-67			2 0 1	3 5 9f
Victory Bonds 4%...	103⅛*	103⅛*	1 15 6	3 12 3e
Sept. 1, 1920-76				
Savings Bonds 3%...	89⅛	89⅛	2 8 8	3 19 0e
Aug. 15, 1965-75			2 2 4	3 12 9f
Consols 4%...	98⅛	98	2 2 11	4 1 9f
(after Feb. 1, 1957)				
Conversion 5½%...	88⅛	89⅛	2 1 6	3 19 8f
(after Apr. 1, 1961)				
Treasury Stk. 2½%...	65⅛	65⅛	2 0 3	3 17 2f
(after Apr. 1, 1975)				
Treasury Stk. 3%...	77⅛	77⅛	2 0 11	3 18 5f
(after Apr. 5, 1966)				
Treasury Stk. 3½%...	95⅛	95⅛	2 1 2	3 15 8e
June 15, 1977-80			2 0 9	3 15 4f
Redemp. Stk. 3%...	84⅛	84⅛	2 4 9	3 17 5e
Oct. 1986-96			2 2 8	3 15 5f
War Loan 3½%...	87⅛	87⅛	2 2 3	4 0 10f
(after Dec. 1, 1952)				
Consols 2½%...	65⅛	66⅛	1 19 10	3 16 0f
Brit. Elect. 3%...	91⅛	91⅛	2 4 9	3 15 10e
April, 1968-73			2 2 1	3 13 0f
Brit. Elect. 3%...	89⅛*	89⅛*	2 3 5	3 13 9e
Mar. 15, 1974-77			2 2 3	3 12 8f
Brit. Elect. 3½%...	96⅛	97⅛	2 0 2	3 14 8e
Nov. 15, 1976-79			1 19 11	3 14 5f
Brit. Tpt. 3%...	84⅛	84⅛	2 7 8	3 19 8e
July 1, 1978-88			2 4 2	3 16 5f
Brit. Tpt. 3%...	91⅛	91⅛	2 4 10	3 15 11e
April 1, 1968-73			2 2 2	3 13 2f
Brit. Gas Gtd. 3%...	83⅛	83⅛	2 4 3	3 16 11e
May 1, 1990-95			2 2 3	3 15 11f
Brit. Gas Gtd. 3½%	98⅛	98⅛	1 19 3	3 13 0e
Sept. 10, 1969-71			1 19 1	3 12 9f
Brit. Iron & Steel 3½%	95⅛*	95⅛	2 1 4	3 15 8e
Feb. 15, 1979-81			2 1 2	3 15 5f

(e) To earliest date. (f) Flat yield. (l) To latest date.
(n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 15 years 6 months.
* Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Aug. 8, 1951	Price, Aug. 15, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo Am. 10/-	8⅛	7⅛	3 15 7
30	30	Anglo Iran £1	5⅛	5½	5 6 8
20	17½	Assoc. Elec. £1	85/-	86/3	4 12 9
27½	25	Assoc. P. Cem. £1	106/3	107/6	5 2 4
35	30‡	Austin 5/-	32/6	32/6	5 7 8
25†	23·4†	Bass £1	146 10½	146 10½	6 9 6
40	20 m	Boots 5/-	26/-	26/-	3 16 11s
10	9	Br. Celanese 10/-	29/-	30/6	3 5 7
20	20	Br. Oxygen £1	96/6	97/-	4 2 6
12½	12½	Coats £1	60/-	61 10½	4 0 10
11½	9⅜	Courtaulds £1	46/9	48/6	4 12 9
22½	21½	Distillers 4/-	21/9	22/-	4 1 10
17½	16½	Dunlop £1	64 4½	65/-	5 7 8
12½	11½	Ford £1	56/10½	58 1½	4 6 0
22½	20	Gen. Elect. £1	90/-	90	5 0 0
32	30½	Guinness £1	145/-	145 9	4 8 11
32½	8½ m	Hawker Sid. £1	36/6	38/6	5 3 11s
12	11	Imp. Chem. £1	50/-	50	4 16 0
32	32	Imp. Tobacco £1	100 xd	100 xd	6 8 0
12½	11½	James Cotton £1	48 1½	49 4½	5 1 5
13½	11½	Lever £1	52/6	55 1½	5 1 7
15	15	Lon. Brick £1	58/9	58/9	5 2 2
75	65½ m	Marks & Sp. 5/-	91/-	95	4 0 8
16	14	P. & O. Def. £1	62/6	67/6	4 14 10
25	25	P. Johnson 10/-	42/6	44	5 13 8
12½†	9·7†	Shell Stk. £1	88/9	91 10½	5 3 8
25	25	Tube Invest. £1	61	63	5 17 8
20	17½	U. A. Newsfl. £1	94⅜	95 7½	4 3 8
10	9	Union Castle £1	35/6	36/6	5 9 7
50	33⅓	U. Steel Reconst. £1	60/-	60	16 13 4
12½	9⅛	Vickers £1	48/3	49	5 2 0
42½	38½	Woolworth 5/-	46/3	47/-	4 10 6

(d) Yield basis 20%, after capital losses. (b) Yield basis 10%. (m) Allowing for capital losses.
† Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 11, 1951, total ordinary revenue was £69,681,000, against ordinary expenditure of £56,151,000 and issues to sinking funds £130,000. Thus, including sinking fund allocations of £4,588,000, the surplus accrued since April 1, 1951, is £86,263,000 compared with a surplus of £108,176,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Aug. 12, 1950	April 1, 1951 to Aug. 11, 1951	Week ended Aug. 12 1950	Week ended Aug. 11 1951
	£'000				
Ord. Revenue					
Income Tax	1624750	283,023	323,632	12,006	15,600
Sur tax	128,000	29,100	29,600	1,000	1,000
Estate, etc., Duties	180,000	68,350	74,500	2,300	2,500
Stamps	55,000	18,365	23,900	800	1,000
Profits Tax	312,650	73,220	99,400	5,600	5,500
E.P.T.		5,500	...	250	...
Other Inland Rev.	500	50	55	...	...
Special Contribtn.	1,500	2,220	1,290	150	30
Total Inland Rev.	2302400	479,828	552,377	22,106	25,630
Customs	930,500	308,950	347,416	16,604	23,823
Excise	720,500	268,900	289,400	9,500	14,505
Total Customs and Excise	1651000	577,850	636,816	26,104	38,328
Motor Duties	62,000	9,602	11,203	216	393
Surplus War Stores	20,000	10,477	8,798	1	3
Surpl's from Trading	50,000	25,974	57,500	...	...
P.O. (Net Receipts)	5,400	2,900	3,500	2,000	3,500
Wireless Licences	13,600	3,100	3,400	...	...
Sundry Loans	27,000	6,219	8,298	1,048	1,533
Miscell. Receipts	105,000	21,093	17,887	644	294
Total Ord. Rev.	4236400	1137044	1299719	52,119	69,681
Self Balancing					
Post Office	179,431	58,500	63,900	2,500	2,500
Income Tax on E.P.T. Refunds	4,900	3,574	1,825	320	82
Total	4420731	1199118	1365504	54,739	72,263

Expenditure	Estimate, 1951-52	Issues out of the Exchequer, to meet payments (£ thousand) April 1, 1950 to Aug. 12, 1950	April 1, 1951 to Aug. 11, 1951	Week ended Aug. 12 1950	Week ended Aug. 11 1951
	£'000				
Ord Expenditure					
Int. & Man. of Nat. Debt	535,000	147,120	147,867	3,273	3,351
Payments to N. Ireland	38,000	12,191	12,453	...	...
Other Cons. Funds	11,000	3,714	4,033	17	...
Total	584,000	163,025	164,331	3,290	3,351
Supply Services	3425640	861,145	1044597	45,900	52,800
Total Ord. Expd.	4009640	1024170	1208928	49,190	56,151
Sinking Funds	...	4,698	4,588	420	130
Total (excl. Self Bal. Expd.)	4009640	1028868	1213516	49,610	56,281
Self Balancing					
Post Office	179,431	58,500	63,900	2,500	2,500
Income Tax on E.P.T. Refunds	4,900	3,574	1,825	320	82
Total	4193971	1090942	1279241	52,230	58,863

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £448,647 to £2,491,830, the other operations for the week decreased the National Debt by £56,671,229 to £26,291 million.

NET RECEIPTS (£ thousand)

Land Settlement Acts	11
Export Guarantees	40
Miscellaneous Financial Provisions Acts—	
Civil Contingencies Fund	30,000
European Payments Union	185
Economic Co-operation Agreement	2,000
	32,234

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	400
E.P.T. Refunds	101
Local Authorities Loans Act, 1945, s. 5(2)	5,000
Colliery Undertakings Borrowing Act, 1947	5,000
Finance Acts, 1946 and 1947—Post-war credits	282
Housing (Scotland) Act	255
New Towns Act	27
Colonial Development	750
	10,413

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Nat. Savings Certs.	500	Treasury Bills	23,578
Treasury Deposits	35,000	2½% Def. Bonds	2,650
		3% Def. Bonds	125
		2½% Term. Annuit.	1,589
		Tax Res. Certs.	841
		Other Debt :—	
		Internal	1,949
		Ways & Means Advances	40,440
	35,500		71,172

FLOATING DEBT

(£ million)

Date	Treasury Bills Tender	Treasury Bills Tap	Ways & Means Advances Public Depts.	Ways & Means Advances Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Aug. 12	3140·0	1936·0	373·7	...	405·0	5854·7
1951						
May 12	3230·0	2015·2	448·6	...	319·5	6013·3
,, 19	3230·0	2035·1	436·4	...	319·5	6021·0
,, 26	3230·0	2043·5	434·8	...	319·5	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
,, 9	3220·0	2114·4	370·4	...	320·0	6024·8
,, 16	3220·0	2090·9	385·4	...	345·0	6041·2
,, 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
,, 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
,, 14	3230·0	2129·1	373·2	...	344·5	6076·8
,, 21	3230·0	2161·9	335·4	...	344·5	6071·9
,, 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
,, 11	3220·0	2164·2	280·2	...	379·5	6043·9

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Aug. 11	240·0	304·8	240·0	10 3·32	73
1951					
May 11	250·0	350·3	250·0	10 2·79	60
,, 18	260·0	350·9	260·0	10 2·80	63
,, 25	250·0	336·6	250·0	10 2·98	65
June 1	250·0	349·5	250·0	10 2·78	60
,, 8	260·0	355·2	260·0	10 2·80	62
,, 15	250·0	344·0	250·0	10 2·88	62
,, 22	250·0	344·0	250·0	10 2·81	62
,, 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
,, 13	250·0	345·2	250·0	10 2·81	61
,, 20	230·0	323·8	230·0	10 2·84	60
,, 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
,, 10	260·0	354·1	260·0	10 2·78	62

On August 10th applications for 91 day bills to be paid from August 13 to August 18, 1951, were accepted dated Monday to Saturday as to about 62 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for August 17th. For the week ending August 18th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousands)

	Totals 18 Weeks ended Aug. 12, 1950	Totals 18 Weeks ended Aug. 11, 1951	Week ended Aug. 11, 1951
Savings Certificates :—			
Receipts	30,650	68,700	2,200
Repayments	47,400	52,400	2,400
Net Savings	Dr16,750	16,300	Dr 200
Defence Bonds :—			
Receipts	6,329	16,089	620
Repayments	19,294	17,076	890
Net Savings	Dr12,969	Dr 987	Dr 270
P.O. and Trustee Savings Banks :—			
Receipts	226,321	236,702	13,154
Repayments	249,125	304,707	18,287
Net Savings	Dr22,804	Dr68,005	Dr 5,153
Total Net Savings	Dr52,523	Dr52,692	Dr 5,623
Interest on certificates repaid	10,262	12,716	588
Interest accrued	43,171	43,572	2,411
Change in total invested	19,614	21,836	3,800

BANK OF ENGLAND RETURNS

AUGUST 15, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1380,893,898	Other Govt. Securities	1409,760,043
In Banking Department	44,462,925	Other Secs.	712,536
		Coin (other than gold)	3,512,321
		Amt. of Fid.— Issue	1425,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1425,356,823		1425,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	327,397,853
Rest	3,826,587	Other Secs.—	50,103,307
Public Deps.:—	18,551,346	*Discounts and*	
*Public Accts.**	*17,642,669*	*Advances*	*22,149,092*
H.M. Treas. Special Acct.	*908,477*	*Securities*	*27,954,215*
Other Deps.:—	385,391,253		
Bankers	*295,013,474*	Notes	44,462,925
Other Accts.	*90,377,379*	Coin	358,101
	422,322,186		422,322,186

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

COMPARATIVE ANALYSIS

(£ million)

	1950	1951		
	Aug. 16	Aug. 1	Aug. 8	Aug. 15
Issue Dept. :—				
Notes in circulation	1319·6	1393·7	1393·9	1380·9
Notes in banking department	30·8	31·7	31·4	44·5
Government debt and securities*	1348·7	1420·7	1420·8	1420·8
Other securities	0·8	0·7	0·6	0·7
Gold and Coin	0·9	3·9	3·9	3·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·0	14·5	15·9	17·6
Treasury Special Account	246·5	2·3	0·3	0·9
Bankers	292·5	294·2	287·1	295·0
Others	97·8	91·6	93·7	90·4
Total	649·8	402·6	396·9	403·9
Securities :—				
Government	591·5	360·0	348·9	327·4
Discounts, etc.	14·2	3·2	4·1	22·1
Other	25·4	25·2	30·3	28·0
Total	631·1	388·4	383·3	377·5
Banking dept. res.	37·1	32·4	31·9	44·8
	%	%	%	%
"Proportion"	5·7	8·0	8·0	11·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,425 million on July 31, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver London per ounce	Silver New York per ounce	Silver Bombay per 100 tolas	Gold Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 9	78·5	90·16	118 13	114 3
,, 10	78·5	90·16	118 12	113 9
,, 11	Markets	Closed	118 14	113 8
,, 13	78·5	90·16	118 1	113 8
,, 14	78·5	90·16	118 2	113 15
,, 15	78·5	90·16	Market	Closed

COMPANY MEETINGS

THE TUNNEL PORTLAND CEMENT COMPANY, LIMITED

RECORD TRADING RESULTS
IMPROVED PRODUCTIVE CAPACITY
CONTINUED HEAVY DEMAND
MR N. M. JENSEN ON THE WIDESPREAD ACTIVITIES

The fortieth annual general meeting of The Tunnel Portland Cement Company, Limited, will be held on September 10 at 105 Piccadilly, London, W.1.

The following is the review by the chairman and managing director, Mr N. M. Jensen, which has been circulated with the report and accounts:—

Ladies and gentlemen,—The profit on trading, before charging depreciation, has increased from £882,894 to £1,252,764. This is largely due to the fact that we have had the benefit of a full year's operation at our Padeswood works and of new machinery installed at our West Thurrock works. Another factor is that we have absorbed the business of our wholly owned subsidiary, Tunnel Cement (Pitstone), Limited, and profit on part of the operation of the Pitstone works is therefore included here, whereas in previous years it was under investment income.

On the other hand, depreciation on the Padeswood and Pitstone works has substantially increased the charge under this heading.

The higher profit attracts additional taxation and this has been accentuated by the increase in the standard rate of income tax, as well as profits tax, and also the fact that we were not entitled to such a large initial allowance as we had in the previous year. The income tax equalisation reserve has, however, a levelling effect, as we have only had to transfer £100,000 to this reserve, compared with £200,000 last year.

Continuing the policy which we introduced in connection with the 1949-50 accounts of providing for replacement of fixed assets by building up the general reserve, we have made a transfer to this of £250,000, bringing the reserve up to £1,500,000.

We have paid an interim dividend of 2½ per cent., less tax, on the "A" ordinary shares and "B" ordinary stock, and it is now proposed to pay a final dividend of 12½ per cent., less tax, for the year. There then remains a balance of £669,029 to be carried forward.

BALANCE SHEET

Net additions to property, plant and equipment include the Pitstone works, the cost of completing the works at Padeswood and new installations at West Thurrock. The cost of the additions during the year was actually £739,002, but we have deducted £178,548 in respect of plant scrapped or sold during this and previous years, leaving the figure of £540,454 for net additions. At the same time we have eliminated £159,148 from the accumulated depreciation, so that the net adjustment is only £19,400. After these adjustments have been made, the figures in the balance sheet represent, as they should do, the cost of and the depreciation written off property, plant and equipment which were actually in existence at the date of the balance sheet. The reason why we could not make the adjustments before is that we had no register of the old plant at our West Thurrock works, and when in previous years we disposed of any plant all we could do was to eliminate the written down value from the cost figures, leaving depreciation unchanged. This meant that, although the total written down figure was correct, both the cost and the depreciation amounts contained balances in respect of plant no longer in existence. It was a formidable task to compile a plant register for our West Thurrock works, but we have now completed this and have, therefore, been able to put the matter right.

CONSOLIDATED PROFIT AND LOSS ACCOUNT AND BALANCE SHEET

The change to direct ownership of the Pitstone works also affects the consolidated profit and loss account and the consolidated balance sheet. When we purchased the outside shareholding of the Pitstone Company in 1944 we paid a premium of about £93,000. This has now been reduced by £65,707, being the undistributed profits of the Pitstone Company, which is in course of liquidation.

DEMAND FOR CEMENT

The output at our works has been nearly 200,000 tons more than for the preceding year, due mainly to the fact that our new Padeswood works had a full year's run and also to an increase in our capacity at West Thurrock. We were, therefore, in a position to increase deliveries at home as well as for export.

The demand for cement continues to be heavy in both the home and export markets.

The cost of paper sacks has risen steeply from about 2s. per ton of cement before the war to approximately 20s. per ton at present. Recently, the industry has revised its price schedule so as to encourage consumers to take cement in bulk, and there are indications that bulk deliveries will be greatly increased in future. It may interest shareholders to know that 360,000 tons of cement which your company has delivered for the construction of London Airport were all supplied in bulk, mainly from our Pitstone works.

EXTENSION OF PRODUCTIVE CAPACITY

Last year I indicated that I was hoping the extension of the works belonging to Ribblesdale Cement, Limited (of which company we hold half of the capital), would be in operation by the end of the year. Unfortunately, in this particular district, there is such an acute shortage of labour that the erection was not completed in normal time and the new unit therefore only commenced to operate in July of this year. The labour situation at the Ribblesdale works is so serious that steps have now been taken, after consultation with the trade unions, to recruit additional labour from abroad.

The extension of our Pitstone works is proceeding and we are hopeful that it will be completed by about December. Normally, we would undertake to erect the machinery ourselves, but as we are also troubled with a shortage of labour in this district, we have had to call in outside contractors to assist us.

At our West Thurrock works we have decided to replace one of the oldest kilns with a new one identical with that installed two years ago.

You may be interested to learn that we have recently commenced the manufacture of a new type of cement, namely, Masonry Cement, which is particularly suitable for making mortar. It has been tried out on a number of important contracts and everybody who has used it speaks highly of it. It produces a mortar that has great workability and water-retentivity when plastic, but gains strength rapidly and, when hard, has very high adhesive strength, freedom from cracking and reduces efflorescence. We have installed the necessary plant to manufacture Masonry Cement on a fairly large scale.

With the further reconstruction of the West Thurrock works, the total increase in capacity which your company has provided since the war or has in course of building amounts to just over half a million tons per annum. This is a generous contribution on the part of your company to meet the increasing demand in the home market and, at the same time, to maintain exports at a high level.

OVERSEAS INTERESTS

We are examining the possibility of interesting ourselves in new works overseas, and in this connection I might mention that Mr J. A. Mackintosh recently paid a visit to New Zealand and I have personally visited Cyprus. In both countries there is a shortage of cement and, provided new works are well sited, it should be possible to see a reasonable return on capital invested, in spite of the fact that it now costs three times as much to build a cement works as it did before the war.

In Egypt the Helwan Portland Cement Company, in which we hold 50 per cent. interest, has again had a record year, both as regards output and deliveries. The recent extension of the works has just come into operation, but notwithstanding this, it would appear that there is still likely to be a shortage of cement in that country.

The new works at Alexandria, which was built under the auspices of the Helwan Portland Cement Company, has likewise been working satisfactorily.

In the Sudan, where we hold a substantial interest in the Sudan Portland Cement Company, the company has suffered from labour troubles, and unusually heavy rains have impeded the regular supply of raw materials and also affected deliveries of cement. Therefore, the results have been a little disappointing. There is plenty of labour available, but it will take some time yet before it can be regarded as efficient. Unfortunately, matters have not been helped by the introduction of trade unionism in the Sudan in what I would regard as too advanced a form. The workers are not yet sufficiently educated to appreciate fully the obligations and benefits of the trade union movement as developed at home.

Last year Lord Margesson and I paid a visit to Egypt and the Sudan, when we had an opportunity to discuss problems with the managements of the respective works.

As you know, we have a small interest in the Caribbean Cement Company, and I am pleased to say that the new works which is being built near Kingston is now nearing completion.

The National Portland Cement Company, in the U.S.A., has again had a very busy year. A short while ago that company decided to repay 20 per cent. of its preferred stock, and, as a result, some of our interest has been redeemed. The proceeds available to us amount to nearly half a million dollars, which, with the consent of the Bank of England, we have temporarily invested in American securities and bonds. The reduction of capital will make it easier for the National Portland Cement Company to deal with arrears of preferred dividend and, provided the present demand for cement is maintained in the U.S.A., I think we can look forward to receiving regular payments from this investment.

BURDEN OF TAXATION

Although the profits of your company constitute a record, I feel I must call attention to the heavy burden of taxation. Roughly speaking, 55 per cent. of your company's profits, after providing for depreciation, are paid or reserved for taxation; 18 per cent. are paid in dividends to the shareholders and 27 per cent. are retained in the business by way of transfer to reserves and increased carry-forward.

I might also add that out of the profits, before taxation, approximately 16½ per cent. emanate from investments and interest; 24 per cent. are profits derived from sales in the home market and 46½ per cent. from export sales. Thirteen per cent. relate to income from other activities. From these figures, you will gather that our present prosperity is very largely derived from the substantial profits obtained from export sales.

SPURLING MOTOR BODIES, LIMITED

RECORD TURNOVER

The fourteenth annual general meeting of Spurling Motor Bodies, Limited, was held on August 15th at Hendon.

Mr W. F. Spurling, chairman and managing director, after explaining that they had decided not to proceed with the further issue of shares, thinking it wiser to refrain from further immediate expansion in the face of an uncertain world situation, said that the reason for the reduction in the final dividend to 17½ per cent., making 30 per cent. for the year, against 37½ per cent. paid for several years, was that inflation and penal taxation entailed a strain on their resources and called for a larger amount of liquid capital. He was satisfied that it was wise to husband their resources.

Last year had been a busy one, every branch of the business being fully employed and the new depots doing particularly well. Demands for their body work had been healthy, and the turnover of Marble Arch Motor Supplies, Limited, which dealt in motor-cycles, spares and accessories and general merchandise, had soared to new heights. During the year they had increased their turnover by some £400,000, giving them a grand total turnover of £2,434,382, an all-time record. Net assets had increased and their profits improved.

All departments remained very busy. The business and profit-earning of Marble Arch Motor Supplies, Limited, during the first period of 1951-52, had exceeded anything previously known, and they were anticipating a record by way of turnover and profit therefrom. Granted no major disturbances, the results for the present year appeared likely to show an improvement.

The report was adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

UNITED DOMINIONS TRUST LIMITED

VITAL IMPORTANCE OF RISK CAPITAL

MR J. GIBSON JARVIE ON THE DIVIDEND FREEZE

The twenty-ninth annual general meeting of United Dominions Trust Limited was held on August 14th in London.

Mr J. Gibson Jarvie, the chairman, in the course of his speech, said: In my brief statement which was circulated with the accounts, I referred to the proposed increase in our dividend, and it was not my intention to refer to it again today. But the amazing speech of the Chancellor of the Exchequer on the economic position delivered in the House on July 26th has compelled me to revise my views and rewrite my speech. Let me say right away that neither I nor the other members of the board make any apology for recommending an increased dividend. We believed, and we still believe, that the proposed increase is more than justified, and if the Chancellor's statement accurately foreshadows the legislation which will follow, it would appear that our recommendation has been made opportunely in that it will have the effect of placing the company on its pre-war dividend basis of 17½ per cent.

The Chancellor's statement has shocked the whole business community. Despite our company's record year's results, and the success which has attended so many other companies, even the dullest and most partisan person must recognise—if he will review the facts—that Great Britain today is in a most unenviable condition: that, in fact, we are facing imminent disaster unless adequate steps are taken, and taken quickly, to cope with the situation.

FREEZING OF DIVIDENDS

The Chancellor of the Exchequer delivered his Budget speech in April, but twice since then he has had to come to the House and admit that his estimates and calculations were wrong: that the general position had worsened: and that new estimates and new remedies had to be found. He now proposes to freeze dividends! It would almost seem that thrift, either by a company or an individual, has become a deadly sin if not yet a criminal offence.

By freezing dividends the New Issue Market will be frozen. How does the Chancellor propose that trade will find new risk capital? If there is no risk capital there can be no new ventures and no new ventures means no progress.

NATIONALISATION A FAILURE

In the "bad" old days, we did get good coal at low prices; we exported vast quantities: and there was ample labour. Today under nationalisation and the "planners" we are woefully short of coal and the coal we get is of bad quality, and our exports comparatively speaking are negligible. We have actually been importing coal. Under nationalisation gas and electricity supplies are more costly and less reliable. The inefficiency of British Transport Services—railways and road—has become a joke, but it is a costly and tragic joke. The theoretical planner has proved a very expensive and useless luxury.

Serious as are the apparent consequences of the Chancellor's speech on our economy, it has a still more serious aspect. I refer to the fact that the Chancellor's statement of intention—to which he demands an immediate response—has no sanction in law—yet! The Chancellor's demand, if we accept it, is an attempt at government by Arbitrary Pronouncement. Government by Arbitrary Pronouncement is a direct threat to constitutional practice and to our very freedom. It is a threat we cannot afford to ignore if freedom and law are to persist in this country.

It is proposed also that company profits must be "reduced." "Reduced profits" is just one more vote-catching cry: the pretence that by making things more difficult for or further penalising the capitalist, the lot of the thriftless will be lightened. Reducing profits will not cut down the cost of living of the people.

If ever there was a time when we needed profits, it is now. Government spending has reached astronomical figures; taxation is a crushing burden. Where is the revenue to come from to meet it? Capital is running dangerously short. How is capital to be supplied if not at least partly from profits? There is a persistent demand for new equipment as machines wear out and new processes are introduced. Who and what will pay for it? A grave crisis is developing: yet the Government appear determined to punish or destroy every man or business fulfilling his or its function successfully.

CAPITAL ISSUES COMMITTEE

I now turn to the Capital Issues Committee, *vis-à-vis* ourselves. As I informed you last year, we had at that time made an application for permission to increase our capital. In their wisdom the Capital Issues Committee refused our application. As we had ample funds at our disposal, we made no immediate further move, but towards the end of the financial year your board decided to renew the application. Again it was refused and again without any reason being given. To put it quite bluntly, the position is this: our application has been judged in our absence and a decision has been reached by the Capital Issues Committee, or some government department, without permitting us to answer any of the objections or criticisms which they may have had to our original application, but of which we had no knowledge. And we are told there is no appeal! We are judged and apparently condemned in our absence. This is entirely contrary to a right conception of British justice or equity. It is, I think, pertinent to bear in mind that for some years the company's largest shareholder was the Bank of England. Our various lines of business today are definitely calculated to strengthen the country's position, and if the Central Institution were justified in supporting us in that earlier period of our history unquestionably the Government should approve of and encourage us now.

We need a Government which will understand that freedom is a prime essential in any prosperous country, and that therefore controls of all kinds must be reduced to the absolute minimum and discontinued entirely when conditions permit. It must govern for the nation as a whole and not for any class, and must recognise the value of thrifty individuals and of prosperous companies, and never seek popularity by pandering to the thriftless and shiftless. We need a Government which will be equally strong in facing the enemy at home as the enemy abroad reckless of party or personal consequences. Granted such a Government, I have faith in the early recovery of the country: in the re-establishment of its greatness and its influence in international affairs.

The report was adopted.

OLDHAM AND SON LIMITED

CONTINUED ALL-ROUND PROGRESS

MR JOHN OLDHAM'S REVIEW

At the thirty-second annual general meeting of Oldham and Son Limited, held on August 16th at the company's head office, Denton, Manchester, the chairman, Mr John Oldham, O.B.E., J.P., said that results achieved during a difficult but successful period reflected the increasing value and effectiveness of a policy continuously directed towards re-equipping the business and broadening the base of its activities.

Net profit of the Group for the year ended March 31st last amounted to £265,179. In comparing this with the results of the previous period, it must be borne in mind that the accounts then covered only ten months. Accordingly, the annual rate of profit comparable with the above figure was £252,192.

Demands for the company's portable mine lighting equipment and electric storage batteries had continued to increase. On the production side a fine job had been done to offset rising costs and maintain flow of production in face of abnormal difficulties. An important programme of retooling had been carried out.

INCREASED ACTIVITIES OVERSEAS

The chairman announced that, following his visit to America last year, an important arrangement had been concluded with the Dewey and Almy Chemical Company, of Cambridge, Mass., for them to manufacture under licence the new Oldham "Fibrak" battery separator. Large-scale production was timed to commence this autumn from a plant now being set up near Boston, and the separator would be distributed by Dewey and Almy throughout America and Canada under the trade name of "Darak."

The overseas manufacturing companies were playing an important part in relation to the firm's general production programme. Oldham and Son Africa Limited, in which the company had a 50 per cent. interest, had made substantial progress in its second year of operation. The completion of a new battery plant would provide additional potential for this firm to manufacture and service electric storage batteries, which would considerably extend its sales and production capacity.

The French subsidiary, Société Française des Procédés, Oldham, could be said to be well on its feet. Since the end of the financial year, Sir Charles Henderson, K.B.E., who had a wide knowledge and experience of French industry, had been appointed as chairman.

In India, after unavoidable difficulties and delays, manufacture of storage batteries had commenced, and in the days to come Oldham and Son (India), Limited, should give a good account of itself.

Concluding, the chairman said that the future was dominated by the demand and priority for more production against a background of scarcity of both materials and labour. All the qualities for which British technicians were renowned would be taxed to the full to find a solution to this problem. He felt this was no bad thing, however, as, by centring and stimulating the search for new and alternative materials and methods, higher standards of efficiency and new techniques would be developed.

The continued expansion of the company's business, and the essential nature of its products, provided the best evidence on which shareholders could rely that in the period ahead it would be fully and profitably employed.

The report and accounts were adopted, and a final dividend of 15 per cent. was approved, making a total of 30 per cent. for the year.

AMALGAMATED ANTHRACITE COLLIERIES, LIMITED

WIDESPREAD ACTIVITIES

The twenty-seventh annual general meeting of Amalgamated Anthracite Collieries, Limited, was held on August 15th in London, Mr John Waddell (the chairman) presiding.

The following are extracts from his circulated statement:—

Since last year there appears to have been practically no change with regard to clearing up the position of the collieries which vested at January 1, 1947—now nearly five years ago. A great deal has happened, however, during the year arising from the setting up of a body in South Wales to try and speed up the division of the modest global sum allocated to that district. Without some speeding up it may well be another five, or even more, years before we shall know where we are.

TRADING DEVELOPMENTS

I feel you would like to hear some of the details of the major affairs of the trading group in order that you will appreciate the widespread nature of these activities which is the greatest security for stable results in the future. Dealing with the past, we have received the sum of £180,000 as compensation for completely closing down our business as colliery sales agents. Dealing with the future, we have been steadily consolidating and bringing up to the maximum pitch of efficiency our other retail and wholesale coal distributing businesses. We have expanded substantially our number of registrations which now reach nearly 300,000, and these companies are showing steady and improving results.

The Concordia Company's results for 1950 were substantially better than for the previous year, and those for 1951 are showing a further good improvement. Copigraph Limited, manufacturing carbon paper, etc., at the Treforest Trading Estate near Cardiff, has been able to double its factory and has greatly expanded its output and profits during 1951. Some of our older activities in wagon repairing and brick manufacturing are proceeding steadily.

We were able to acquire a half interest in United Kingdom Chemicals Limited, and United Carbon Black, Limited, who are directing and operating a new factory for making carbon black at Port Tennant, Swansea. This project is of a very substantial nature and will ultimately involve an investment between £300,000 and £400,000, representing our half share.

A VALUABLE ASSET

In the British Anthracite group you have a very valuable asset. The company is stronger than ever and on a much better foundation. We are no longer dependent on any one particular line of trade, but have a business widely based on our traditional knowledge of coal and transport, on certain of our old original manufacturing activities which have been modernised and expanded, on a compact field of sound industrial units and now with a substantial stake in a basic branch of the chemical engineering industry which is also a substantial dollar saver.

I would rather not make any prognostications about dividends but the funding certificates are getting nearer and nearer to complete redemption and, when available, the amount devoted to this purpose would immediately be beneficial; added to this the general outlook of the company should have a very material effect on the prospects of both preference and ordinary stockholders.

The report was adopted.

RICHARD THOMAS AND BALDWINS

RECORD RESULTS

MR E. H. LEVER ON RAW MATERIAL PROBLEMS

The annual general meeting of Richard Thomas & Baldwins Limited will be held on September 6th at 47, Park Street, London, W.1.

The following is an extract from the statement by the chairman and managing director, Mr E. H. Lever, which has been circulated with the report and accounts:

We are again greatly indebted to the management, staff and workpeople for their excellent work during the year, resulting, as it did, in the best results the company has ever shown.

The balance of the trading accounts shows an increase of £1,288,882; this figure includes extraneous profits which increased by £420,565. The other main factors contributing to the good results were good outputs and good markets. As already mentioned, the results constitute a record. Taxation, however, took a heavier toll in a year in which expenditure on development was also heavy. Nevertheless, the financial position of the group remains strong.

While the results were highly satisfactory, the year was a very difficult one. It opened with some decline in demand, but a strong sellers' market quickly developed due to war in the East and to the announcement of the rearmament programme. Coincident with increased demand came acute shortages in raw materials, although these did not affect our production to any material extent prior to March 31st last. These shortages have, however, persisted since that date, and your group, in common with others in the industry, have found it necessary to close works. In our West Wales Section, Bryngwyn Steelworks, and Landore Steelworks have already been closed and Whitford Sheetworks is about to close.

IMPROVEMENTS AND MAINTENANCE

Very good progress has been made with our schemes of modernisation and some of our new operating units came into production during the past year. Our expenditure on capital account during the year amounted to over £3,000,000. All operating works have been maintained in good order.

Considerable progress has been made in the development programme of The Steel Company of Wales Limited. The slabbing mill started to operate in December, 1950, the hot strip mill last month, and it is hoped that the sheet cold reduction mill will start up in August next. The trading results of The Steel Company of Wales were again satisfactory.

With regard to the valuation of our collieries and ancillary undertakings under the Coal Industry Nationalisation Act, 1946, progress continues to be slow. We are disappointed that negotiations to bring about an early settlement by agreement amongst owners in each district have not made the headway that had been hoped. It now seems that in most districts recourse will have to be had to the slower procedure under the above-mentioned act.

In the vital fields of research and education your board and management have had the position constantly under review. Existing practices and methods have been closely studied and changes have been made from time to time when they were manifestly justified and necessary.

In these and in the allied field of management-men relationships, I am satisfied that the company has a record of which it may well be proud.

WHITEHALL ELECTRIC INVESTMENTS LIMITED

The following is a summary of the report of the directors for the year ended December 31, 1950, which was submitted at the twenty-ninth annual general meeting held at Winchester House, London, E.C.2, on August 15th:

The consolidated gross income amounts to £148,893.

The valuation of the assets, excluding the London premium, on U.S. investments, is as follows:—

$6 preference stock of American & Foreign Power, £1,101,100.

Other investments at market prices, £2,534,353.

Unquoted investments, £664,505.

Gilt-edged investments and net floating assets, £867,313. Total £5,167,271.

Deduct minority interests, £223,950, leaving attributable to the company, excluding any valuation of Athens £4,943,321.

The trend of earnings of American and Foreign Power has continued upwards and the outlook is for continued improvement in the exchange situation and corresponding increases in the remittances of interest and dividends. A further capital reorganisation plan was filed with the Securities Exchange Commission in January of this year.

In Athens the electricity company brought additional generating plant into commission during 1950 and sales increased from 384,000,000 kWh to 451,000,000 kWh, but the transport company experienced a further reduction in the number of its passengers, owing to intensified competition by individual bus operators. The revenues of both companies have benefited from adjustments in their rates but in the absence of exchange remittances the improved results in local currency have not led to any return upon the investment. The further extension of the electricity undertaking to meet the constantly heavier requirements for electricity supply, calls for the provision of large amounts of new capital. These are being sought in accordance with the recognised procedure from the proceeds of aid under the control of the Economic Co-operation Administration.

The annual general meeting at which the report and accounts were adopted and the retiring directors re-elected was followed by meetings in connection with the proposed scheme of arrangement for the partial repayment of capital. At these meetings the scheme of arrangement was approved and special resolutions passed in connection with the reduction of capital.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY, LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of The Rhodesia Broken Hill Development Company, Limited, was held on August 8, 1951, at Kitwe, Northern Rhodesia, Mr H. F. Oppenheimer, a director of the company, presiding.

The statement by the chairman was circulated with the directors' report and accounts for the year ended December 31, 1950, and published in the press.

At the meeting Mr H. F. Oppenheimer added the following supplementary remarks:—

This is the first annual general meeting which has been held since the removal of control of your company to Northern Rhodesia. In the statement by the chairman which accompanied the annual report and accounts reasons were given for this change. I would like to add to what was said then about the transfer of control to Northern Rhodesia of this and other important companies operating in this territory that in our opinion the change is of importance in a wider sense than merely facilitating the administration of the company or in the lightening of its tax burden.

Rhodesia has advanced a very long way both economically and in national consciousness since these companies were incorporated and we believe that the time is passing if it has not already passed when the major industries can properly be controlled from outside the country and we hope and believe on the analogy of what has happened in the Union of South Africa and elsewhere that an increasing part of the share capital of these mining companies will come to be held in Rhodesia itself so that the mining industry which is already the mainstay of the economy of this territory will become in every respect a national industry.

It seems to us to be of special importance in view of the proposals that have been put forward for closer association between Northern and Southern Rhodesia and Nyasaland. It would obviously be out of place for me to express any opinion on the particular proposals which have been made but I think I can say that any scheme for closer association generally accepted in the territories concerned will be welcomed by and will receive the full support of the mining industry.

The report and accounts were adopted.

The payment of the dividend was approved and the retiring directors were re-elected.

NCHANGA CONSOLIDATED COPPER MINES LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of Nchanga Consolidated Copper Mines Limited was held on August 8, 1951, at Kitwe, Northern Rhodesia, Mr H. F. Oppenheimer, a director of the company, presiding.

The statement by the chairman was circulated with the directors' report and accounts for the year ended March 31, 1951, and published in the press.

At the meeting, Mr H. F. Oppenheimer added the following supplementary remarks:

This is the first annual general meeting which has been held since the removal of control of your company to Northern Rhodesia. In the statement by the chairman, which accompanied the annual report and accounts, reasons were given for this change. I would like to add to what was said then about the transfer of control to Northern Rhodesia of this and other important companies operating in this territory, that in our opinion the change is of importance in a wider sense than merely facilitating the administration of the company or in the lightening of its tax burden.

Rhodesia has advanced a very long way both economically and in national consciousness since these companies were incorporated, and we believe that the time is passing, if it has not already passed, when the major industries can properly be controlled from outside the country and we hope and believe, on the analogy of what has happened in the Union of South Africa and elsewhere, that an increasing part of the share capital of these mining companies will come to be held in Rhodesia itself so that the mining industry, which is already the mainstay of the economy of this territory, will become in every respect a national industry.

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The report and accounts were adopted.

The payment of the dividend was approved and the retiring directors were re-elected. In addition Mr H. Rissik was appointed a director of the company.

A. LEWIS AND COMPANY (Westminster) LIMITED

MULTIPLE TOBACCONISTS

The twenty-second annual general meeting of the Company is to be held on August 30th and the following are extracts from the chairman's statement circulated with the accounts for the year ended March 31, 1951.

The consolidated trading profit amounts to £225,445, which is £29,000 less than the previous year. The main reason for the fall is the increased cost of wages. After providing £102,781 for taxation the net profit is £77,045, a decline, of about £18,000. The directors are recommending a final dividend of 30 per cent., making a total of 45 per cent. on the £250,000 of ordinary capital.

Since April, 1950, we have added twenty branches, of which nine were established businesses and eleven new ventures; and we also completely refitted and modernised nine of our older branches.

While I have remarked that the decline in profit was mainly due to the increased cost of wages, I must point out that costs of all sorts have been continually increasing for some years past, and that we were able to take them in our stride because our turnover was increasing also. This year, however, we noticed a slight tendency for the consumption of tobacco to fall. This did not surprise us, as the continual rise in the cost of living means that people have got to cut down somewhere; but it did surprise us when the Government sought to push the blame for the increased cost of living on to the unfortunate shopkeeper and threatened legislation against price maintenance. It may also surprise you, as owners of this Company, to know just how little you really get out of it all. (In the full statement figures are given showing that a 3s. 6d. packet of cigarettes costs us 3s. 2d., of which 2s. 9½d. is duty, leaving after all charges, a net profit of ½d., and tobacco at 4s. per ounce costs us 3s. 9d., of which 3s. 6d. is duty, making a loss of ½d.) How any legislation against price maintenance could reduce the price of pipe tobacco it is difficult to see; but it is said that a smoker should be able to change his tobacconist and find one who will take less than ½d. out of 20 cigarettes. It could surely be simpler to change the Government and get one which will take less than 2s. 9½d.

The rate of Tobacco Duty holds the whole clue to the future of your Company. It was 9s. 6d. per lb. in 1939, and today it is 58s. 2d. The public has stood for it so far, and we have been able to build up a successful business. Since the duty provides over £600 million a year to the State, we can only assume that no Government will defy the law of diminishing returns by maintaining the duty too high for too long.

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By Order of the Board,
N. W. Chisholm.
Deputy General Manager.

26, Bishopsgate, London, E.C.2. August 14, 1951.

BRADFORD EDUCATION COMMITTEE
TECHNICAL COLLEGE, BRADFORD

Applications are invited for appointment as Lecturer in the Department of Economics in the College. The Lecturer should have qualifications in Economics (including Government). Ability to offer Law as a subsidiary subject will be an advantage.

The salary will range from £900 to £1,000 per annum.

Further particulars of the appointment and forms of application may be obtained from the Director of Education, Town Hall, Bradford, and completed forms should be returned to the Principal of the College as soon as possible.

A. SPALDING, Director of Education.

EXECUTIVE POST: SCIENCE GRADUATE. A large and well-known food manufacturing company in the Greater London area requires a graduate in chemistry to train for an important executive position in its production division. While technical qualifications for the post are essential, the company is looking equally for a man who has, or can develop, administrative ability. An intensive and well-planned course of training (6-9 months) will be given to the successful candidate to equip him for management responsibilities. From then on the opportunities for promotion are excellent. The appointment carries a starting salary of from £500 to £750 per annum according to qualification, together with non-contributory pension, life assurance and sickness benefits.

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THE Board of the School of Planning and Research for Regional Development invites applications for the post of Principal. The applicants should be conversant with the principles of practice of Town and Country Planning and be familiar with recent trends in planning education. Qualifications in the economic and sociological fields will be considered equally with technique and design. He should have a broad and constructive outlook and be able to undertake original investigations. He will be expected to undertake work in his particular subject outside his academic duties. Further particulars may be obtained from the Secretary, School of Planning, 34, Gordon Square, London, W.C.1 Closing date for applications September 30, 1951.

ULSTERMAN (21), good education, including two years' university, knowledge of economics, French, etc., seeks position with industrial or commercial concern, preferably one having branches abroad, where transfer might eventually be possible.—Apply, Box 721.

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Nothing But Folly

THE Anglo-Persian oil negotiations have broken down. When Mr Stokes's proposals for doing business were met with a wealth of answers that did not match, he sensibly confined them to a single essential point: was it the Persian intention to retain the services of British technicians? If so, the only condition in which qualified men would work for the National Iranian Oil Company was under British management. This the Persians refused to countenance. Mr Stokes therefore returned to London.

It is now clear that the mission never had a chance of success. The only comforts that can be drawn from its failure are that Mr Stokes conducted it well, and that it has revealed to all the world—and particularly to the Americans—the difficulty of dealing with nationalists who rate slogans as more important than domestic security or prosperity. It is now perfectly clear that no acceptable bargain can be struck with Dr Mossadegh's government—or, indeed, with any Persian government that is in sight. For the time being, Persian oil must be written off. Talk of reopening negotiations is perfectly futile, and therefore harmful. It is to be hoped that this is as clearly understood, now, in Washington as in London.

But if negotiation is useless, what follows? It goes without saying that the British case must be pressed at The Hague, in order to establish that what the Persians are doing is illegal. And when that has been done, the important thing will be to demonstrate to the Persians that felony does not pay—not, indeed, for the purpose of punishing the Persians, but of providing an object lesson for others who may be feeling the same temptation. It will be said that this will produce economic chaos, which can only play into Russia's hands. So it may; but there is going to be economic chaos in any case, and there is nothing to be lost by showing that it is the direct result of the oil expropriation.

What, within this pattern, should be done at Abadan? One possible course is to seize the refinery by force and work it on crude oil from other sources. The disadvantages of this are that it would be likely to be frustrated by labour troubles on the spot and that it would lead Britain into impossible complications with the Americans and the United Nations. The other clear-cut solution would be to withdraw all British subjects in a body, so as to make it quite clear that what happens hereafter is entirely the Persians' own doing. The British Government then could declare—as it hardly could so long as any British staff remained on the spot—that it would regard any oil coming out of Abadan as stolen property. The middle course between these two extremes would be to leave at Abadan as many civilians as can be persuaded to stay, partly in order to be able to say that there was no withdrawal, and partly in the almost certainly vain hope that something may after all be patched up. The middle course is not always the right one; in this case, it would simply confuse the issues once again. It would be much better to be forthright: either to use force, or else to leave the Persians unequivocally to stew in their own oil.

Party of Privilege

IT is time to start thinking what, after six years of war and six years of opposition, a Conservative government will be like. If there had been a general election last week about 130 seats would probably have changed hands and a Conservative government would now be installed with an overwhelming majority in Parliament. This is the straightforward deduction from the Gallup poll's latest findings on the state of public opinion, which were published by the *News Chronicle* on Monday. The full interpretation of the figures is not, of course, so straightforward. The poll reports how people think they would vote if there were an election tomorrow ; the practical political question is always how they would vote in a month's time, if Parliament were dissolved tomorrow. People change their minds, and some only make up their minds at all, during an election campaign. But after every reasonable qualification, the fact of the Government's unpopularity remains—and makes it very likely that whenever they are given the chance the electors will turn Labour out.

It is true that Labour was equally unpopular once before, in February, and made a considerable recovery in the early summer. But shortages of fuel and meat provided plenty of reasons for unpopularity in February. That the Government's popular support should have sunk back to the same level now, at the height of the holidays and without any great disaster or discomfort, is much more significant. The Conservatives can be pretty confident of getting their opportunity to show how they can run the welfare state.

They may still, of course, have to wait some time before Mr Attlee decides or is forced to give them the opportunity. In the meantime, there are two important conclusions to be drawn from the present state of opinion. The first is that the class war no longer wins votes in Britain. Mr Gaitskell's attack on dividends plainly has not impressed or pleased anyone who is not already a staunch Labour supporter. The middle voter is not so simple-minded as to believe that capitalist profiteers are to blame for high prices. The Gallup poll's probing into public attitudes may not prove much in detail, but the general drift is significant. The majority of people seem to see the ways to better living in lower Government expenditure, hard work and more competition. They now have little faith in controls and subsidies, still less in nationalisation. If on these points the Government makes further concessions to the views of Mr Bevan or of the TUC, it will not be earning popularity but drifting farther away from the trend of public thinking.

The second conclusion is that it is the politicians, not the voters, who have been debased by ten years of welfare politics. The electorate still dislikes weakness ; in difficult times it looks for firm action from its leaders. The Government could hardly have lost so much support if people thought Mr Gaitskell's policy an adequate response to the trade deficit and the fuel shortage. The swing in opinion demonstrates once again a truth that is not less evident because politicians are generally too timid to believe the evidence. The popularity of a government depends on facing up to its difficulties, even if toes get stepped on in the process. In a crisis the British people will respond, now as in the past, to firm leadership, provided it is honest. They do not expect to be soothed and left alone.

The Labour party is too tied to its preconceived notions for anyone to hope that it will take the lessons of the past month to heart. The Conservative party has no excuse for ignoring them. In the near future it will have to make up its mind on a policy. Recent ruminations may be expressed in a pre-election statement of Tory principles, but that is much the less important part of what is needed. The Tories will win an election not on the strength of what they say but because of what Labour has failed to do. They need a policy not in order to gain votes but in order to govern when they have gained them. They will come to power in difficult times, if not at the height of an economic crisis. After so long—and, for most, unaccustomed—a period of opposition, their leaders will have many emotional readjustments to make. If they are not to be as timid and confused as Labour they must know quite well what they want to do and how to do it.

*

The obstacle to a firm Conservative policy is the party's past. Because its reputation is that of a party of wealth and privilege, it has self-consciously to study all the time to behave as a party of the common man. Although its leaders know that a sound economic policy must impose some sacrifices, they are under constant pressure to fall over backwards rather than do anything that seems unpopular. The reason why so much attention has been paid to Mr David Eccles's speech three weeks ago is that it pointed to a way out of this dilemma. Mr Eccles sought to present the Tories as a party not of wealth but of the creators of wealth, as a party not for those who are made in life but for those who are on their way up. It cares for private property, the argument runs, not as a privilege for the few but as a reward for talent, initiative and hard work.

This is an important and, as far as it goes, a valid conception. The weakness is that it recognises only half of the dilemma. The Tories are a party of privilege in two senses. The party is older than universal suffrage and the welfare state. It existed when all politics were to a large extent the politics of wealth and privilege. There is nothing to be ashamed of in such historical roots ; they are in no way incompatible with the role in which Mr Eccles would now cast the Conservatives. But there is a second aspect of their association with privilege. Within the old ruling class, the Conservatives were the party of the landed interest against the trader, the party of privilege against the new wealth—against the creators of wealth in Mr Eccles's sense. What he is asking of his party is much more than that it should make a natural transition ; he is asking it to revolt against its tradition. It is true, of course, that the conflict of the nineteenth century is long dead, that Conservatism is now much more the doctrine of the businessman than of the heir to great estates. But the transition occurred because business, not the Conservative party, changed its spots. British capitalism lost its nineteenth-century spring, it became restriction-minded and protectionist. Conservatism has never in the past been the doctrine of the vigorous, expanding capitalism that Mr Eccles now wants his party to foster. It has been no more the party for the creators of wealth, for the men on the way up, than has the Labour party. Mr Eccles asks it, in economic policy at least, to deny its past. What he wants to graft on to modern Conservatism is not something new but the inheritance of its old enemy, nineteenth-century Liberalism.

The findings of the Gallup poll suggest that this objective is politically shrewd as well as praiseworthy. The British people show no signs of being so imbued with the doctrine of equal shares that they resent a frank recognition of wealth as the legitimate reward of initiative and talent. What they rejected in 1945 was not the acquisitive society. It was a capitalism that had become inefficient in acquisition, that had so lost its own character as to weight the scales against venture capital and in favour of the privilege of the established monopolist, a capitalism that had replaced the expansion of production at lower prices by mass unemployment. If the Conservatives will really make themselves the party of a vigorous, dynamic capitalism, which can provide a rising standard of living and thereby make the burdens of the welfare state easily supportable, then their future as a popular party is assured. The "active producers of wealth" will get their rewards with the blessing of the British public. The Conservative party will not only get into office on the strength of Labour's failures but will know what it is doing when it gets there.

But is the revolution in Conservative thinking possible ? In opposition, indeed, the party has shown considerable flexibility. What no one knows is how deep the new liberal-mindedness really runs. If the Conservative leaders are honest with themselves, they will apply two simple tests before they start to pay lip-service to Mr Eccles's doctrine. Would a Conservative government have the courage sharply to reduce the higher rates of surtax on earned incomes, and at the same time to raise the duty on large inheritances of wealth ? That would be the logical policy for a party rejecting privilege but welcoming wealth as the legitimate reward of individual ability. But how many of the Conservative party's most devoted—and generous—supporters would be offended by it ? The second test perhaps cuts even deeper. Would a Conservative government really try to break up monopolies and price-fixing associations, and re-enthrone real competition—the sort of competition that gets results because it is not afraid to hurt? That is the necessary policy for a capitalism of opportunity, but, again, it is the leaders of the price rings who are among the party's most active supporters.

Everyone knows that these pressures towards privilege still survive within the Conservative party. Its leaders cannot try to assume them away. Nothing would be more welcome, or make the future of the Conservative party brighter, than to know that they have been overcome. But the independent voter will want practical evidence before he believes it. If the Conservative leaders are not confident of passing these two tests, they will deceive only themselves, and confuse their own policy when in power, by pretending that they are the new liberals.

Congressional Battle Axe

THERE comes shortly before the American Senate a measure—the Battle Bill—that calls for some protest on principle from this side of the Atlantic and some reminder to Congressmen of the facts of economic life outside their own country. Its purpose in a nutshell is this: countries receiving American assistance are threatened with the loss of it if they do not come into line with the United States' policy of applying economic pressure to the Communist world. That, at least, is what the Bill says ; and wide powers to influence the trade policies of America's allies will be placed in the hands of a Washington official, to be known as the Mutual Defence Assistance Officer. In practice he may well turn out to be a very reasonable person and his recommendations will have to be approved and carried out by the President himself ; indeed, some governments may have to make little or no change in the policies they are already applying to trade with Communist countries. But the fact remains that Washington is to assume within the next three months a right of veto against its allies, that a foreign policy decision of high importance to the free world is being taken unilaterally, and that the working of the Battle Act is liable to cause much friction between friends.

There are, however, some things to be said in favour of the Bill, which has already passed the House of Representatives and will doubtless pass the Senate. Some of those who support it are doing so with the excellent intention of frustrating the far more drastic plans of Senator Kem, who would deny every kind of aid to a government exporting to Communist countries anything that could possibly be described as of strategic value. The allies of the United States may console themselves with the thought that things might be worse, that they might have been forced into the position of deliberately refusing American aid rather than accept the conditions attached to it. It can also be said that it is better to have the whole matter finally set down in the black and white of a Bill than that trading policies should be month in and month out at the mercy of Kem amendments. If the Republican vendetta against the State Department must go to such lengths, this is as good a method as any to protect the allies of the United States from the full fury of its politicians. For the Battle Bill leaves room for administration in a generous and realistic spirit.

The chances of that happening are best seen by examining the duties of the Mutual Defence Assistance Officer, who will henceforth be called Mr X. His first duty will be to make sure that countries receiving American military, economic or financial assistance do not send to

> any nation or combination of nations threatening the security of the United States, including the USSR and all countries under its domination . . . arms, ammunition, implements of war, atomic materials, petroleum, transportation materials of strategic value . . . and those items of primary strategic significance used in the production of arms, ammunition and implements of war.

Thirty days after the Battle Bill is enacted Mr X will have ready his list of what goods come under these

headings and pass it on to countries receiving aid. Much of the list has, fortunately, been agreed already. During the following sixty days governments will prepare and send to Washington the facts and arguments on which they base their claims to be protected from the Battle axe. At the end of that period Mr X will recommend to the President the exemptions which he considers justified and the penalties to be applied to those countries which have failed to make a case and yet go on exporting to Communist countries goods that are on his black list. In making his decisions the President will take into account some or all of the following points: that arms are not reaching Communist states from the country in question and that its controls on the export of strategic materials are adequate ; that it is making its full contribution to "the mutual security of the free world" ; that American security will benefit by continuing aid to it ; and that the imports received from Communist sources by the exporting country are of "strategic importance."

There is clearly plenty of room left here for the use of discretion and common sense ; the British Government should come well out of all these tests. If it seems unfair, even exasperating, that doubts should be cast on an allied government's good faith and ability to look after the common strategic interests, the answer presumably is that it is also exasperating to Congressmen to feel that there is the slightest risk of the American taxpayer's money benefiting the enemy in the cold war. If the conditions now to be attached to their aid by the Americans are unprecedented, so are the scope and generosity of their aid. That must not, in all fairness, be forgotten.

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But the real rub comes over goods other than war materials. Section 201 of the Bill declares it to be United States policy to regulate exports of commodities other than those already listed in order "to oppose and offset by non-military action acts which threaten the security of the United States and the peace of the world." Mr X is directed to "negotiate" with assisted countries programmes for controlling such exports. This, rigorously interpreted, would be tantamount to organising economic warfare under the direction of a single official in Washington. Mr X may have the best intentions, and he is bound to consult with the State and Defence Departments as well as with the Economic Co-operation Administration. But, like any other Washington official, he will be exposed to political pressures whenever he has to recommend decisions on such matters as Russian purchases of sterling rubber. Senator Kem, for example, regards as a "shameful business" the export by Britain to the Soviet Union of machine tools, electrical generating sets and other equipment, small though the deliveries are ; he objects also to Italian exports of ball and roller bearings worth some $1,100,000 to countries behind the iron curtain. But he appears to approve of Norway's exports of aluminium to Poland and the Soviet Union because it gets manganese and coal in exchange. It is difficult to understand his standards of judgement.

It is not difficult to guess with what kind of exports Mr X will be chiefly concerned: machinery of all kinds ; rubber, tin and copper ; tankers and cargo ships ; industrial diamonds ; ball bearings and machine tools. Nor is it difficult to guess with what imports from Communist countries he will be concerned: coal, timber, food, grain and other consumption goods which in Europe are in short supply. Merely to mention the nature of these exchanges is to show how immensely complicated will be the decisions thrust on one man. Even if his recommendations eventually leave matters very much as they are, there are already signs that the Russians and their satellites will take a stiffer attitude over their future deliveries ; for the Battle Bill is casting its shadow before. From now on every east-west trade deal will be conducted in an atmosphere of uncertainty and awareness that Mr X is watching at the bottle-neck in Washington.

At this stage an American may ask: If the Battle Bill is likely to leave exchanges with the Communist world very much what they are now, thanks to the discretionary powers left to the President, what is all the fuss about ? The fuss is, and will remain, about three points. The first is that this method of bringing pressure to bear on allies is novel and highly distasteful. American assistance to allies has so far been characterised by trust, tact, generosity and a spirit of equal partnership in a great enterprise. The Battle Bill infringes that spirit. If nothing had been done already, by free agreement, to deny war materials to Communist countries much of this could be justified as an act of righteous indignation. But in fact a great deal has been done, and the back of the job has been broken already by joint action and consultation with allies in a body known as the Paris Committee. The Battle Bill implies either that America's allies are disloyal or that they are incapable of deciding for themselves what is the balance of gain and loss in their exchanges with the Communist countries—in short, that they are either fools or rascals.

The second point is that it is by no means self-evident that the time has now come for economic warfare *à outrance* against the Communist states. As Sir Hartley Shawcross said last week, this should be a matter "of high international policy" ; he might have added, "to be settled in consultation between allies." In the present state of the cold war, trade with countries behind the iron curtain may be a source of strength to the west and to stop that trade may be a cause of weakness ; a national government must reserve the right to cast the balance and take its own decisions about its own trade, even though it should listen to the views of its allies.

The third point is that a rigid interpretation of the Battle Act can only cause friction and suspicion between the allies—friction and suspicion of the kind that the Communists foment by every means in their power. At this moment they are drumming out hard their appeals for more trade with the free world, and the Russians have sent the head of their trade treaty department to discuss prospects of east-west trade under the auspices of the Economic Commission for Europe. Quite apart from the fact that they are playing from a hand that is said to hold a good harvest, they know quite well that the Americans in the past have urged on Western Europe the need to increase its trade with the east as a way of relieving the dollar difficulties that are now reappearing. (The practical possibilities of east-west trade will be discussed in a subsequent article).

Against all this there is the fact, which will seem decisive to many Americans, that they are giving free aid to their allies. He who pays the piper can surely call the tune ; and if America's allies wish to be treated on a basis of strict equality, let them provide some aid to America. It is as well to speak perfectly plainly about this. There is no doubt at all that Congress has the indefeasible right to pass as many Battle Bills and Kem Amendments as it wishes ; there is no court of law which can grant an injunction, and no grounds on which diplomatic protests can be based. If Congress wishes to convert the present alliance into a relationship of patron and clients, it is perfectly free to do so. But Congressmen should be put upon notice that, if that is their choice, they will finish up with many fewer clients, and much less reliable ones, than they now have allies. If the Battle Bill is moderately administered, most countries may swallow it, for the moment. But it will become a powerful reason, in the minds of all of them, for breaking away at the earliest possible moment from a relationship which it would have made injurious to self-respect. It is always a sound rule, when dealing with people of another country, not to assume that they have less pride and patriotism than one has oneself, and it would be a good test for Congressmen to apply, as they consider the Battle Bill, to ask themselves whether they would accept it, if the rules were reversed, even as the price of aid received.

It is clearly too late to prevent the Battle Bill going through in some form, but it may not be altogether too late for its form to be altered. The objection, to repeat, is not to the action that is likely to be taken under it, but to the principle of unilateral and dictatorial action. Is it quite impossible to amend it so that the penalties are imposed, not by a unilateral American decision, but by a decision of an international body—say, the North Atlantic Council ? By such an alteration America would gain, in practice, everything that the Battle Bill will achieve, but the all-important spirit of the alliance of the free world would be preserved.

The Deal with Franco

UNDER American pressure, the unreality of relations with Spain is becoming another casualty of the cold war. As the pace quickens in this vast struggle, the voice of the United States becomes more and more insistent in the conduct of western affairs. What the British had several generations to learn in their era, the Americans have learnt and are learning in less than one. And in assuming and conducting the leadership of the free world at such brief notice, they are inevitably applying to these immense new problems some of the methods whereby they themselves built up the modern United States, in which energy and directness are more evident than delicate perception of other people's feelings. But if the Battle Bill is an example of the blunders into which this habit can lead American policy, the case of Spain may be a more favourable example of the way in which it can refuse to let positive action be impeded by the legacy of the past. Until recently, the State Department, for reasons of world politics, resisted the pressure of the friends of Spain. But it has been converted, and it is Mr Acheson himself who stated the new policy in the simplest terms on July 19th when he said of the late Admiral Sherman's visit to Madrid:—

> Military authorities are in general agreement that Spain is of strategic importance to the general defence of Western Europe. . . . We have been talking with the British and French governments for many months about the possible role of Spain. . . . We have not been able to find a common position on this subject, for reasons of which we are aware and understand. However, for . . . strategic reasons . . . the United States has initiated these exploratory conversations.

Decisions such as this are still national decisions as opposed to something which commits the whole free alliance. The countries of Western Europe are not being asked to join in the new policy if they do not like it ; but American policy is now clearly on the road to making an ally out of Spain on the basis of mutual help. The questions which matter are no longer whether this is a good thing, but what it will cost and how effective it will be. Both are considerations which depend as much on the needs and attitudes of the Spaniards as on the wishes and intentions of the Americans. Broadly, the anticipated basis of an exchange between Washington and Madrid is the use of Spanish naval and air bases in return for support of the Spanish economy and for limited supplies of American military equipment and know-how. The precise terms of any such deal have not yet been fully settled and General Franco may still be expected to try to drive a hard bargain. In reality, the cost and effectiveness of the deal must depend largely on the state of the Spanish economy and on its ability to subsist without giving grounds for violent upheaval.

This is not easy to determine, since the Spaniards have a great capacity for enduring hardship and, owing to droughts and world shortages, Spain has scarcely had what might be called a normal year since the end of the civil war in 1939. Certain leading facts stand out, however. In general, Spain is better off this year than it has been for some time, owing to a higher rainfall. There has been a wheat crop perhaps 30 per cent above last year's, which was in turn better than that of 1949 ; it may now exceed 4,000,000 tons and just enable Madrid to avoid importing grain next spring—this year's allocation from the International Wheat Council was 100,000 metric tons. The current olive, sugar beet and potato crops are also expected to be good. For industry, there is a very much better supply of electric power than has been usual of late ; the reservoirs are 75 per cent full, which is good for the time of year. These improvements, nevertheless, are relative. Spain is a poor country, with a heavy backlog of capital development and renovation held up for lack of foreign exchange, with a dangerous degree of inflation, with deficits last year in its budget and overseas balance of payments (if the shipment of gold as collateral for a private dollar loan is taken out of the accounts), and with a level of agricultural production still well below that prevailing before the civil war began in 1936.

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Madrid's official economic interest appears to lie primarily in industrial rather than agricultural development. In spite of a farm colonisation programme, only about one per cent of the budget and very little foreign exchange was devoted to agricultural improvement last year. There is, however, a patent and laudable desire to do away with some of the onerous controls over the production, transport and marketing of food, as soon as supplies permit ; an important step towards internal liberalisation has been the creation of a free market in wheat. In industry, the general index of production,

including mines, is standing about 25 per cent above the level for 1929, and last year activity was the highest on record. This has been achieved in spite of a great shortage of electric power, of lack of adequate raw materials such as cotton for the mills of Catalonia, and of a low labour productivity owing to much dissatisfaction among the workers. It demonstrates both the potential improvement which a relatively small dose of foreign aid might produce and the fact that, although the present government is doing what it can to build up industrial capacity, Spain's achievements stand a long way behind those of its neighbours.

During the past two years Madrid has tried with considerable success to redress Spain's adverse balance of payments. This rose each year after the world war to 340.5 million gold pesetas in 1948. Last year it was reduced to 2,200,000, but by cutting imports rather than by expanding exports. In addition, owing to Spain's exclusion from OEEC and the European Payments Union (EPU), exchange difficulties have dictated more rather than less bilateralism in foreign trade; at the same time, while Britain is the biggest buyer of Spanish exports, the United States replaced it last year as the main source of imports. A good deal has been done to promote more efficient export, including allowing compensation accounts, giving individuals the right to retain a proportion of their exchange earnings and, a year ago, establishing a limited free exchange in Madrid designed to undercut the black market in the peseta.

Despot and Democrat

The work is going on. The harvest is fast ripening for the sickle. While the Princes of Germany are crushing civil rights by wholesale; while the Sovereigns of Italy are decimating patriots in detail; while the first are trampling out freedom by sweeping perjuries and national oppression, and the second by elaborate and studied cruelty to individuals; while the tender-hearted sigh over the suffering, and the good murmur at the wrong, and the just inveigh against the crime, there is a class of men who regard these proceedings with a stern and vindictive delight. The fettered revolutionist in his dungeon; the banished republican from his exile; the baffled demagogue from his hiding place; the man to whom political convulsion is a savage pleasure; the man to whom it is a sacred means—all are watching . . . the wild and brutal blundering of their triumphant foes, in the very extravagance of whose crimes they read the certain prophecy . . . of their own day of deliverance and retaliation. . . . The Red Republican chuckles with a fierce delight as he hears of crimes which make "his own transgressions whiten in their shade." The Socialist gloats over follies wilder and insaner than his own. The sober Patriot feels that the time is fast drawing on when scruples must be cast aside. The moderate Constitutionalist perceives that moderation for the future would be untimely, out of place, and suicidal;—that as the despots confound him with the lowest democrats in their indiscriminate hostility, so must he make common cause with the democrat in his future warfare. Every day now sees, throughout the whole of Europe, quiet liberals converted into uncompromising republicans, and steady conservatives passing over with undisguised reluctance into the ranks of the Movement. Each fresh iniquity that comes to light is a democrat the more—a royalist the less.

The Economist

August 23, 1851

On the other hand, although anxious for dollar help and agreeable in principle to the new investment of foreign capital, the Spaniards have moved cautiously in this respect. New foreign participation is in practice limited to 25 per cent of a firm's capital, foreign management is prohibited, and it has continued to be difficult to repatriate the dividends of existing foreign investments. Consequently, Spain has failed to attract money which it needs and might have had, both as foreign purchasing power and to supplement the limited internal capital market.

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It is against this economic background that, in September last year, the United States Congress voted the authorisation of $62.5 million for Spanish loans through the agency of the Export-Import Bank and that, now this month, specific new American military and economic missions are heading for Spain. Madrid has negotiated release of the existing loans only gradually, and the spending of some $30.5 million has now been arranged, mostly on agricultural requirements such as fertilisers and tractors with the last sum of $7,500,000 being reported as for the hard-pressed railways. Interest is at 3 per cent and the capital repayable in twenty-five years. An ECA mission is now to spend three months in Spain and is officially interested in studying means of increasing the output of Spain's agriculture and mines. It would be wrong, however, to expect the Spaniards easily to accept extensive commitments to repay foreign loans even in the distant future. They have a strict record of meeting government foreign debts and are very chary of increasing them. They will be bound to press for a large part of any substantial increase in aid to be made in the form of grants rather than loans.

The Americans accordingly still have a delicate and difficult task ahead of them in giving effective expression to last month's shift in their Spanish policy. Projects submitted by Madrid for the use of dollars already exceed the $62.5 million loan, and, while it seems likely that some of these may now be approved, aid to the extent of between $400 and $500 million would probably be needed to have much effect on the Spanish economy. If, on the other hand, most of any additional aid is to go on primarily military expenditure, this economic effect will be considerably reduced. There is, however, almost no question of having to prop up General Franco's economy on the argument that, if it is not propped up, it will collapse into Communism; in spite of their poverty, Spaniards take pride in the view that they are not as other—Marshall plan—nations are. As they see it, if anything is done, it will be done as a deal and in order to make a positive Spanish contribution to the struggle against Communism.

In this respect, all that America is doing is far more likely to redound to the ultimate benefit of the western world than to its disadvantage. There is a strong case to be made—as the British, French and Scandinavians make it—for saying that Nato cannot afford politically to cover General Franco's Spain during the phoney peacetime of a cold war. But if the Americans are prepared to use their own money, and to pay the price the Spaniards fix, in order to set in train at once some of the things which would be necessary—and might have to be brought about under much less favourable circumstances—in war, it seems illogical and unnecessary for their European allies to resent it.

Agenda for the Age of Inflation—II

(By a Correspondent)

THE preceding article set out fourteen separate reasons for believing that the upward trend of prices will continue for as far ahead as human wisdom can see. The argument, it should be emphasised, is not that prices will rise continually. There will, of course, be minor setbacks, lasting perhaps at longest two years. Peace in Korea might start such a setback. The abolition of resale price maintenance, or the liberalisation of foreign trade, might knock a point or two off the indices. But these would be once-for-all measures. The contention of this series of articles is that the long-run influences are all on the other side.

Britons are unused to long rises in prices. We have no social defences against them, no accounting devices to make them tolerable. We cannot really believe them to be normal; it "must" be possible to stop prices rising. It is not too much to say that as the axiom of parallels was to Euclid, the straightness of the path of light to Newton, or Say's Law to the classical economists, so is stable money to British accountants. All our accounting conventions and textbooks, our company law, our insurance practices and our investment habits, the very syllabuses of the professional examinations, rest on a nineteenth century base. We must, then, bow to the inevitable and create a whole "non-Euclidean" financial system. We have made our inflationary bed and we must lie on it: but we might as well be comfortable. Hitherto reforms have been piecemeal; we shall here glance briefly over the whole field, no doubt not without serious omissions.

(a) The replacement of fixed assets and of stock-in-trade must be freed of income tax. This is a question not of preserving the real value of company profits, but of defining them correctly, and making the incidence of the tax equitable between the companies with new assets and those with old ones. We may tax profits as heavily as we please, but we must calculate them net of replacement cost. Such a reform would also have the effect of keeping the capital value of equities intact, since the equity which represented at the foundation of the firm a certain machine would continue to represent that machine or its replacement, instead of representing an ever-diminishing part of it. This effect would, it is true, favour the owners of property; but it is surely no bad thing that *some* property should maintain its capital value, instead of none as at present. Very likely equities—or, to be precise, shares in investment trusts that hold only equities—would then become the obvious trustee security. A society which provides no trustee security for the care of widows and the maintenance of charities is simply failing in one of the more elementary amenities of a civilised community.

(b) We should tie *most* constituents of wages to *some* cost of living index. There is no need for absolutism here; to tie all wages rigidly to the cost of living would hinder movements in relative wage rates, whereas under this system much would be left open to negotiation. Again, the advantage to the government of the automatic fall in real wages as prices rise is in these warlike times very precious and should not be jettisoned altogether. The more moderate proposal would on the other hand avoid some strikes and much injustice to less organised workers. It would also preserve the essential minimum difference between skilled and unskilled, which flat-rate cost-of-living bonuses have tended to obliterate. It is too often forgotten that inflation has been a great equaliser of incomes *within* the wage earning group; indeed it seems that here more than anywhere else equalisation has gone too far.

(c) Salaries should be similarly treated, that is, tied to a cost of living index, but in such a way as slightly to lag behind it. It must be admitted that since 1939 inflation has caused a very wholesome equalisation of real incomes between classes, precisely because salaries have lagged behind wages. But from now on it is fair to assume that the hierarchy of real incomes is about right and should be preserved. Moreover, the stickiness of salaries under rising prices is far and away the chief cause of the unionisation of the salariat. But the introduction of the union spirit affects their morale, their efficiency and their sense of professional obligation. It is surely to be avoided.

(d) The same applies to social services and state pensions. There is most injustice of all when these lag badly behind prices.

(e) More controversial is the question of interest and capital in debentures and government bonds. Private enterprise and the nationalised industries should certainly be allowed to link debenture interest and capital to the cost of living if they wish. Indeed it is strange that this has not already been done; a debenture with the capital guaranteed in this way should logically be issuable at par, nay well over par, for zero per cent. Such bonds would provide another logical form of trustee security: indeed, with dividend limitation a more logical form. A flotation of dated bonds, bearing no interest but redeemable at par multiplied by the rise in the cost of living, could hardly fail to be a great success. There is an especially good case for doing the same for National Savings, which should become the poor man's equity. As it is, the poor suffer a far greater injustice in the capital market than the rich, for no small savings media offer any hedge against rising prices at all. Such measures would encourage savings and therefore be deflationary, not, as at first appears, inflationary.

(f) This raises the question of external debt. We shall not be able to go on repudiating our foreign debt for ever, though it is remarkable how the sterling area has so far held together in face of the perpetual depreciation of the sterling balances. One day—may it be long distant—our foreign creditors will all imitate Argentina and insist on a price index clause in trade agreements. We cannot in justice deny them this, and would benefit equally ourselves from the operation of such a clause on foreign currencies.

(g) The lower exemption limits of the income tax are at present fixed in money terms and seldom greatly altered. This gives an automatic buoyancy to the revenue and brings in yearly more victims. But it is

extremely expensive to collect small sums from large numbers, so this state of affairs should be reconsidered. Income tax is a very inefficient method of taxing the poor. It is also very wrong that the surtax limit of £2,000 should have been unchanged since before the war.

(h) Many fines, fees and charges are written into parliamentary statutes or the constitutions of the bodies that impose them, or are subject only to annual scrutiny. Thus the price of an oath is still 2s. 6d. as it was before the war, and many ecclesiastical fees have completely failed to react. Parliament or the bodies concerned should arrange for greater flexibility. If they do not, things will be as difficult for us as for ancient Rome. Aulus Gellius provides us with an awful warning against inflation:

> Don't you agree with me that the punishment for assault is a bit mild? "The fine for assault is 25 *asses*." For who is so poor that 25 *asses* will curb his bloodlust? Your friend Labeo in his *On the Twelve Tables of the Law* points out the absurdity: "L. Veratius," he says, "was a perfectly shameless character and thoroughly perverted in his tastes. He used to amuse himself by slapping free men across the mouth, and he had a slave following him with a purse full of *asses*; so that when he had slapped anyone he would order 25 *asses* to be counted out at once, according to the Twelve Tables."

To such a pass had rising prices brought the Roman Law, until the praetors adopted the solution we have here urged: they

> gave out that the law was obsolete and invalid, and declared that they would appoint arbiters to appraise damages. (Noctes Atticae, XX/1).

The lesson for ourselves is surely that the notices in railway trains, "Penalty for improper use, £5," should in future be made of wood, not metal.

(i) There should be a new basis for most kinds of insurance. At present the insurance contract is of the form "I pay the company a fixed sum annually, and when I die or retire or the untoward event happens, it pays me a fixed sum, which it hopes will be covered by my premiums." We should substitute where possible a contract of the form "I pay the company an annual premium increasing yearly with the cost of living and it promises me a sum that increases in the same way." By this method the company pays the claims of my predecessor out of what I currently pay in, and similarly my successors pay for me. By the present method all insurance is biased against the insured, who pay in good money to receive bad.

(j) Land and house rents should be treated at least as company profits in (a); there should be full and unconditional allowances for all rises in costs that have to be deducted before net rent is declared. For the rest, arrangements on the lines of (e) should be permitted, whether or not there are more radical reforms. Quite apart from this, owing to past price controls, rents need drastic upward revision. Rent tribunals should cease to regard historical cost as a fair basis for rent.

(k) If price controls have any useful purpose at all there is certainly no justification for prohibiting an automatic increase in prices with an increase in costs. No price, rent, wage or other ceiling should be issued in a statutory order unless it is automatically adjustable—with the same sort of lag as for wages—either by the suitable index or by some other arrangement. In this way the number of conferences and disputes and the volume of political pressure would be minimised, and no controlled price could become a ludicrous anomaly as have rents, while the braking effect of price controls on a general rise would be preserved. Price controls that get out of hand are the best possible way of making inflation more uncomfortable than it need be. No price control would be better than inflexible price control.

(l) A special kind of controlled price is that which the government, acting as a sole or predominant buyer, pays for some goods or service it itself requires. The government is constantly getting itself into difficulty by "setting a good example," or offering less than the price necessary to call for the quantities it needs. A gross case of this is teachers' salaries: the shortage of teachers in state schools is largely due to the government's exercise of disinflationary restraint at the teachers' expense. There is also the category of "headline" prices, or prices in the public eye. The chief of these are passenger fares, which cannot be changed without permission of some statutory tribunal and the maximum of general noise. They therefore invariably lag, and this imposes an entirely unjustified disadvantage upon the transport industry, especially the railways. The procedure for fare adjustment should be drastically hastened. Indeed much of it should be made automatic by some sliding scale.

(m) Like price controls, subsidies are essentially partial, and cannot operate everywhere. Unlike price controls they are of no use at all except in a finite period of inflation. But in the present period of indefinite, if not infinite, inflation they merely distort relative prices and constitute an evermore intolerable tax burden. There is no reason why subsidies should be a vested interest of the poor as we commonly suppose them to be. The burden of taxation upon the poor is much greater than the relief afforded them by subsidies.

(n) An increase in rates of interest is often advocated. While this might be a brake on the rate of rise in prices, it could hardly by itself outweigh the immense array of inflationary influences. It is ridiculous to suppose that any tolerable rate of interest would prevent aggregate demand from exceeding aggregate supply. We may hazard the guess that, unaccompanied by a wage and price stop, no Bank rate under 6 per cent would keep prices down; and this rate would have to be permanent. Above all, it is false that interest rates deflate painlessly. They deflate, as does any measure, by causing unemployment and taking money out of people's pockets. The distress of individuals is as great in this way as in any other. The demand, nay the absolute necessity, for output of all kinds is so great today that a volume of unemployment sufficient to keep down prices would not be tolerated on grounds of public policy, let alone grounds of humanity. But this is not to say that interest rates ought not to be higher for quite other reasons. Principally we need a high rate to enable us to dispense with rationing and controls in the capital market. There is also the remarkable fact that the "real" rate of interest on both short and long bonds is negative: that is to say that an investment which accumulates at 5 per cent compound loses purchasing power because prices rise by more than 5 per cent compound. It thus pays people to indebt themselves at fixed interest—if they can find a lender—merely in order to hold goods. This state of affairs is both irrational and inflationary.

(o) The trade cycle has now become an interesting feature of economic history. As it began in the eighteenth century, at a certain point of time, so also has it ended in the twentieth, at another point. The trade cycle was never inevitable at all, nor in any sense a law of nature. It was a feature of a certain type of economic organisation, now dead. Cycles there will be, but the old investment, employment and prices cycle, averaging nine years in length, has passed away. There will be slumps in individual commodities still, and possibly on the Stock Exchange; there will be temporary unemployment in particular trades, caused by shortages of raw materials. But the general level of prices will scarcely fall, nor will there be unemployment due to deflation. The problem of maintaining full employment is no longer that of ensuring markets, but of ensuring raw materials.

(p) The Acts governing the investment of trust funds should be altered so as to forbid the purchase of fixed interest securities. The enormous shift in the holdings of investors entailed by this would, of course, absolutely disorganise the capital market unless at least some action were taken to provide securities with interest varying in accordance with rises in prices. In the first instance the Government might convert a limited amount of its stock into special variable interest issues, linked to the cost of living, the opportunity to convert being offered only to trustees.

(To be concluded)

NOTES OF THE WEEK

Breakdown at Kaesong

The breakdown of the Korean armistice talks at Kaesong is one of the most ominous events since the end of the last war. It shows Communist determination to take a calculated risk of spreading the open fighting far beyond Korea; the evidence that the United Nations forces had violated the truce talks area by bombing will not stand up to examination for a moment—the United Nations observers are reported not to have been allowed even to see the supposed bomb craters in daylight, and the American Fifth Air Force has denied that any of its aircraft were over the district at the time. From the United Nations' point of view there was no reason why their negotiators should ever themselves have broken off the talks, since they want peace—on certain minimum terms—and there is no other way to get it.

It looks as if the Russians may have made a genuine error of judgment in assessing the UN's minimum terms, the kind of error which in some circumstances might risk starting a world war without either side making a positive decision to do so. It appears possible that, with Moscow making the running for a militarily discomfited Peking, Mr Malik originally put out his feelers for an armistice because certain American statements had led the Russians to believe that they could get a truce line along the 38th parallel. Hence the nailing of the Communist flag to that illusory and elusive mast. The facts, on the other hand, are that for months past the aim of the UN command has been to secure a militarily defensive rather than a political frontier; that, even when Mr Malik spoke, the UN forces were well north of the 38th parallel in the central and eastern sectors, and could hardly be expected to withdraw all the way to the parallel; and that, during the past few weeks, General Ridgway has wisely fortified a very rugged base line which swings north of the parallel as it goes east.

This has been a very critical period. The possibility of an armistice depended not only on a change in the Communist estimate of the situation, but on the Communists withdrawing claims to territory that they once held—which is something they have not done since the war. For Peking, of course, there is also the thought of losing face in eastern Asia, the failure to remove a dagger pointed at the heart of China—the Japanese showed how Korea could be used as a jumping-off point for invasion—and the impact of American power. But Chinese blood has flowed in Korea and it was the Chinese who wanted peace. The 38th parallel probably has less significance to them than to the Russians, and hopes had been aroused by the fact that Peking recently appeared to have taken over the running at Kaesong, since that might have meant that the claims to the parallel could be quietly dropped. Once they had been, genuine negotiation about an armistice line could have begun. As it is, in deciding to resume the fighting, the Communists have shown a grave lack of realism. So far as the military prospects can be foreseen, the eventual demarcation line is unlikely to be fixed any further south than the present battle-line, and it might be much further north.

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The Road to San Francisco

There is now some danger that signature of a Japanese peace treaty may be delayed after all. By accepting the formal American invitation to what had been intended as little more than a signing ceremony at San Francisco on September 4th, the Russians look as if they propose trying to reduce the meeting to the farce which has become usual at some of the international conferences that they attend. There have already been eleven months of intense negotiation for this treaty in which, by oral exchanges and in ten lengthy drafts of memoranda, the Soviet Union has had the same opportunity as everyone else to contribute to the present text. The final compromise text was circulated among the nations in July and the majority of those concerned in the Pacific war are understood to be in favour of it. Russia fought Japan for five days only. Everything must now be done, by ensuring watertight rules for the conference and by interpreting them with downright and courageous chairmanship, to see that Mr Gromyko does not filibuster for longer than the five days which the conference is scheduled to take. The choice of chairman will be most important and there is much to be said for the possibility that Mr Lester Pearson, the Canadian Minister for External Affairs, should preside.

If they are bent on making trouble by playing on the doubts and hesitations of Asian powers, there are many subjects that the Russians can raise. It is sadly true, for a start, that any peace treaty with Japan which is not signed by either Moscow or Peking is a dangerously second best. Then there are openly expressed objections in Asia to the liberality of the proposed treaty; there is fear about Japan's freedom to rearm and resentment at the way it is escaping reparations—a country like Burma will bear the scars of Japanese aggression for very many years. Perhaps the most serious Asian inhibition is also the least tangible. It is the feeling that the treaty may drag Japan behind the chariot wheels of a new Americanised western imperialism; American bases in Japan are quoted as examples of the trend. In Delhi, as a result, there are still grave heart-searchings as to whether India should attend the San Francisco conference at all or should try to sign a separate treaty.

In reality this treaty represents the best that can be secured in the present circumstances of world divisions and tension. It is high time that Japan's relations with the bulk of the world were put on a normal peacetime footing. Nearly fifty nations have now accepted invitations to the San Francisco conference, including Japan itself; it is to be presumed

that almost all have acted in good faith. Whatever the Kremlin's tactics, it should not be allowed to stop the legitimate processes of diplomacy at this stage.

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Convenient Martyrs

The fact that British Communists mean to launch a series of meetings to be addressed by young men who attended the Berlin Rally, and to make this campaign a special feature of their activity during the winter, puts into perspective the recent events in Austria, where many Berlin-bound youths were turned back. The keynote of these meetings will be not peace and goodwill, but anti-American hate propaganda, built around stories about brutal behaviour by United States soldiers at Saalfelden, the railway station where the travellers to Berlin were halted on their second attempt to get through.

The propagandists are already confusing two wholly separate issues: the general principle of freedom to travel—which Communist governments honour much more in the breach than in the observance—and the special responsibilities of the occupying powers in Germany and Austria. The fact that nearly a thousand young Britons travelled to Berlin by sea without let or hindrance will be conveniently forgotten, and attention will be concentrated on the "martyrs" whose passage through Austria was forbidden on the legally unassailable ground that they had not obtained the "grey cards" on which the Russians, not the western governments, have always insisted.

Speakers at Communist-sponsored meetings will presumably not explain why these pilgrims to Berlin rejected the short, comfortable and cheap sea route in favour of the expensive, complicated journey through occupied Austria; why their leaders failed to pass on to them the offers of help made by the British Consul at Innsbruck; or how it happened that threatening crowds of Austrian sympathisers appeared in the quiet little town of Saalfelden as soon as the trouble started. Nor will they explain that most, if not all, of those against whom force had to be used had already been turned back once and were attempting deliberately to flout what they knew to be the law.

There can therefore be very little doubt that the American authorities were within their rights in what they did. But that does not answer the allegations, supported by many witnesses, not all of them Communists or even connected in any way with the Berlin Rally, that what the Americans did at Saalfelden they did with quite unnecessary brutality. The American authorities in Austria would be well advised to conduct a thorough inquiry into the disturbing and circumstantial allegations that are being made against their military police and soldiers. To know the full truth can do nothing but good.

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TUC in Two Parts

The General Council of the TUC displays, in its annual report published this week, an alarming case of split personality. In bolder terms than Mr Gaitskell would now use, it says that the increase in defence expenditure "inevitably means some reduction in the standard of living of the community as a whole, either by higher taxes or by higher prices or by a combination of both. The Government . . . places the emphasis on a rise in prices rather than on a rise in taxes." The Council does not dissent from this policy, but has done what it can to make it ineffective. It admits the difficulties of price control, yet urges that there should be more. It recognises that it would have been impossibly expensive to stabilise the prices of basic necessities in the current year. It grants that subsidies benefit the rich as well as the poor; indeed, the absurd roundabout of subsidies was never more dizzily described than in the following sentence: "Apart from the direct cost of the increased subsidies the Chancellor would almost certainly find it necessary, in the interests of avoiding inflation, to mop up by taxation a bigger proportion of incomes, since if prices of subsidised goods were stabilised people would have more money to spend on other goods which, because of rearmament, are in short supply." Yet "as far as practicable" the Council has urged that subsidies should be raised.

The report recognises that a large increase in British costs and prices "could easily lead to the melting away of our gold and dollar reserves and the impossibility of maintaining adequate supplies of food and raw materials." It observes that these costs include wage costs. It points out, too, that "higher money incomes will not be accompanied by a rise in the volume of goods for sale" and "must be fully reflected by a rise in prices." And after all this, it states that "in the present situation trade unions must endeavour to maintain the real wages of their members by demanding wage increases." So the reduction in the standard of living, which it began by calling inevitable, is all to be at the expense of other people.

It is understandable that the TUC should take this view. The rank and file of the unions are not concerned with the intricacies of the economic situation, and their confidence in their leaders was weakened by the TUC's long, though confused, support of the wage freeze. But the TUC cannot be at the same time the mouthpiece of the unions and the economic advisory council to the Government—or more—which it claims to be. Indeed, the report implies that Mr Gaitskell's dividend control is just what the TUC ordered. But if it must behave in practice as the instrument of sectional interests, the TUC would be wise to recognise the fact and turn out its economists and statesmen, who will only bring conflict into its deliberations and contradictions into its annual reports.

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Controls and Consumption

The TUC's confusion is greatest in its attitude to price control. It thinks that "the present apparatus" of controls and taxes is "insufficient" to prevent wage increases from being fully offset by price increases. And since at this point the TUC has forgotten its belief that the standard of living must fall, and is seeking to increase real wages, more controls are desirable, in spite of their admitted defects.

But at least the TUC knows what it wants to achieve by price controls. Some of the Government's supporters have other ideas. A letter on page 445 appears to argue for controls because they will—if helped by rationing and allocation schemes—reduce consumption. The TUC and the Labour backbenchers would be horrified. Mr Worswick seems to confuse himself as well. There is none of the contradiction he alleges in recent articles in *The Economist*. Price control will divert, not reduce, expenditure and thereby it will increase consumption, since with the same monetary expenditure consumers will obtain more goods—if the price control is effective—than they could otherwise do. This increase in consumption is the main effect of price control; it is what the TUC and others want control for. Mr Worswick entirely ignores the primary effect in favour of speculation about the secondary and indirect effects. Among those he attaches most importance to the effect on consumers' expectations. If people stop expecting prices to rise they will consume less. When wages are rising the truth of this is doubtful, but the argument in any case assumes more faith in the efficacy of controls than the public now possesses. There are, of course, other—and conflicting—secondary effects of controls. Their net influence is highly uncertain, but it is most unlikely to compare in importance with the direct result of making money

go further and therefore drawing some resources from exports and rearmament to civilian consumption.

Mr Worswick complains that *The Economist* has not said whether it would like at this moment to scrap price and dividend controls altogether. That is disingenuous. The argument in these columns has always been that, while price controls may have a limited usefulness in conjunction with an effective disinflationary policy, they are no substitute for such a policy. To suppose otherwise is the real folly that experience since 1939 has amply demonstrated. Alone, controls will, in a situation like the present, do more harm than good; if the Government will not have disinflation it would be better not to have the controls. The attitude of *The Economist* to the statutory control of dividends has been made equally plain. Such a measure is bad economics at all times; and when wages are not controlled it is also bad ethics. The way to prevent too much money getting into the hands of shareholders is by disinflation.

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Nationalisation in Patches

At the annual conference of the Confederation of Shipbuilding and Engineering Unions last week the executive council produced the "*Plan for Engineering*" that it was asked to draw up by the conference of 1949. Mr Jack Tanner introduced it in a somewhat defensive spirit. The plan would show the Government that "the confederation does not believe that there has been too much nationalisation, but in fact that there has not been enough."

In fact, however, nationalisation is advocated for only a part of the industry. The council could not have done less, for it had been instructed to determine "which sections are appropriate for nationalisation," not whether any of them are. The planners regarded four circumstances as indicating fitness for nationalisation: great economic importance to the nation, a high degree of monopoly interest, a need for larger capital investment than private sources would be likely to supply, and substantial dependence on a public authority for orders. The council seems to have been most influenced by the last of these, on the strength of which it recommends nationalising the manufacture of aircraft, coal mining machinery, marine engineering and heavy vehicles. This emphasis seems strange, since an industry which is really dependent on the orders of a public authority is effectively subject to control. But the existence of monopoly is held to justify the public ownership of factories making builders' and domestic castings and metal fittings, and perhaps also of the main firms manufacturing heavy electrical equipment.

For the manufacture of locomotives and wagons, motor cars, textile machinery and wagons, radios and machine tools, development councils are proposed. Besides the usual objects of co-ordination, research and development, the engineers have two other considerations in mind. In some industries they see development councils as a means of increasing the unions' influence, in others—for example, the motor industry—as a means of protecting the workers' jobs when conditions become less favourable. The prescription here is not for efficiency but for sectional self-defence. Again its terms of reference obliged the council to think along such lines, but even so it is surprising that so much faith in an old nostrum should survive when existing development councils have had, on the whole, so little success. It is, however, significant that nationalisation is no longer regarded as the proper solution for every problem, even by so left-wing an organisation as the confederation.

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Stockpiling and Stable Prices

If American official spokesmen mean what they say, there is to be a welcome change of policy over stockpiling. As usual, no official pronouncement has been made, but it looks as if the United States Administration will in future resort to large-scale buying for its stockpile only if the world supply of what is considered a strategic material is in excess of world requirements. Had this principle been kept in mind in the months following the start of the Korean war there might have been some hope of checking the dramatic rise in world commodity prices.

Since 1945 the American stockpiling authorities have been singularly unfortunate in their operations, for their periods of peak buying have always coincided with a large commercial demand. They have had to pay dearly and have made manufacturers pay dearly, too. Their buying policy, it is true, was largely determined by authorisations from Congress: when business activity declined there was a tendency to reduce funds for stockpiling and as business conditions improved Congress became more generous. These vicissitudes are therefore understandable, but they had the effect of aggravating instead of moderating wide swings in world prices. In future, it seems, government buying for stock should help achieve a more stable price level.

The decision, of course, also creates new problems. The Americans are such large users of industrial materials and are becoming so much more dependent on imported supplies, that their decisions have a considerable effect in world markets. To attempt to stabilise prices is a courageous policy, but what level is to be chosen and who is to choose it? It is not merely a matter of deciding what is a reasonable return to the producer; there is the far wider consideration—which is important to American foreign policy—that the dollar-earning capacity of the whole sterling area depends largely on the price levels of certain commodities. Admittedly, the stockpiling policy of a great power is a domestic affair and there are good security reasons for keeping its details secret. But it should clearly not be left to the wisdom of one government to take decisions of world-wide effect, especially now that there exists in Washington a competent organisation, the International Materials Conference, for consultation with others affected.

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The Cost of the Foreign Service

The Foreign Service has come through the examination of the Select Committee on Estimates gracefully and almost unscathed.* Some of its immunity seems to have been due to the intense interest taken by the Committee in the cost of maintaining ageing diplomatic cars and in the prices realised for them at Ministry of Supply auctions; and its members showed noticeably less acuteness in their questions about the information services, which cost £1,500,000 last year against £29,000 in 1938-39, and in their inquiries into the rise in the annual cost of foreign allowances from £250,000 to £2,578,000 in the same period. On the other hand they elicited much interesting information, none of which suggests that British representation abroad is conducted on extravagant lines. The Moscow Embassy is perhaps an exception, in view of the fact that its opportunities for entertaining Russians are so limited; its annual cost is over £455,000 and the kind of problem that is presented there is illustrated by the fact that £34,000 in sterling is needed to get roubles worth £9,000. Those who are interested in comparative costs of living in different countries will find some startling material in the appendices to the report.

The way in which the total expenditure of the Foreign Service is presented in the opening pages of the report is seriously misleading in so far as it suggests that normal diplomatic activity costs £38,468,402 now against £1,893,418 in 1939. In fact over £25 million of the increase is due

* Seventh Report from the Select Committee on Estimates: The Foreign Service. HMSO. 11s. net.

to the abnormal commitments undertaken since the war under the title of grants and services: £10 million for the reconstruction of Korea, not yet spent; £3,750,000 lent to Burma; £2,000,000 for Palestine refugees; nearly £5,000,000 for the Jordan. There is also the cost of new international institutions, over which there is strictly speaking no Parliamentary control: for example, £413,000 on the OEEC, and £192,000 for missions to Uno.

There have, of course, been large increases of staff and expenditure in the service proper. A rise in staff of over 8,000 in twelve years suggests that embassies, like infantry divisions, may be cultivating a rather long tail, although much of the expansion is due to the reorganisation recommended in 1943 and to the new tasks of information officers and special attaches. The committee shows some concern about the high cost of foreign allowances and suggests that five inspectors are not enough to ensure that scales of living and entertainment are not excessive. It also suggests that too much is spent on furnished accommodation for officers abroad and recommends the provision of some permanent accommodation for the use of missions. A point which the committee does not make, but might well be made, is that the rewards of an Ambassador or Minister compare too favourably with those of civil servants with posts of equal responsibility and greater exertion in Whitehall.

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France and the Arabs

From time to time a violent outburst of French feeling about Arab problems breaks on the head of an astonished Britain. For the depths of French grievance on the score of British policy towards the Arabs—only too well plumbed in France—are little known to Englishmen. This week, the Paris newspaper *Le Monde* has published such an outburst. The several gross mistakes in its article (all of them on points which could easily have been checked) will not improve its repute with its well-informed reading public in London.

Briefly, *Le Monde* infers that France is being elbowed out of the Mediterranean by Britain and Britain's new love, America. As instances of this policy it cites first the reception given in London to the Tunisian nationalist leader, M. Habib Bourguiba, who it says "saw Mr Morrison" and broadcast on the BBC, and, secondly, the activities of "5,000 British officials" in Libya, most of them "specially trained" in anti-French techniques in the old days of the British and French mandates in the Levant. These points are cited to prove that Britain is egging the peoples of Asia and Africa to oust France from French North Africa. The facts are that M. Bourguiba did not see Mr Morrison; that he did broadcast on the BBC (but why not? His party, the New Destour, is represented in the Tunisian cabinet in co-operation with which France is working) and that there are only 430 British officials in Libya.

What is the clue to *Le Monde's* virulence? Is it pique that Mr Morrison has, in no speech so far made, uttered such favourable references to France as he has to the United States? Or are nerves raw on account of the formidable problem of reconciling the irreconcilable rights of two north African communities—Arab nationalists and French residents—that besets France? The British are sympathetic, not blind, to this problem; they know it from their experience in Ireland and Palestine, and they know it to be aggravated by the imminent independence of Libya. But they did not choose the Libyan settlement; most of them, indeed, think it very premature. It was imposed by a vote of the United Nations. The most plausible explanation of the article is that it comes from some pen that likes venom but has not had a chance to dip into it since the old bitter days in the Levant came to an end.

For how long must France keep re-opening the wounds of 1945? Can Frenchmen not yet count their blessings in the postwar Arab world? These are not unmixed; they are non-existent in Morocco. But they include some good work in difficult circumstances by the Resident-General in Tunisia, M. Perillier, and a near-brilliant five years of diplomatic and cultural policy in the Levant States, by which France has already reaped the advantages of political exodus. It has won back its old corner in Lebanese hearts, and is winning ground even in the stonier soil of Syria.

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Lancashire's Future

Lancashire contains 5,000,000 people, of whom 2,000,000 live in the administrative county and 3,000,000 in the seventeen county boroughs. Many of these county boroughs—especially Liverpool, Manchester and Salford—are badly overcrowded and need to "export" a large proportion of their present population. The county council's development plan, which is now ready, makes provision for a planned migration of 300,000 from county boroughs to county by 1971; together with a modest allowance for "voluntary migration." The reasonableness of this figure, as indeed of the whole county plan, depends to some extent on whether Lancashire's tendency to economic decline will be arrested.

In any event, decentralisation on this scale will be a vast undertaking, especially since the county district councils

expect to be fully occupied in meeting their own local needs. The administrative problem could be eased by extending the boundaries of some county boroughs, but much of the redevelopment will have to take place at a distance from the big cities. It is suggested that the machinery of the New Towns Act should be invoked in only one case—at Skelmersdale. Elsewhere reliance is placed on co-operation between county council and county districts, backed up by a special housing allocation from the Ministry. To a small extent such a policy is already in operation; and it is hoped to build a new town at Leyland in this way. But prospects would be brighter if the resources of Manchester and perhaps other cities could be harnessed to the task.

The big uncertainty about the plan concerns industry, which already brings many workers daily into the Manchester area and which is now also being steered to Merseyside by the Board of Trade. It would be far from satisfactory to move large numbers of people from these big centres to other parts of Lancashire (and also to Cheshire) if industry must stay behind. The county planners have wisely modified their original schemes for new towns in the north of the county, although they cling to the notion of rejuvenating the decaying weaving towns in north-east Lancashire. It is hard to guess whether their present plan will prove to be economically feasible. But they have a clear right to better guidance and proper co-operation from the Board of Trade, without which no plan for Lancashire could work.

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The Land Board's Report

The report of the Central Land Board for 1950-51 (HMSO, 9d.) suggests that some improvements have been made in the machinery of the 1947 Town and Country Planning Act. It is satisfactory that, because of the wider range of exemptions introduced last year, the number of applications for development charge fell by about 25 per cent. The Board disposed of 78,000 such applications during the year, although it imposed a charge in only 20,000 cases, yielding £4,455,000. The fact that so many applications were found to be exempt, or were given a nil assessment, suggests that liabilities for development charge are very imperfectly understood. It is also disturbing to find so many applications withdrawn or dismissed as premature.

Progress in settling claims for compensation under the 1947 Act is slow, and less than a quarter (and those mainly minor ones) of the total of 825,000 claims have so far been determined by the Board. When all claims have been determined, it is the responsibility of the Treasury to frame a scheme apportioning the fixed sum of £300 million between the agreed claims. This scheme is meant to be produced by 1953 at latest. Further delay would be unfortunate, since as long as the scale of compensation payments is left in doubt, the land market will be upset by this uncertainty.

The Board points out that most land sales continue to take place above existing use value, which is contrary to the Act's intentions. The apparent reason, apart from the desire of some owners to cover themselves against loss on their compensation claims, is the scarcity value attaching to the possession of a building licence. The result is to force up the total cost of new development. The Board has used its powers of compulsory purchase very sparingly in its attempts to counter this tendency. It is anxious, however, to persuade local authorities to use more freely their powers to acquire land for resale to private developers, as a way of keeping down the cost of land for development.

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Legal Aid

The Law Society has now published its first report on the working of the Legal Aid and Advice Act, 1949. The period covered is only six months, up to March 31, 1951, and the sections of the Act in operation over that period (and now) are only those which provide for legal aid in litigation in the High Court. The report is chiefly concerned with the preliminary work done by the Lord Chancellor's Department, the Law Society and the Bar Council in creating a machine within which the Act could be used. The outline of the scheme itself is by now reasonably familiar. The state guarantees all or part of the fees of solicitors and counsel—up to 85 per cent of the normal legal charges—for people with a disposable income of less than £400 a year and disposable capital of less than £500. The report shows that of the people seeking assistance 34 per cent made no contribution, 63 per cent made some contribution, and only 3 per cent were found to be above the designated means standards. The total number of certificates issued in the period was 15,219 and the net cost (allowing for costs recovered in the litigation assisted) was £351,792, of which about half went in administration and half in fees. But the figures for this first period are, of course, no real guide to the future of the scheme.

The scheme is unique among welfare services in that it is administered entirely by the legal profession itself, and, apart from divorce cases handled by the Law Society's own salaried staff, the services are provided by the legal profession on the existing basis of professional relationship. It may later provide some interesting comparisons between the costs of Civil Service and other administration. Certainly this report is a considerable tribute to the way in which the Law Society has planned and built up an organisation giving aid through some 117 local and partially voluntary committees of professional men.

Both the Law Society and the advisory committee regret that the Government has still deferred the full operation of the 1949 Act. The legal aid scheme has parallels with the health service. The best place in which to check the onslaught of the disease of litigation would be in the legal advice centres, for which the Act provided. But, as with the health service, Government economy has fallen most heavily on the preventive stage of the service. It is as true of the legal profession as it is of the medical profession to say that it exists to keep people out of trouble, far more than to cure them once they have sickened. And that should surely apply particularly to the part of its work financed by the state.

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Liberals at Uppsala

The congress of the Liberal International which ended on August 11th brought out very clearly the differences on economic policy between the radical wing of Liberalism, represented by the British and the Scandinavians, and the continental *laissez-faire* school of thought. On the whole the more conservative elements had their way, but there were a number of successful compromises, and in the end only one resolution failed to obtain unanimous support. The gathering at Uppsala was taken more seriously than any of the three previous congresses, and the quality of the delegations was high; virtually every important Liberal newspaper in Europe was represented at the special meeting of editors which took place during the congress. Unfortunately, however, the simultaneous political crisis in Paris reduced the French delegation to one representative.

The outstanding achievement of the congress was the adoption of the Uppsala Appeal, described by Señor de Madariaga as no mere attempt to better the Communist-sponsored Stockholm Appeal, but as an appeal for freedom without which no real peace could be secured. The Appeal declared that no government which held down its own people by force could be trusted to remain at peace with the rest of the world; the basic freedoms were essential guarantees against preparation for aggression. The fact that it had the personal support of Professor Bertil Ohlin, the Swedish Liberal leader who may well head his country's next government, throws interesting light on the future course of Sweden's foreign policy.

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Perón Prepares for Re-election

In imposing a temporary ban on all exports of meat last week, General Perón's Government was not merely concerned with the growing shortage of basic foods in Argentina. It was also seeking to ensure the feeding of this week's mass rally in Buenos Aires, which has strained the national transport system to such an extent that none but loyal Peronistas travelling to the capital can even buy a railway ticket until the rally is over. Since its declared

purpose is to bring together enough of the General's supporters to persuade him to offer himself for re-election in November—and to persuade Señora Perón to stand for the vice-presidency—it has of course been given priority over almost everything else ; for the whole life of the country is now being geared to ensure a sweeping victory in the first presidential elections to be held under the new constitution of 1949. The return of General Perón is not in doubt for a moment ; but every effort is being made to bring the size of his vote up to the level of virtual unanimity which is nowadays *de rigueur* in totalitarian states.

Since the beginning of August eighteen leading Socialists and several prominent Conservatives and Radicals have been arrested on charges of conspiracy and agitation. The Radical party's printing works has been shut down by the police, and it has proved impossible to find any independent printer bold enough to risk printing opposition campaign literature. Señor Balbin, the Radical candidate for the presidency, has not yet been arrested, but faces 27 separate charges on which it has been computed that he could be sentenced to 57 years' imprisonment. This action against the opposition parties has been taken against a background of charges that they are plotting "terrorism." The Minister of the Interior bracketed Communists, Socialists, Radicals and Conservatives together as being responsible for this conspiracy, while a Peronista party manifesto added resident foreigners to the same list and ordered party members to "shadow" them.

To date the only visible signs of this alleged campaign of violence have been the attempts to blow up railway lines around Buenos Aires on August 1st, which led to some 200 arrests and the placing of all railway workers under military control. Discontent among the organised workers, hitherto General Perón's staunchest supporters, is undoubtedly growing, and any setbacks which the Government may meet in the November elections will probably stem from this source.

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Of Unsound Mind

The report of the Board of Control for 1950 gives a slightly less gloomy account of conditions in mental hospitals than was to be found in the report for 1949—which appeared only a short time ago. Overcrowding, which increased in 1949, was by the end of last year little worse than in 1948. The recruitment of nurses also improved last year with a consequent reduction in the ratio of female patients to nurses from 7.4 to 6.9. Yet the shortages are still bad enough. The 1950 report states that over 15,000 additional beds are needed ; and the practical effects of overcrowding, which means that patients sometimes cannot be classified according to the degree and nature of their illness, are worse than is indicated by the statistics. Moreover, the female nursing staff must increase by 40 per cent if the ratio of female patients to nurses is to be brought down to the level on the male side. An even bigger increase would be needed to staff the additional beds required.

Unfortunately, there is every sign that the shortages will become worse. The number of patients notified to the Board of Control as under treatment for mental illness shows a steady increase year by year—it was 147,546 at the end of 1950. This increase is partly due to the normal growth of the population, partly to the ageing of the population, and partly to a wider recognition that early treatment of mental illness is often essential to recovery. The most important of these at present is undoubtedly the larger numbers of old people in the population. Because of the better care they now receive in mental hospitals, patients live longer. More serious, from the point of view of overcrowding, is the shortage of suitable provision for old people who have become mentally unfit to take care of themselves in their own homes. As the Board of Control points out, many of these senile people are certified because there is no other means of disposing of them. They then have to be admitted to mental hospitals, often at the expense of younger patients whose chances of recovery may be jeopardised if they do not have early treatment. Part, at least, of the overcrowding in mental hospitals would disappear if simple, inexpensive care could be provided for these old people outside the mental hospitals themselves.

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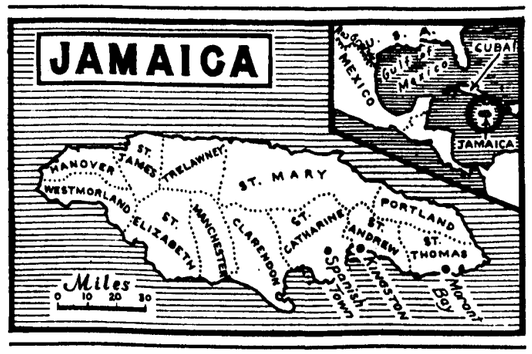
High Wind in Jamaica

Those who remember Mr Richard Hughes's novel will appreciate the tremendous drama caused by the hurricane that swept Jamaica last weekend, probably the worst in living memory. It is more difficult to give a clear picture of the economic consequences—partly because communications have been so disrupted that the full extent of the damage in the interior of the island is still not known.

What is known, or soberly estimated, about the destruction of crops and property is terrible. The total damage is put at £20 million—equal to about two years' revenue for the island's government. Jamaica's total exports in 1949 were valued at nearly £12 million. Sugar, which since the war has accounted for nearly a third of the total, stands up to hurricanes better than other crops, and fortunately this year's crop had already been harvested. But Jamaica's other important crops have suffered severely. The banana industry was slowly recovering from its wartime eclipse, and in 1949



its exports were valued at £2,271,000. First reports say that 80 to 90 per cent of the banana crop has been destroyed, and it may even prove to have been entirely wiped out. The damage to the citrus crop (mainly oranges and grapefruit) has also been severe. Although the actual loss is not so great—the value of citrus exports is less than £500,000—it is significant because the growing and exporting of citrus are an important example of the island's attempts in recent years to diversify its economy and lessen its dependence on sugar. Also serious is the damage to coconuts. The loss here is not to the export trade but to Jamaica's internal economy, for coconuts supply the raw material for manufacturing edible oils and fats. Of future concern is the loss of the soil washed away by the heavy rainfall which is said to have amounted to 17 inches in twelve hours.

Worst of the immediate effects is the destruction of property, described as appalling. The north and north-west of the island appear to have escaped serious damage. But in Kingston and Morant Bay houses have been destroyed wholesale, and 25,000 people—out of a total population of less than 1,500,000—are said to be homeless. Before the war, the Royal Commission described the squalor of housing in parts of Kingston as "beyond imagination." Now slum clearance has been carried out with a vengeance, but the rebuilding needed will throw a huge burden on the island's finances. The relief fund that has been opened deserves the widest possible support.

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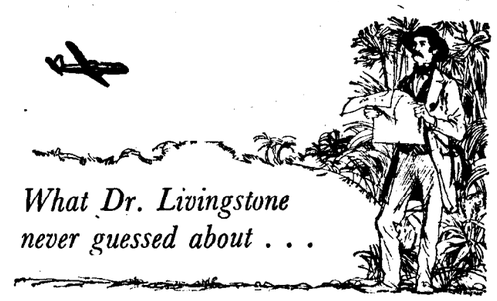

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Time goes round to *February*, when the committee is gathered together. Over half a dozen months it holds half a dozen meetings.

In *August* the committee answers the Minister. It says yes. This takes seven pages in small type. It looks as if the committee must have had a tremendous wrestle with complexities. Until one reads it. Then one realises that it could pretty well all have been said eight months ago without any meetings. The public cannot be blamed if it seems to them a weak excuse for taking a long time.

Two Years More

The public will not be soothed, either, to be told that it will take another *two years* before a new index can be got working. *They will be infuriated to learn that the possibility of temporary changes meantime is still only being looked into.*

Any industrial organisation would be horrified by such delay. If the Social Survey and other Government organisations do not possess a great deal of the information already, there must be something the matter with them.

This leisurely, academic attitude makes a laughing-stock of the Civil Service. While it may be right for the study of history, somebody should remind them that people who are alive now are awaiting the results. *We do not believe that reform of the index cannot be greatly speeded up.* What is needed is a little unacademic persuasion from the rear.

Reprinted from the editorial column of the Daily Mirror of Aug. 10. The Daily Mirror's net sale—over 4,400,000—exceeds that of any other daily newspaper in the world.

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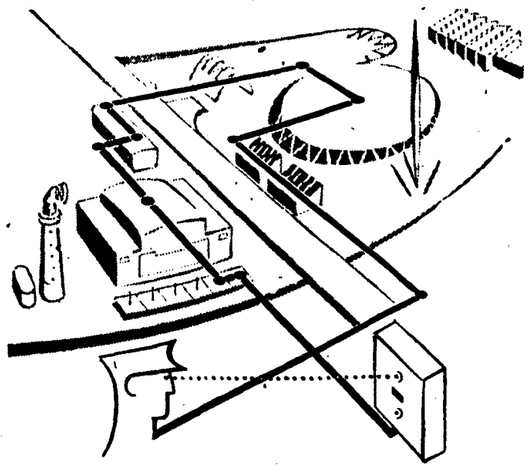

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Letters to the Editor

Defence with Tears

Sir,—Your article in your issue of August 18th sets forth the national problem with admirable precision. Your conclusion is less admirable, and is self contradictory. You rightly doubt whether any political party will take "resolute action to cut consumption" and then hopefully assume that a general election will give one party a large majority. Presumably you then expect this party to take "resolute action." But is this party to conceal from the electorate during the election its intention to make the electorate weep as soon as it gets office ? Because if it takes for its programme your admirable and essential proposals it will—on your own admission—not get the votes. As one who has twice fought seats on a "hard" and not a "belly politics" programme, I am sure you are right in your belief that no party can win votes by promising to hurt the electors if another party is promising not to hurt them.

The only way out of this dilemma, and it is only a question of how serious the crisis will become before we abandon the attempt to make 2 + 2 = 5 or even 6, is for our political leaders to issue a joint statement setting forth the facts of our economic situation and then form a National government. An immediate appeal to the country should then be made on a specific programme for the period 1952-55.

It is essential to provide a political opportunity for that element in the make up of the majority of the electors which, given the chance, will put the needs of the nation before those of short-term self interest. The proposal I make would not be acceptable to the Bevanites, who would provide the necessary opposition. The real and only genuine issue in British politics today [i.e. is the present rearmament programme necessary ?] would then be brought into the open on the floor of the House.—Yours faithfully,

STEPHEN KING-HALL

London, S.W.1

•

Sir,—Your reduction of "all the complexities of current economic discussion" to the "simple proposition" that "solvency and security must be provided out of the mouths and off the backs of the British people" is incomplete and out of date, since you appear to ignore the one factor which is fundamental to our modern democracy—the willing consent of the British people. This blind spot in your analysis accounts for (1) your too easy dismissal of the extra £62 million which a tax of 20s. in the £ on all income over £2,000 a year would bring in, and (2) your failure to calculate the psychological effect on the trade unions of the knowledge that "the rich" have an escape route in saving less or drawing on capital.

I agree that the sum of £62 million is a mere drop in the bucket, but its imposition or something like it is necessary to help remove from the workers' minds a suspicion based on their own daily observations that some "mouths" and some "backs" will not suffer, come what may. Looked at from this angle, the sum of £62 million assumes a symbolic significance out of all proportion to its monetary size.

Secondly, it is surely no longer good economic analysis to describe an escape route which is open to "the rich" without venturing even an opinion on how the route could be closed. For again, the workers do not need an economist to tell them of the existence of the escape route ; they know already, and the knowledge stops them from adding to the drop in the bucket their own vast sacrifices.

Mr Gaitskell is not unaware of all this. But he is trying to walk the razor's edge between upsetting private enterprise and upsetting the trade unions. Events (Mr Bevan is no more than a substantial shadow cast by them) will either split the Labour Party or drive it back on to its early inspiration of social justice. At present, the Government's appeal for sacrifices all round falls rather flat on a community where inequalities so obviously exist. It would do better to stake its electoral chances on a bold socialist policy. The inconsistencies which you so untiringly cane stem very largely from its attempt to bring about socialism without tears.—Yours faithfully, T. A. ROBERTS

Utley, Yorks

Price Control

Sir,—The insistence in your articles "Cold Class War" and "Resort to Price Control" that Mr Gaitskell's policy of dividend limitation and tighter price control is devoid of economic substance and inspired entirely by motives of political opportunism, seems to imply that you think it would be wise at the present juncture to do away with both altogether. It would be of great interest to your readers if you would state explicitly your views about this.

Nor is it clear precisely what you think the consequences of tighter price control will be. At one point you say: "Tighter price control will not reduce expenditure, it will merely divert it." But you also say that "it will increase domestic consumption, drag resources from the export drive, from the rearmament programme and from essential capital investment." I should be the last to dispute that universal price control—in so far as it reduces the share of profits and raises the share of wages in the national income—will to some extent increase the propensity to consume, and so raise effective demand. But this is not the only influence. Demand is also very much influenced by price expectations, an important point which receives no attention in either of your articles. The really dangerous point in inflation comes when the majority of people become convinced, not only that prices are going to rise, but are going to go on rising. It is not unlikely that the rather sharp increase in personal consumption expenditure in the first half of the year was stimulated by just these considerations, the more so that the Chancellor himself, earlier in the year, was giving some support to that view. His decision to tighten up price control now is calculated to allay fears that the increase will be allowed to get out of hand. He can be fairly criticised for delaying his decision so long, once the rearmament programme was clearly under way. The delay also makes it more likely that rationing will have to be re-introduced, especially for textiles and clothing.

On balance the immediate effect of tighter price control should be to steady consumer's demand. The effects on supply are not likely to be very marked in the short run. No doubt some manufacturers will reduce production of price-controlled goods and find more profitable markets. Some of these resources may find their way into the "free" domestic sector: but some surely will go into exports or rearmament, where profits will now be relatively more attractive. This again will make it more likely that rationing will have to be introduced, or heavier purchase tax imposed upon non-essential consumer goods. (There is little harm done if surplus consumer's expenditure is diverted towards services which require little direct labour or raw materials, such as cinemas.) It may also, as was the case in 1939-45, be necessary to allocate materials to the price-controlled sector.

Your article draws attention to many of the anomalies inevitably created by price control. In this respect Mr Gaitskell's announcement shows a welcome attempt to try to overcome some of them. Since your article contains no constructive proposals for further improvement of the technique of price-control, one can only presume, from your parade of all the familiar anomalies, that you want to drop the whole thing. In the light of the experience of both this country and the United States since 1939, that would seem to be an act of calculated folly.—Yours faithfully,

G. D. N. WORSWICK

Magdalen College, Oxford

[This letter is referred to on page 438. —EDITOR.]

"One Way Only"

Sir,—In your issue of August 11th, Mr D. Seers pleads for greater assistance to the under-developed countries at the expense of rearmament. There are two major errors in his reasoning.

First, the appeal to egalitarian sentiment introduces an irrelevancy. We are invited to think of the proposed policy "in the familiar terms of 'redistributing' income towards the most needy, which has always had the double appeal

of relieving both our conscience and political tension." I do not wish to digress in order to discuss whether such a levelling down is really the best way of encouraging world economic development, and I shall confine attention to the fact that there is really very little trace of international egalitarianism in Mr Bevan's policy. For it is not suggested that we should reduce our own standard of living for the benefit of the needy overseas; on the contrary, we are to enjoy both a happy conscience and a higher standard for ourselves. Philanthropy and greater comfort are to be achieved at the same time by the simple process of cutting expenditure on defence. Moreover, as you pointed out, only a minor part of the resources to be released by such cuts is to be devoted to the lofty international purposes on which Mr Seers concentrates attention.

The proposal to incur so grave a risk to our security is supported by Mr Seers's claim that "the threat of Communism stems from the disparity between the living standards that people believe they should have, and what they actually enjoy . . ." It is surely extraordinary that, in the light of postwar experience, anyone should hold such a view today. This is the second fallacy. May one ask Mr Seers how many of the countries at present under Communist control could have been saved if the standard of life had been raised a little by international investment? Of course, foreign aid may sometimes help, but we are not dealing primarily with issues which will be settled by a fair democratic judgment of economic performance. We are dealing with an aggressive military dictatorship which will not be more reluctant to expand its territories if the prizes are made richer by our efforts and our ability to protect both them and ourselves correspondingly weakened.

The argument that external aid is needed to fight Communism overseas is respectable, but it is ominous that it is only our defence programme, surely modest enough in the present situation, which is to contribute to this end. Even if such a policy does not secure adoption, it is good Communist propaganda. It divides educated opinion in the West and exploits the perennial tendency of liberal-minded people to search for panaceas when faced with an ugly military situation. It fosters discontent in the poorer countries with the policy pursued by the West and thus strengthens the local Communists, whose efforts it is ostensibly intended to frustrate. It would be quite unfair to suggest that everyone who supports the Bevan line is insincere in his professed opposition to Communism. But those who are sincere must be singularly lacking in judgment to allow themselves to be used for the furtherance of Communist purposes. — Yours faithfully,

Oxford T. WILSON

Slow-Footed Messenger

Sir,—The Stationery Office desires to give a good service to its customers, and the criticism in your issue of August 4th has therefore caused some concern. With one and a half million transactions with the public each year occasional mistakes are inevitable, but no general complaints from libraries are known, and, to the best of the Stationery Office belief, libraries are receiving a satisfactory service. If the difficulties from which your criticism arises can be made known to the Stationery Office, they will be investigated and remedied.

Slowness in releasing international publications arises from distance, as your comment admits, and because the organisations find it impossible, with reports of immediate political interest or news value, to wait for simultaneous release in all countries. Press summaries appear, or direct subscribers receive copies by post, before the main supply, which because of expense must come by sea, reaches the Stationery Office.

If the criticism of the lack of imagination in handling important publications relates to the recent report on "Maternal Care and Mental Health" from the World Health Organisation the error of judgment in under-estimating the initial demand, with the result that it was out of stock for some time soon after its release, is regretted, and apologies have already been made to the author. This report was exceptional, and the breakdown is not typical of the care taken in handling this important class of official publications.—Yours faithfully,

T. C. D. EVANS
Director of Publications

His Majesty's Stationery Office, E.C.1

Rhapsody in Blue Shirts

Sir,—After the Sheffield Congress had been banned last year, you commented that although Communists had no right to protest, it was the duty of non-Communists to do so, because such an action violated the Western conception of freedom.

May I then, as a non-Communist student member of the British delegation travelling to the Youth Festival at Berlin last week, protest at the way in which the American and Western Governments, while remaining technically within their rights, have done all in their power to prevent us from reaching Berlin? It is the moral issue which is of primary importance for freedom of travel and communication is one of the most vital of human rights. There is a constant danger that if the majority of a group is Communist, the rights of the individual concerned will be denied, which is a tragic miscarriage of the Western conception of justice. It is of course unnecessary to point out that the policies of the governments have played into the hand of the Communists, and enabled them to make capital out of the whole affair.—Yours faithfully,

GILLIAN BALLANCE

Hatfield, Herts

The Borderline of Treason

Sir,—Mr. Brown is, I think, right in demanding that the law should reconsider the position of those displaying "something that is certainly not loyalty." But the heresy that "protection draws allegiance" must not pass unchallenged, at any rate for acceptance as a general rule. Taken to its logical conclusion it means that an alien can be given the rights and duties of a British subject, allegiance and all that flows from it, by enjoying effective protection, that is, by being issued with a British passport whether properly or improperly. The doctrine that the passport office, by issuing a passport obtained under false pretences or one erroneously delivered, can take the place of the whole naturalisation procedure, appears to me more than doubtful, but it is clearly implicit in any such statement.—Yours faithfully,

F. M. M. STEINER

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Invention and Development

Sir,—In your issue of August 11th you refer to a statement by the Duke of Edinburgh on the "buying-up and suppression of patents . . . to protect equipment from becoming obsolete."

It would be interesting to know what evidence exists that this practice is, or has ever been, adopted to any but negligible extent in this country. Extensive investigation of the question by several committees during the last twenty-five years, including the Swan Committee whose work formed the basis of the present Patents Act, 1949, has failed to bring to light any convincing evidence of a single occurrence; and the Patents Acts which have been in force during that period have contained provisions which operate against the successful suppression of any patented invention of merit and commercial promise.

I suggest, with respect, that it is time this unsubstantiated myth was dispelled. —Yours faithfully, F. W. G. GREENER

London, E.C.1

"Prisoners' Friend"

Sir,—In deprecating the Home Secretary's decision to prevent prisoners being allowed the services of a "prisoners' friend," I did not intend to imply that visiting magistrates are not anxious to see justice done. But, as Mr Townroe in his letter to you very fairly points out, "the present system is not always perfect," and the difficulty is "to find suitable men and women with the leisure and ability to work up each case and plead for the prisoner."

The Howard League has for some time now advocated the appointment of full-time, trained social workers to all prisons. It is among these men and women that suitable prisoners' friends might be found. Although I do not think that prison social workers should be put into a position where they have to take sides against one party or another, I believe they could, if so desired by the prisoners, state their case for them intelligibly and coherently. It is precisely some such thought which underlies Section 52 (2) of the Criminal Justice Act, 1948, which merely ensures that a prisoner charged with an offence "shall be given proper opportunity for presenting his case." It is, in fact, only an enabling clause, and any arrangement under it could perhaps only be put into effect slowly and cautiously. But why render it inoperative before it has been given a fair trial? Surely it is worth demonstrating even to—indeed, particularly to—the more anti-social individual that no effort is spared to treat him justly.—Yours faithfully,

HUGH J. KLARE

The Howard League for Penal Reform, S.W.1

Self Control for Machines

Sir,—Readers of your article on automatic control mechanisms may be interested to learn that the British Iron and Steel Research Association has been studying the automatic control of thickness in the rolling of steel sheet and strip. Earlier this year demonstrations were given on an experimental rolling mill of a new method of automatic control developed in the association's laboratories. This is essentially a "faster-than-human" method of control made necessary by the high rolling speeds of modern mills in which, should a change in rolling conditions occur, many feet of "off-gauge" strip may be produced before a human operator has had time to make the necessary readjustment. A peculiar refinement of the method is that the rolls themselves are used to measure the thickness of the strip at the same time as they roll it, and the measurement is automatically "fed back" to the adjusting controls in a fraction of the time that it can be "fed back" by human agency.

It is perhaps worth pointing out that this country leads the world in the application of automatic control systems to the open hearth steel furnace. The association has been closely connected with this development through one of its committees which was set up as long ago as 1946 to study the instrumentation and automatic control of such furnaces.

The association's staff also includes a small team of engineers specialising in the theory and practice of automatic control mechanisms and their application to the steel industry generally.—Yours faithfully,

W. C. F. HESSENBERG,
Deputy Director

British Iron and Steel Research Association

A Deal with Franco

Sir—I have just returned from a visit to Malaga. The news that the United States is about to acquire naval and air bases in Spain has been followed by a marked strengthening of the peseta. In the free market of Tangier the peseta now stands at 133 to the £ as against 148.50 three weeks ago. There has been a similar improvement against the dollar. Signs are also evident of an improvement in the internal purchasing power of the peseta. Prices in Andalusia, which had been rising steadily for years, have fallen with dramatic suddenness in the last two or three weeks. The articles chiefly affected, however, are foodstuffs and agricultural produce, and the fall in prices must be ascribed at least in part to this season's good harvests. It remains to be seen whether the decrease in prices will spread to industrial products.—Yours faithfully,

MARJORIE GRICE-HUTCHINSON

London

Books and Publications

The Russian Jew

The Jews in the Soviet Union. By Solomon M. Schwarz. *Syracuse University Press.* 380 pages. $5.00.

Interest in this book derives from the fact that pre-revolutionary Russia was the "classical" country of anti-Jewish pogroms and that the Bolsheviks, when they took power, set out to cure Russia of age-old racial and religious hatreds. How far have they succeeded in this? More important still, how far have they stuck to their original intentions and policies?

The author, a former official in Kerensky's government and himself a Jew, is in some ways extremely well qualified to answer these questions. He has assembled an impressive wealth of material from Russian and Jewish sources, showing that Soviet policy towards the Jews has been inconsistent and opportunist. Officially, the equality of all peoples and races remains the unchallenged principle of the ruling ideology; and almost any manifestation of antisemitism is illegal. But, here as elsewhere, divergences between theory and practice have occurred even if they have been carefully concealed. The deep-seated anti-Jewish feeling in the mass of the people has not been eradicated, as witness the response of the Ukrainians to Nazi incitement during the last war. This points to a significant failure in social and political education; and Mr Schwarz ought perhaps to have concentrated on this aspect of the problem more than he has done.

There have been many reasons for this failure, not the least important being official ambiguity. The Communist Party has often adopted a pro-Jewish attitude; it has encouraged education and literature in Yiddish and, partly against its own precepts, it has experimented with re-settling Jews in compact communities. But the Politbureau has not been averse from exploiting popular antisemitism when this suited its purpose, for instance during the decisive struggle, in the nineteen-thirties, with the various opposition groups, among whose leaders were many Communists of Jewish origin. The ambiguity has increased since the war. While in the United Nations Russia conspicuously backed Zionist aspirations, the Politbureau reacted strongly against the enthusiasm of Soviet Jews for the new state of Israel. The apparent eclipse, since 1948, of the previously encouraged Yiddish theatre, literature and press has given rise to anxious speculation and even alarm among western Jews. In the recent campaign against the "cosmopolitanism"

of the intelligentsia, anti-Jewish tones could also be detected. Mr Schwarz concludes that

> since the middle of 1949 antisemitism in the USSR has shunned making any open display. But the stealthy variety of antisemitism . . . continues to exert its undeniable influence on Soviet society.

The value of this well documented book is diminished by its author's bias. "Underlying and ultimately determining Soviet policy," he says, "is the denial [by the Communists] of the existence of a Jewish nationality"; and this, the "assimilationist" attitude has, according to Mr Schwarz, vitiated Soviet policy. All too often he identifies, unconvincingly, the policy of assimilation with antisemitism, with which it has nothing in common. The only real alternative to assimilation was and still is Zionism. Yet Mr Schwarz is not a Zionist, and to Zionism he devotes almost no attention. He approaches his subject from the angle of the *Bund*, the Jewish Socialist Party of Russia and Poland, which was strongly opposed to the idea of a Jewish state, yet claimed that the Jews were a separate nation and ought to enjoy autonomy in the countries where they lived. This is an unrealistic and illogical attitude; and its rejection by the Bolsheviks does not seem to have been either as wicked or as stupid as the author suggests. (It was just as strongly repudiated by the Mensheviks.) Mr Schwarz is distressed because Soviet Jews tend to discard Yiddish in favour of Russian and to send their children to Russian rather than to Yiddish schools; but this movement towards assimilation is inevitable, and he ought not to use it to substantiate part of his indictment of Soviet policy.

The "assimilationist" policy was the only logical alternative to Zionism in eastern as well as western Europe. True enough, it has not worked in eastern and central Europe. Nor has any other policy, including that advocated by Mr Schwarz. All schemes for the solution of the Jewish problem perished together with six million Jews in Hitler's gas-chambers. The author does not relate the fate of the Jews in the Soviet Union to this tragedy. This is a pity. Mr Schwarz has the knowledge needed for a genuine analysis of the Jewish problem in Russia, but he has produced merely a Jewish contribution to current anti-Soviet literature.

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The Material of History

Survey of International Affairs, 1938, Vol. II: The Crisis Over Czechoslovakia. By R. G. D. Laffan. *OUP for the Royal Institute of International Affairs.* 475 pages. 30s.

Documents on International Affairs, 1939-1946. Vol. I: March-September, 1939. *OUP for the Royal Institute of International Affair*. 576 pages. 50s.

The previous volume in the "Survey of International Affairs" (1938, Vol. I) was published in 1941, and the previous volume of "Documents on International Affairs" (1938, Vol. II) in 1943. All who have used the earlier volumes, which reach back to 1920, will welcome the resumption of these two valuable series.

Not the least testimony to their value is the fact that their usefulness does not diminish with age. Anyone who has undertaken research into the international situation in the 1920s and 1930s—and the number of such students is growing—will vouch for the accuracy and good judgment which have gone to the compilation of the earlier volumes and which make them, if not an indispensable guide, at least the most convenient introduction available to the sources and problems of the period.

The difficulty of selection and compilation has increased each year since the series began. If international affairs are not more complex than they ever were, the mass of published official documents emanating from national governments and international organisations has never ceased to grow. The effect of the second world war was not only to delay the publication of volumes but also to throw up further mountains of material, which would otherwise have remained secret, notably in collections of documents on British and German foreign policy. But the present volumes are proof that the increasing difficulties are being faced and overcome; and although these other collections are rivals, to some extent, of the Chatham House series, this will in no way affect the value of the latter as more selective but more comprehensive source books for the study of international affairs.

The arrears are being tackled manfully. A third volume of the "Survey" for 1938 is already in preparation, and work is proceeding simultaneously on a series of "Survey" volumes for 1939-1946 and on the annual series which will continue the record from 1947. Volumes of the "Documents" for the period 1939-1946 and for the years since 1947 will appear in parallel with the "Survey" volumes, and will be more closely co-ordinated with them than was the case before the war.

With so much work proceeding at once, and considering the ever-increasing amount of material, it is no surprise that Professor Arnold J. Toynbee is no longer able to do most of the actual writing of the Surveys as he did before the war. The present excellent volume on the Czechoslovakian crisis is the work of Mr R. G. D. Laffan, with assistance from the staff of the Institute; Mr Laffan and Viscount Chilston will be chiefly responsible for the third volume for 1938; many of the volumes for the years since 1939 will, it appears, be the work of other authors. But the "Survey" will remain, and the "Documents" have now been put, under Professor Toynbee's general editorship; and this should be a further guarantee, if one were required, that the high standard of both series will be maintained.

Personal History

The Rise and Fall of the Japanese Empire. By David H. James. *Allen and Unwin.* 409 pages. 21s.

Captain James's qualifications for writing this book are an intermittent residence in Japan since the age of three, knowledge of the Japanese language, and personal experience as a British intelligence officer in the Malayan campaign and subsequently as a prisoner of war in Japan. The parts of the book which are based on his own experience and observation are lively and interesting and make a valuable contribution to the literature of the Pacific war. Unfortunately Captain James sets out to be an historian and to explain the why and wherefore of great events. The further he gets away from what he has himself seen and known, the wilder and more confused is his thinking, and the mental chaos is reflected in the writing. Even when the idea is quite clear, the style is of an unusual extravagance.

> However, by this time, perfidious Albion—of continental derision—with the aid of the decadent British Empire (of Nazi fiction) had accepted the role of dictator in the tragedy of "Blood, Sweat and Tears" under the stage-management of Winston Churchill, the pugnacious epitome of civilisation's fight for freedom against tyranny, and was striking back slowly but effectively.

The autobiographical sections are in a simpler style, for Captain James is essentially a modest man and does not regard his own life as worthy of such literary flourishes. He belongs to Kipling's world, to the company of those who, as empire-builders or pioneers of trade, as sahibs or old China hands, sustained a Britain outside Britain without the native hue of resolution being sicklied o'er with the pale cast of thought. In our time that world has gone to

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pieces, and dejected men of action, dimly conscious of a vast and adverse process of history, are trying to find out what has happened. The author personally enters the story on page 127 and subsequently we get glimpses of a varied and adventurous life—gold-mining in Alaska in 1899, tax-collecting on the Yangtse for the Chinese Government, coal-mining in North China, controlling Chinese labour on the Rand, serving with the Imperial Light Horse in the Zulu campaign of 1906, selling steel in Japan, Korea, China and Siberia, service in the Chinese Salt Gabelle, service in the British Army in the First World War, postwar intelligence service in the intervention period in Siberia, and so on.

In May, 1941, we find him on his way to Singapore as an intelligence officer, and from this time on, the narrative is alive with personal experience of the great drama of the Pacific war. No book has given a more devastating account of the incredible complacency and fatuous optimism which reigned in Singapore in the months before the blow fell. Captain James had very little understanding of Japanese politics—his account of the mutiny of February 26th, for example, is quite erroneous—but he knew enough of the Japanese national temper and fighting capacity to realise that the British and Dutch military authorities in South-east Asia were living in a world of illusion. Having been posted to Borneo, he was recalled in disgrace for expressing the view at a conference that the Japanese on landing would capture Kuching within seventy-two hours; in the event they did it in eight hours.

Input-Output Analysis

The Structure of American Economy, 1919-1939. By Wassily W. Leontief. *Oxford University Press.* Second Edition, Enlarged. 264 pages. 35s.

Some skim through a book from the beginning; others start at the end. Here is a book which should definitely be read backwards. All the material has appeared in print before; the first three parts are the original text of the 1941 edition of the book and the last part comprises articles published since 1944. The development of Professor Leontief's well known "input-output" technique, as extended and simplified during the past ten years, is best viewed in retrospect. The last section is an admirable survey, taking up fewer than twenty pages, of the whole field, and was written for a general audience at the American Economic Association Conference in December, 1948. The preceding sections of Part IV, published in 1944-46, can then be tackled with greater understanding. They give a clear account of the basic construction of the technique, and of the range and limitations of its application in the making of policy with examples taken from the structure of the American economy in 1939.

The applications of the theory are all in the field of comparative statics and attempt answers to such questions as: If consumers demand an additional million automobiles, what new jobs are created? If an export surplus is eliminated, how does output shift between different industries? If all wage-rates rise by 10 per cent, how do the prices of various goods and services change? Professor Leontief is now working on an extension of his technique which introduces dynamic elements. Others are applying the methods to the data and problems of different countries; Dr Barna's work on British data is notable. The development of high-speed computing processes has made the full application of the technique feasible just at the time when the conclusions are likely to be most useful. One looks forward to the publication of the results of the work now proceeding.

Generalised Ideas

The Idea and Practice of General Education. (An Account of the College of the University of Chicago by present and former members of the Faculty.) *University of Chicago Press. Cambridge University Press.* 333 pages. 26s.

The problem of mass university education is one with which the Americans are far more familiar than we are. The right to be educated is a primitive American belief, and faith in the effectiveness of education is in America as widespread as it is attractive. Because Americans have always had to deal with this problem they have often been patronised by Europeans who were unaware of its existence. Degrees in journalism, theses on restaurant-keeping and professors of physical culture do not fit in with the Oxford and Cambridge conception of university life. But it is always a mistake to suppose that the Americans—the most self-critical of peoples—are unaware of their own failings, and in the last few years there has been much hard thinking, of which this book is an impressive example, about university education in general, and about the problem of a general education in particular.

Nowhere has the thought been more serious or the experiment bolder than at the University of Chicago since the arrival there of Chancellor Hutchins in 1929. Anyone who reads this book will be struck by the radical nature of his reforms. The educational tradition in America is not very deep; taking advantage of this fact, Mr Hutchins started afresh. Tiers of committees were created, fundamental questions were put to them, the curriculum was altogether revised, and today a B.A. degree at Chicago can be obtained in two years—though it takes five years to get an M.A. degree which corresponds roughly to an English B.A.—after a series of general courses which are "exact, penetrating treatments of the basic principles of" the humanities, the social sciences, the natural sciences, mathematics, writing, languages and, finally, "integration" to pull the whole thing together. The faculty is far from satisfied with either the curriculum or the methods of teaching and examining, and these are under constant review by further committees in order that youth may emerge better prepared "to deal with the personal and social problems with which all men in a democratic country are confronted."

De Tocqueville noted that the Americans are "much more addicted to the use of general ideas than the English," and nowhere is this more apparent than at the University of Chicago. The mind boggles at the way in which Mr Hutchins and his colleagues have put their faith in general ideas. Not only do they expect to teach the American student straight from high school "the basic principles" of knowledge before he can have had a chance to absorb much of the matter, but also their teaching is based on their answer to the question "what is a general education and what is it for?" To some Englishmen this must seem an almost improper question. For is not education necessary for everything? And if we could answer the question, would not the answer include the answer to larger questions (such as what is living for?) which few would dare to answer?

Bliss and Horror

Wisdom, Madness and Folly. The Philosophy of a Lunatic. By John Custance. *Gollancz.* 252 pages. 16s.

It is unusual to encounter a man who suffers from periodic bouts of depression and of manic excitement—one of the common forms of mental illness—who can describe in vivid detail his experiences during these abnormal phases. Most manic-depressives lack the descriptive power or are unable afterwards to recall their feelings during the attack, or else, like Boswell, look upon these episodes as unpleasant interruptions in the enthralling stream of everyday life—to be passed over as quickly as possible.

In the early chapters of this book there is a full and fascinating account of the author's experiences in these phases of bliss and of horror, and his description far surpasses the pale and second-hand accounts to be found in the textbooks of psychiatry. Unfortunately, as is plain from the subtitle, the main reason for this book is the author's conviction that he has more to communicate than rich emotional experiences. He proceeds in the remainder of the book to develop, with a wealth of allusion and erudition, an extremely comprehensive but barely comprehensible philosophy. This derives mainly from Jung and is based on the concepts of pairs of opposites so familiar in theology, mythology and earlier psychology. It would be as well to remember, however, that the ecstasy of acute mania may well prove to be as biochemically determined as delirium tremens with its terror and its pink elephants. Whereas society views the sufferings of the inebriate with tolerant amusement, the author seems to postulate that the manic, by virtue of his peculiarity, should be regarded as possessing the key to the universe.

An appendix contains some strong criticisms of mental hospital administration and nursing. These, like much of the book, have been written in a state of mild manic excitement, and whatever the rights and wrongs of his case the author himself in a relatively stable phase adds later "I see the point of view of the authorities more clearly than I did, but I still see my own . . . I must have been an appalling nuisance."

AMERICAN SURVEY

Strategy by the People

Washington, D.C.

PRESIDENT TRUMAN and his Secretary of Defence, General Marshall, might be justified in believing, with the hero of Mr Masefield's "Odtaa," that life is "one damned thing after another." No sooner was the end of the task of persuading Congress to accept the foreign aid Bill, in something not too far from its original form, in sight than the men responsible for framing American strategic policy were faced with a renewed demand for a vast increase in the strength of the United States Air Force—from the present target of 95 groups to a figure which has been put as high as 175 groups. The President's civilian advisers on defence policy have every reason to resist this expansion. They are only too keenly aware that the present rearmament programme is far behind schedule, and the production experts have given a stern warning that the diversion of resources which would be entailed by such an expansion of the Air Force might put an insupportable strain on the national economy. It would certainly mean that even fewer of an already inadequate supply of machine tools would be available for the output of tanks and other weapons. The Bureau of the Budget is also, not unnaturally, opposed to a proposition which would involve spending as much on the Air Force in each of the next three years as last January's Budget allowed for the whole of the armed forces in 1952.

Finally, the strategic planners can point to the dangers not only of spending billions of dollars on types of aircraft which may become obsolete, but of committing the United States to a type of strategy which may become outdated. The rapid development in the technology of guided missiles and pilotless aircraft, together with new advances in the manufacture of smaller atomic bombs, have made the planners highly doubtful whether an increase in bomber groups is really the best way to expand the offensive power of the United States.

The President and his defence advisers still adhere to their belief in the principle of "balanced forces," partly for strategic reasons which have been powerfully strengthened by the lessons of Korea, partly because it is the formula best calculated to ensure harmony between the three services. It is true that General Marshall has suggested a modification of the principle because of the important role that the Air Force must play in European defence, but he is not prepared to recommend abandonment of the principle altogether. And the President is anxious, for political reasons, with an election campaign approaching, to avoid a repetition of last year's cut-throat warfare among the Chiefs of Staff.

The pressure to expand the Air Force is, in fact, the result of an alliance between the Air Force itself and a group in Congress headed by the Republican Senator Lodge and the Democrat Representative Carl Vinson, who is the chairman of the House Armed Services Committee. At present there are three Bills before Congress. One seeks to double the size and increase the influence of the Marine Corps. A second calls for the construction of two super aircraft carriers for the Navy, and is commonly regarded as a sop to naval pride and ambition should the programme for an expanded Air Force become a reality, for there can be no prospect of starting work on these carriers for a long time to come. The third calls for an Air Force of 163 groups. The detailed facts and figures with which it is being advocated suggests that its sponsors are being supplied with information from highly placed official sources in the Air Force.

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For the past three years Congress has shown far greater zeal for a large Air Force than has the Administration. While the Defence Department was planning on a basis of 48 air groups, Congress repeatedly tried to force 70 groups down the Administration's throat. After the invasion of Korea last summer, the Administration itself raised its sights to 95 groups, a target which was confirmed by the President early this year. Now, less than six months after Congress has got an Air Force considerably larger than it originally wanted, it is demanding a further enlargement of about 80 per cent. Perhaps the crowning move in this game of "think of a number and double it" is the demand of General Carl Spaatz for 250 groups.

In a Congress which has been too little interested in the planning of military security and too much interested in petty budget-cutting (last week it reduced the appropriation for civil defence by 90 per cent), the sight of Congressmen clamouring for an even bigger Air Force seems paradoxical. The fact is, however, that these men represent, not a strain of bellicosity in American public opinion, but that complex of fears and hopes which used to be known as isolationism. In the minds of many ordinary Americans a gigantic fleet of bombers is the means by which America can defend itself without exposing its sons to the corrupting influences of long occupation or fighting "over there." It has the additional attraction in their eyes that an Air Force can be built in American factories and can to a great extent be based and maintained on American soil, and so will not depend for its efficiency or strength on the co-operation of foreign allies.

The public clamour for an expanded Air Force derived its impetus not so much from Senator Lodge, whose arguments were based on a tenable strategic theory, but from Senator Taft who, though he does not know the first thing about strategy, yet perfectly expresses the muddled public thinking about what air power can achieve on its own. In January he made a stirring speech in which he accepted the defence of Europe as an American obligation, but demanded that it should be discharged by air power and not by the stationing of American troops overseas. Vague as he was, he offered

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

a way out of their confusion to the many well-intentioned Americans who wish to do their duty by the free world but do not wish their sons to leave America to do it. It is not without significance that the theories of Major Alexander Seversky, the arch-priest of the "Victory-through-Air-power" sect, have been widely acclaimed only in the more isolationist sections of the press.

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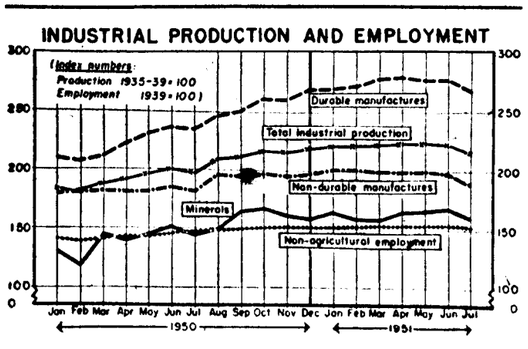
The importance of this public discussion on the size of the United States Air Force is not so much that it may lead to a wrangle among the planners of American strategy, but that it may become a first-class political issue which the Republicans might be able to capitalise. The fact that President Truman is known to have appealed to the Joint Chiefs of Staff to reconcile their differences on the subject in private is clear evidence of what he fears could happen if they were to settle them in public. There would be nothing remarkable if they did. The American people throughout their history have always regarded military strategy as a fit subject for popular discussion and decision, not after the battle, but before it. Indeed, Senator Connally, chairman of the Senate Foreign Relations Committee, warned Congress last March that it should not try to dictate strategy to the Generals. "Look," he said, "what happened at Bull Run"—the opening battle of the Civil War, a battle which was fought by the Federal Generals only because they had been pushed into it by Congressional pressure, a battle which they lost and, in so doing, gave to the Southern Confederates a confidence which enabled them to continue the war.

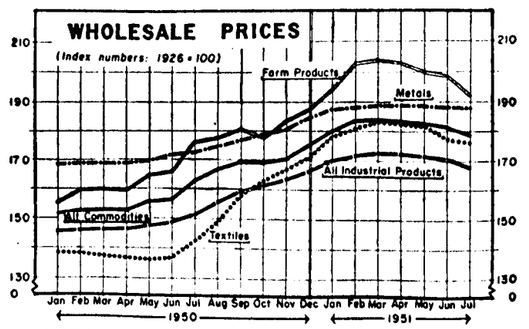
The present popular interest presents the Administration with an awkward problem which it is not in a strong position to deal with. Ever since the Korean war began, it has had to issue repeated warnings that the United States is faced with an acute international situation which may lead to a third world war. The Administration can scarcely go on appealing for sacrifices from the people and demanding urgent measures for rearmament if, at the same time, it appears to reject the generous offers of Congress to provide it with the bombers, aircraft carriers and marines which are the popular panaceas for the ills which it describes.

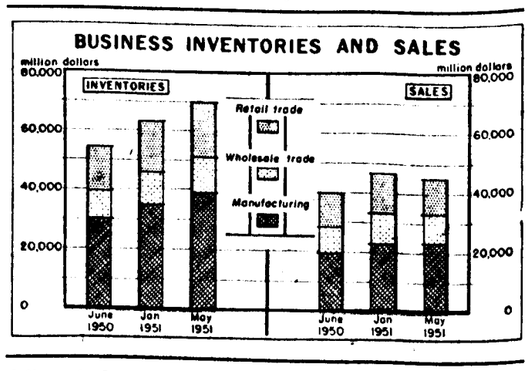
No Butter Without Guns?

THE signposts to the American economy are today pointing in opposite directions, and there is as great a divergence among economists who try to assess which way that economy will be going in the next few months. The business indicators which climbed steadily and sharply to record heights after the Korean outbreak have now levelled off and have even in some cases declined; but, when they are analysed, it appears that this is the result not of a uniform trend, but of conflicting forces pulling two ways at once. The first chart, for example, shows that the Federal Reserve Board's index of industrial production, until July, when holidays caused it to fall off sharply, had been almost stationary since the beginning of the year. But in recent months, at least, this was largely because a decline in the index for non-durable manufactures was offset by a rise in that for mineral production. The stability of the durable manufactures index since March masks a similar tug-of-war: increases in production of armaments, machinery and other defence requirements have cancelled out decreases in output of consumer goods such as automobiles, which have been caused not only by shortages of materials but also by a falling off in demand.



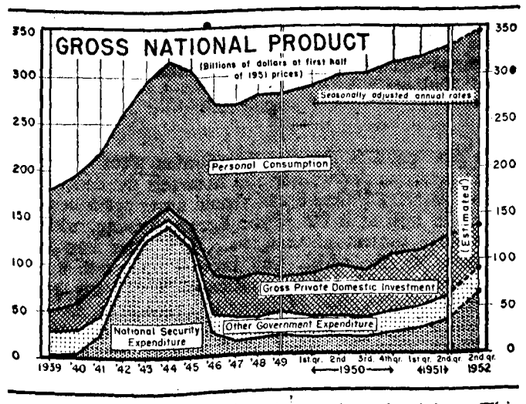
The same influences can be seen in the wholesale price indexes; the index for all commodities had, until this month, been dropping steadily since the spring, but the fall would have been more severe had not the firmness in such industrial products as metals and building materials, needed for the rearmament programme, offset the weaknesses in textiles and other civilian goods that ordinary consumers have been leaving on shop shelves. It is this fall in sales of almost all types of civilian goods that is the most ominous sign in the present business situation. It means that inventories have been built up to an alarming degree, for orders placed last winter, when sales were breaking all records, are now being delivered. It means too that new orders have been comparatively few and far between recently, although since May they have been picking up as inventories have at last begun to decline.





Some of the economists who study this situation believe that the peaks of business activity, employment and commodity prices have been reached, if not passed, for the remainder of this year at any rate; a few say for much longer than that. Others, who are as well informed and have proved to be equally good prophets in the past, consider that the present brief lull will be over before the winter and that boom and inflation will then get going again for a period which is variously estimated at from six months to two years.

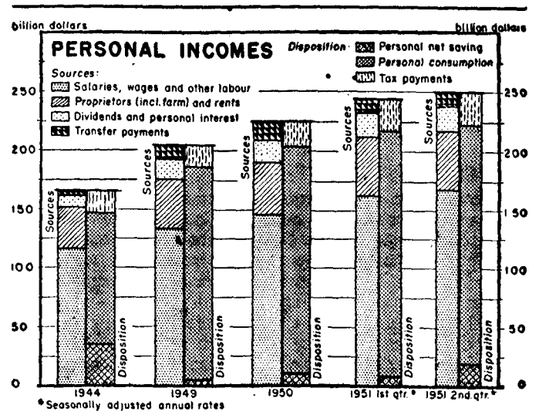
The main forecast on which the two schools split is future government spending on national security programmes, a category which covers military payrolls, arms for both the United States and its allies, and other foreign aid. As the chart shows, this expenditure will, according to present plans, rise more rapidly than the total supply of goods and services can reasonably be expected to do, for the labour force is already fully employed and there are limits to the possible increases in working time and productivity. This seems to mean that consumers will have more money to spend, probably about $15 billion more, and no more goods and services, if as many, to spend it on. They will compete amongst themselves and with the government for available supplies and the result can only be inflation, since Congress is most unlikely to permit the drastic tax increases which would cut disposable personal incomes down to fit the supply of goods and services.



The opposite view is that expenditure on armaments will not in fact rise so far or so fast as at present planned, because the United States will be persuaded by Russia's latest moves that the Soviet threat is neither so great nor so immediate as it has recently seemed to be. With the government taking a smaller share of the very large national output, and with not only business inventories but also consumers' stocks at unprecedentedly high levels, as the result of last winter's buying spree, the present lull will, according to this view, become a real recession, probably more severe than that of 1949. In fact all the economists, whose predictions have been somewhat uncompromisingly expressed above, agree that the American economy is vulnerable; at this point they disagree only on whether, and to what extent, international political developments are going to hurt it. In this field they have no claim to be expert forecasters.

There is, however, a further disagreement in the economic field itself. The argument, as stated so far, suggests that the United States can no longer have prosperity unless a significant proportion of its output is either given away or wasted on war or preparations for war, that Americans can only afford butter when they are making guns. But the truth of this is very far from proven, and in the present situation there are indications that the opposite is the case.

Price reductions produce demand, as the retail price wars have recently shown once more, and prices would fall with a decline in military demand. Consumers still have many unfulfilled wants and today, far more than ever before, they have the means to make their demands effective. Another contradiction shown by today's business indicators is that total personal income has risen to record levels and that more of it is in the very liquid form of wages and salaries, yet the percentage saved has, since the early spring, been greater than at any time since the war years, when consumer goods were not to be had. Surveys show that there are still many things which consumers plan to buy, but that they are restraining



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themselves in the expectation that prices will drop, and also because the continuance of plentiful supplies of goods has convinced them that the wartime shortages they feared last winter are not as imminent as they thought. If this is so, a drop in prices might uncover a sufficiently large volume of latent demand to prevent any fall in production.

Even when present wants are satisfied, new ones are being created in almost every direction by scientific and technological developments—colour television, for example—which are now an economic force of really great power. Then, too, in every branch of business, machinery is cheaper than it has ever been compared with labour, even in the United States where labour has always been a higher cost of production than elsewhere. So the present remarkable rate of expenditure on new industrial equipment would not necessarily slacken substantially even if the defence effort were relaxed. Finally, as was shown to some extent in 1949, both the government and private business have in readiness many plans and devices for defending the country against a depression, and these would certainly have some effect.

It, therefore, seems likely that even if government spending on armaments rises less quickly than expected, the worst that the economy would have to face would be, not a "slump," but a "readjustment." But what is to the United States only a readjustment could be a painful dislocation to the rest of the world.

(Charts based on the Council of Economic Advisers' Midyear Report, July, 1951, and on later releases from the Federal Reserve Board and the Bureau of Labour Statistics.)

American Notes

No Report on MacArthur

Recognising the obvious impossibility of arriving at a unanimous conclusion on their inquiry into General MacArthur's dismissal, the Senators concerned decided last week, by 20 votes to 3, to make no report—or reports—at all, since they felt that both the Korean truce negotiations and the signing of the Japanese peace treaty would be adversely affected by such an open parade of the country's disunity. But to avoid any suggestion that discussion was being undemocratically cut off, the conclusions of individual members of the investigating committee are to be printed in the final record of the hearings. Eight of the eleven Republican members, including the party's Congressional leaders on foreign affairs, Senators Wiley and Smith, promptly took advantage of this arrangement to issue a statement which was a minority report in all but name, calculated to revive the bitter controversy which the absence of a formal report had been intended to allay.

The statement began with a short recapitulation of the evidence, slanted to suit the subsequent thesis, and then listed the "areas of agreement" and disagreement which, in the opinion of the eight Republicans, had been outlined during the hearings, which covered the whole of United States policy in the Far East since 1944, with special reference to the Korean war. The 30 points on which the whole committee was supposed to agree began, and ended, uncontroversially: the right of the President to remove General MacArthur was recognised, as was the lack of tact, which few dispute, with which it was done. Nor is anyone likely to deny that the Administration had no positive plan for achieving victory in Korea, or to fail to pay tribute to the gallantry of the American troops there. But in between were sandwiched many points which more properly belong in the section on disagreements: examples are the assertion that America's allies have been laggard as regards both troops for Korea and economic sanctions against the Soviet, and that the Secretary of State usurped military functions by forbidding the bombing of bases close to the Russian frontier.

The 18 official points of disagreement began with the statement that Yalta was a great tragedy of American diplomacy, in which the United States "yielded to Russian imperialism . . . for mythical reasons," an opinion which was disproved, as it has so often been before, by Mr Harriman's latest account of what actually happened at Yalta, given to the investigating committee in July, but only just released. The rest of the points of disagreement boil down to the old allegations that the Administration in general, and Communist influences in the State Department in particular, were responsible for the collapse of the Nationalist government in China and the stalemate in the Korean war. Throughout, no opportunity was lost of praising General MacArthur and condemning Mr Acheson, and of insisting that the Administration had no policy except to appease Communism, at least until the investigation forced it to reverse itself on such significant matters as the protection of Formosa and the admission of Communist China to the United Nations.

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The final point is that the Constitution gives Congress the sole power to declare war and from this the conclusion is drawn that the United States should never again become involved in war, as it did in the Korean fighting, without the previous consent of Congress. The other important conclusion, or one which may become important if the Korean truce negotiations are resumed, is that any peace short of the "unification of Korea is a delusion" and any "settlement south of the Yalu is to admit the success of the Chinese aggressors."

Senator Morse, the Republican black sheep, rushed to point out that his colleagues' statement neglected the fact that General MacArthur had proved himself so out of sympathy with his government's policy that any President who did not remove him would have been disregarding his constitutional duty to maintain the supremacy of civilian authority. But, however often Senator Morse may say that the statement is not his party's official policy, and however much Senator Saltonstall, another constructive Republican, may deprecate its undermining of the authority of his country's leaders, it is nevertheless clear that the eight Senators, who nailed together all the well-worn MacArthur planks to make their statement, designed it as a platform from which to launch their election campaign against President Truman.

* * *

Cotton Farmers Run for Cover

The farmers who planted about 29 million acres of cotton this season were shocked to discover, from this month's estimate of the probable yield, that they were bringing a record crop down upon their heads. Except for drought in Texas and floods in Missouri, the weather has been favourable and the boll weevils have been kept under better control than usual. As a result, the latest forecast is for a yield of over 17 million bales, compared with 10 million last year and a ten-year average of 12 million; by the time the crop has been ginned, it is possible that it may break the 1937 record of just under 19 million bales.

Last spring, when the price controllers put a ceiling on cotton of 45.76 cents a pound at the farm, the price then prevailing, the indignant growers protested that it would discourage planting and that all they asked was to be left free to manage the market as they thought best. The crop report refuted the first contention and the farmers themselves have now proved the hollowness of the second by running to Washington for cover from falling cotton prices. Spokesmen for the cotton growers insist that they are being "penalised by the very abundance which they have so generously provided" at the request of the government, which urged them to make up the deficiency that developed in cotton so quickly after the Korean outbreak.

Even the Congressional cotton bloc does not seem to have had the face to press for an increase in the price, of over 31 cents a pound, at which the government is required to support the cotton market. But Southern Senators have demanded that 3,000,000 bales of cotton be bought by the government for the stockpile, which is supposed only to contain reserves of commodities that must be imported; the intention is apparently to prevent cotton falling so low that it will automatically become government property under the price support system. The Secretary of Agriculture would go no further than to promise that the possibility of buying cotton for the stockpile would be explored, and he pointed out that there was in fact unlikely to be an unwieldy surplus of cotton this year, in spite of the record crop, since from 5,000,000 to 6,000,000 bales would be exported. The restrictions which were imposed on cotton exports as the result of last year's shortage were lifted as soon as this season's favourable forecast was received. Domestic consumption depends, of course, on the demand for cotton textiles; this has recently been very poor, which is partly why the price has declined, and it has been suggested that the armed forces should place their future orders for textiles at once, in order to encourage mills to build up stocks of cotton.

* * *

Election Quadrille

The candidates for the 1952 presidential election do not officially take the floor until after the nominating conventions next July, but already the most polished performers are being pressed to say whether they will enter the quadrille. For with the new year come the practice performances, the state primary elections in which party voters show their preferences for possible candidates. Senator Paul Douglas has already taken the opportunity to say, like Lewis Carroll's snail, that he "would not, could not join the dance," but, even so, his name is apparently to appear on the Democratic ballot in the Oregon primary without his permission. President Truman delights in mystifying the regular questioners who ask "Will you, won't you, won't you join the dance?" No one expects him to answer until the last moment, but it is thought that his present intention is to stand, for his fighting spirit has been roused by the "scandalmongers'" attacks on the members of his Administration, and by Congress's refusal to give him the economic powers that he wants.

If Mr Truman does not stand, he is expected to give the Democratic nomination to the Chief Justice, Mr Vinson. He made it clear at a recent press conference that he had no intention of giving it to General Eisenhower although, as his Commander-in-Chief, he would gladly allow the General to run for the Presidency. This confirms what was already taken for granted, that if General Eisenhower is a candidate, it will be as a Republican. The General has, however, been even less ready to commit himself than has the President and it is thought that he will not do so unless the nomination is guaranteed to him. Except in the *Chicago Tribune*, there has so far been no open attack upon the people's favourite hero, but this does not mean that all Republicans welcome the General with open arms, even though victory would seem to be certain with him as their candidate.

General Eisenhower's reticence poses delicate problems of tactics and timing for the group of progressive Republicans, which includes such leading figures as Governor Dewey and Senator Duff of Pennsylvania, who are trying to "draft" him for the Presidency. The group of conservatives who are trying to do the same thing for Senator Taft have no such difficulties. They declare that they already have signed, even if not sealed, two-thirds of the convention votes needed to nominate him. Mr Taft's strength in the party is concentrated in the middle-west and south, but he has learnt by previous failures that this is not enough. That is perhaps why he chose this week to tread his first official measure in the election quadrille at a clambake in Maine, on the east coast.

Moratorium for Amortisation

America's phenomenal industrial expansion is at last being restricted, even if only temporarily, by shortages of structural steel, copper and other building materials. Mr Charles Wilson, the Director of Defence Mobilisation, has taken the opportunity to declare a moratorium, for sixty days at least, on the granting of the certificates which permit accelerated amortisation, for tax purposes, of much of this expansion. There are a few exceptions to this order, mainly for facilities for the production of urgently needed military items and critically scarce raw materials, where the need for government assistance is undisputed. The availability of construction materials has not hitherto been considered when issuing these certificates, but now that shortages are becoming severe, an attempt will be made to strike a reasonable balance.

But the real reason for the moratorium is to allow a review of the whole programme. Since it was authorised under last year's tax law, about $9 billion worth of new facilities have been declared eligible for these amortisation benefits, and over 3,000 certificates of necessity have been granted, permitting, on an average, 70 per cent of the cost to be written off in five years, instead of the usual 15 to 25. The actual percentage of total cost on which this fast rate of depreciation is permitted is supposed to depend upon the extent to which the new facilities are needed only for emergency purposes and have no normal civilian use. But so far roughly 40 per cent of the certificates, by value, have gone to the steel and chemical industries, and expansion is being encouraged by this means in many other types of industrial capacity that serve civilian as well as military needs. Congress, which thought it was helping expansion for defence purposes only, is naturally complaining that too many certificates are being given for too large a proportion of the new investments.

It is a complaint that does not make allowance for the unusual character of the present long-term defence programme, under which the whole industrial base of the country is to be broadened so that, once the initial push is over, standards of living can resume their rise in spite of rearmament. As far as plans for industrial expansion are concerned, the top of that initial push is now in sight, and Mr Wilson is, therefore, preparing to tighten his standards and make more definite rules for the issuance of certificates. When the moratorium is over, it is expected that quick amortisation will not generally be allowed for such a high percentage of cost as in the past. The pill is, however, sugared, for military procurement officers are to be permitted, when negotiating contracts, to calculate costs of depreciation on the basis of accelerated amortisation, to the extent that it has been permitted, instead of on the normal basis that has previously been required.

Shorter Note

As expected, the Economic Stabiliser, Mr Eric Johnston, has approved the formula under which all wages, not simply those covered by contracts containing "escalator" clauses, will be allowed to rise in step with increases in the cost of living. He has, however, ordered that the formula be applicable only until March 1st. The immediate effect is to permit a further rise of 2 per cent in wages, in addition to the 10 per cent above the levels of January, 1950, already permitted under the old formula.

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THE WORLD OVERSEAS

The Russian Farmers' Free Markets

(From Our Special Correspondent)

WHEN comparisons are drawn between the standard of life in the West and in the East, Soviet consumption is likely to be somewhat underrated through the omission of many foodstuffs which are purchased not in state stores, but in a free and open market. The idea of a Soviet market in which prices are determined by the pulls of supply and demand seems strange. It is often assumed that free trade was eliminated in the USSR with the introduction of the planned economy. Yet in the thirties purchases in the free market, the so-called collective farm market, accounted for between one-eighth and one-fifth of the total Soviet retail trade turnover. The proportion rose sharply during the war and, though it has declined since then, it is still quite substantial.

How did this free trade survive two decades of planned economy? Why does the Soviet planner allow the existence of some 4,500 markets in which prices move freely and even maximum prices are not controlled by the state? The collective farm market is the planner's concession to the property instinct of the peasant masses. When the collectivisation drive was drawing to an end the carrot was added to the stick: collective farms were allowed to sell on a free market the surplus they had left after fulfilling the compulsory deliveries to the state. The collective farmer was also left a small plot and he could sell the product on the free market. At present the surplus of the collective farms provides approximately 20 per cent of the supplies to the free market, while the remainder comes from the 20 million or so allotments, averaging in size one-fifth of a hectare. These small plots are one of the main sources of income for the collective farmer. On the *kolkhoz* cultivation is extensive, but the allotment is cultivated intensively with a particular emphasis on vegetables. The farmer also keeps his own poultry, pigs and sometimes a cow.

Wartime Boom

The war obviously created conditions particularly favourable for the free market. If its share in the total retail trade was less than one-fifth before the war, it rose to over one-third during the conflict, probably even more as regards foodstuffs. Improvised markets were set up in the neighbourhood of railway stations. With insufficient rations and shortages in the state stores prices soared on the free market. With the tacit approval of the authorities, who were aware of the acute scarcity of labour, collective farmers "borrowed" land from the *kolkhoz* and sold the produce on the free market.

After the war the situation changed. At first, free prices fell slowly and were higher than the prices of rationed goods, and even higher than the so-called commercial prices, i.e. prices of goods sold in the state shops outside the ration. But the abolition of rationing, the greater supply of foodstuffs in state shops, the reorganisation of collective farms, were all severe blows to the free market. The Soviet authorities now claim that "the forces of the market could not sustain the struggle with the Plan and have capitulated" and that prices on the free market are often lower than in state stores.

It is, however, interesting that the attack on private trading was indirect. The institution itself has been preserved. True, the improvised railway markets have mostly disappeared, but the official 4,500 free markets in the small and larger towns of the Soviet Union are still there. In the centre of the market one finds the large stands belonging to the collective farms as such. Sometimes next to the stand there is a lorry full of produce. Around the central stands collective farmers with carts or barrows sell their own wares. The market officials are there only, at least in theory, to watch over the cleanliness and the quality of the products.

According to Soviet statistics, the co-operative and free markets combined still account for one-third of total Soviet retail trade, which would suggest that the free markets alone account roughly for one-seventh of the total. Yet this figure, like the prewar figures quoted above, is probably below the mark, since it is computed on the basis of the farmers' declarations and the farmers certainly played their marketing activities down in order to minimise taxation. One-fifth or even more would be nearer the truth and for certain products, such as vegetables, meat or dairy products, roughly one-third of the quantity consumed in the towns is provided by the free collective market.

Indirect Curbs on Private Trading

Important though it is, the role of the free market in the Soviet economy is limited. The central planner may hit the "free trader" quite painfully by increasing the quota to be supplied to the state or by raising the price of manufactured goods purchased by the farmers. One of the aims of the revaluation of the rouble was to cut down the accumulated profits of the farmers. But the time had not yet come to remove the source of those profits altogether. The free market is considered as a useful source of additional food supply, and its elimination would involve too great a social upheaval to be attempted in the present circumstances.

The free market is as sensitive as a stock exchange. The prices in this market are affected not only by the prices and quantity available in the competitive state stores, but also by the quantity available and the prices of the manufactured goods which can be purchased with the money gained. The Government follows a special policy towards both the free market and the countryside as a whole. At the time of the harvest it directs the supply of all the popular products of light industry into the countryside so as to encourage the sale of agricultural products. If, on the other hand, a region regularly fails to fulfil its quota, it is "starved off," i.e., the quantity of manufactured goods supplied is cut down.

For the time being the free market has been given a breathing space. It is expected that it will be contained within reasonable limits by regular state supplies. The co-operatives, too, have been ordered to buy directly from the peasants, even at free market prices, in order to minimise the importance of the market itself (the co-operatives may for instance sell at a loss). But as long as private allotments are maintained and foodstuffs have not become "free goods," the free collective market will continue to play an important, if limited, role in the Soviet planned economy, supplying a large proportion of potatoes or vegetables, milk, butter, meat or other foodstuffs consumed in the towns.

Prospects for Signor De Gasperi

[FROM OUR ROME CORRESPONDENT]

THAT political developments in Italy threaten to crystallise into a new Fascist era is the general implication of four lengthy articles, ostensibly on different arguments, in the current *Rinascita*, the important and instructive monthly review edited by Signor Togliatti for the use of the higher Communist intellectuals. In the quite differently coloured pages of the dispassionate Liberal *Mondo Economico* one reads that "... in this terrible country we are going towards the frame of mind of 1921-22!" The expectation of a new Fascism in Italy may, however, mean more than one or even two things (in a clerical or Social Democrat organ it would probably stand for the expectation of rule by Togliatti). It is plain that the Communists themselves do not mean by it that the neo-Fascists or official extreme right are likely to supplant the present Government. They mean that Signor De Gasperi himself will be drawn inexorably into replaying the role of the Duce. A reason which they give for disregarding apparent dangers to his tenure of office is that he is America's man. This, for the Communists, is the most damning indictment of Signor De Gasperi. Others may read it as a credit mark for present American diplomacy, which appears to desire in Italy, and other Atlantic Pact countries, a political leadership which will be scrupulous of the decencies even in times of gathering stress.

Although Signor De Gasperi's seventh Government has now received respectable majorities in both Chambers, there is likely to be little peace for it beyond the recess. Decrees passed at the first Cabinet meeting to extend the immediate application of the advatice measure of agrarian reform knock the main internal opposition in the Christian Democrat party on a tender spot. Inquiry into direct taxpayers' incomes on quite unwontedly stringent lines is due to begin in the early autumn—another tender spot. The first mention of the new syndical law had the left wing angrily growling. The third batch of nationwide municipal elections, due in the autumn, has been deferred until next year on the plea of an awkward clash with a census. This delays expected triumphs of the extreme right, though the extreme left, of course, raises a shrill outcry.

Elections Likely Next Year

Moreover, general elections in 1952, and not at the statutory date of 1953, are now seen to be probable for the technical reason that by 1953 altogether too many old Fascists of the Mussolini vintages would have outlived their postwar sentences of five years' deprivation of civil rights. In preparation for these not very distant elections the Government is, or will be, preparing new refinements of the electoral law, calculated to enable the anti-Communist majority in the country to defeat their common chief adversary without tying themselves up in unpopularly close-knit coalitions or combinations. This, for the Communists, is another predestined step for Signor De Gasperi along the Fascist path, and indeed Mussolini's first electoral law (1923) had much of this character. All this, according to present prognostications, will be taking place in an atmosphere of harder times, after the steady and almost wholly unacknowledged improvement in the average citizen's lot in recent years. (The tale told by comparisons of present tobacco, coffee and sugar consumption, motor-car and motor-cycle registrations, compared with prewar as well as postwar dates, is the opposite of lugubrious.) Such will be the elements of the situation in which the Communists will be waiting for the Prime Minister to throw off the liberal and democratic mask.

If De Gasperi's permanence is—as not only the Communists say—championed by America, the quarters where the Italian leftwinger had hitherto been taught to suppose he enjoyed his warmest local backing seem to have cooled quite a bit. That agitation for a political change is rife in the high prelacy was as good as publicly stated by the Premier when a week or two ago, at Florence, he compared present "pressures" with those of the early twenties. As older Italians well remember, thirty years ago the predecessor of the Christian Democratic Party, the *Popolari*, was rather abruptly dropped and disclaimed in the interests of Vatican cordialities with Signor Mussolini. Though the present problems and personages are quite different, there is much curiosity in Rome about the intentions of Dr Luigi Gedda, a downright youngish Catholic politician who seems to be agog for action. It is said that Monsignor Montini, one of the Acting Secretaries of State who has been regarded as a keen admirer of America and a friend of Signor De Gasperi, has lost his influence. Scarcely anyone is in a position to know such things. But a certain curgent of "neutralism" emanating from the Vatican has been perceptibly present in Italian Catholic political discussions on the world situation in the past six months. Such views do not seem to be incompatible with a stiff plan for silencing the Communists inside Italy.

It will probably be a notable achievement if American policy—to say Anglo-American policy would be out of place in view of the very wide recrudescence, in Italy, of Fascist-like sentiments towards Britain and Britain alone—helps to keep Signor De Gasperi in his place, and if Signor De Gasperi on his side, pure as he is of Fascist sentiment in regard to anyone, steadfastly refuses to give the Communists the martyrdom which their intellectual cocksureness and fear of free air causes them practically to demand.

Arms for Africans?

[FROM OUR JOHANNESBURG CORRESPONDENT]

THE opening last Tuesday of the African defence conference at Nairobi, at which the Governments of Britain, South Africa, France, Belgium, Italy, Portugal, Southern Rhodesia, and Ethiopia are represented, brings to the fore once more the problem of South Africa's refusal to make use of native troops. If Dr Malan persists in his adamant opposition to the rearming of Natives, whether inside or outside the Union, he will find himself at variance with the British, who have been considering how to make better use of Native troops in the Commonwealth defence effort.

It is true that the Voortrekkers used Native fighters in their battles with other Natives, and the Natives on the Voortrekkers' side were on the whole extremely loyal. But in the Boer War General Hertzog shot out of hand any Native prisoners he took. South African Natives played a notable part in the first world war, which the Nationalists opposed, and also in the second world war, when some Nationalist supporters were trying to blow up troop trains. The part played by non-Europeans in the second world war helped indeed to harden the Nationalists' non-European policy, and the war's aftermath gave them a further argument. When Dr Malan was asked to explain his *apartheid* policy in September, 1948—nine years almost to a day after the outbreak of the war which he opposed—the very first thing he emphasised was the wartime role of South Africa's non-Europeans. It had, he said, "given them an entirely different outlook and caused them to make demands which never previously entered their heads." This was because they had been "summoned to bear arms and to be arbiters between European and European."

In a little over two years there have been great changes in Nationalist thinking. In the course of the speech already quoted, Dr Malan practically equated the United Nations with world Communism. Today South African airmen are fighting and dying in Korea, under the United Nations banner, and they were sent to Korea by the Nationalist

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Government. Not a single Nationalist voice will be raised in favour of neutrality, if war comes. Instead, Nationalists talk of the danger of Communist "sabotage of the war effort"—a phrase which in South Africa a decade ago connoted activities associated not with Communists but with Nationalists. The Minister of the Interior, Dr Donges, has said that South Africa must "arm to the teeth," and the Minister of Defence, Mr Erasmus, has assured Parliament that "the country has never been in such a state of preparedness," and that three divisions could be mobilised in a short time. Government offices are full of plans for switching industries on to a war footing, and for directing manpower and controlling commodities.

Yet on one point the Nationalists have not changed. They may now agree wholeheartedly that the new potential enemy is theirs as well as Britain's and America's, and may even outdo the United Party in their zeal for full-blooded South African participation in a war against Russia. But they are still resolutely opposed to the use of non-European troops in such a war—even if those troops are raised in other African territories.

Obviously, if South Africa is to play its proper part in the defence of Africa, it must co-ordinate its plans with those of other African countries. But, despite all the internal energy, considerable coyness is still manifest about such co-ordination. At the end of January Mr Erasmus confessed that "no steps have been taken to bring about a military liaison between the Union and Southern African territories." The possible reason for the delay appeared in February, when Mr Erasmus disclosed to the Senate that "negotiations are still in progress" in connection with representations he had made to other African states that Natives should not be trained in the use of arms. Unwilling to have Native troops itself, the Nationalist Government has carried its opposition to such troops to a point where it might well be accused of that very sin of "meddling" in other countries' internal affairs which it so deplores when its own internal affairs are in question.

Africans as Auxiliaries

It is a painful dilemma. How can Nationalists train non-Europeans to be soldiers when they believe that this act of the previous government was chiefly responsible for creating the "serious and pressing colour problem" that Dr Malan came into power on a promise to solve? But how, with all their new good intentions, can they hope to co-operate seriously with the rest of Africa in defence, when they oppose the raising of Native military units even in African territories beyond the Union? To do him justice, Mr Erasmus is not entirely nonplussed by these questions. He has explained that the intention is to allow non-Europeans to join auxiliary services, "and to act as "guards, watchmen, drivers of mechanised transport, fire pickets and fire-fighters, and in other non-combatant capacities." But he added that these non-European non-combatants would serve only "within South Africa." In their new mood, the Nationalists will almost certainly be prepared to send European soldiers beyond the Union's border in time of war. Thus the position is that the white soldiers would leave their non-European auxiliaries behind—but would find themselves fighting cheek by jowl with non-European troops from other African territories, since Mr Erasmus's representations have certainly not induced the British and still less the other Powers in Africa to abandon the practice of using Native troops. This position must strike even Nationalists as illogical. If white South Africans are going to have Natives as comrades-in-arms anyway, they might as well have Natives from their own country. Moreover, it should not be overlooked that if the Natives, Coloured people and Indians were encouraged by their part in the last war to "make demands which never previously entered their heads," the Nationalist measures to combat those demands have since hardened non-European opinion into a resolve not to take part in a future war, even if asked to do so. Dr Malan thought they should never have been allowed to become "arbiter between European and European." The Natives, Coloureds and Indians may have no wish to defend Europeans against either an Asiatic or a Communist foe. For, thanks to the Nationalists, they have less than ever to lose.

Peace or War in the Punjab?

[FROM OUR CORRESPONDENT IN PAKISTAN]

Does India mean to attack Pakistan? If not, what plausible explanation can there be for the massing of nearly the whole of the Indian Army on the frontiers of Pakistan? These are the questions which are being asked wherever two or three are gathered together in Karachi. A subconscious feeling perhaps persists that war between two countries with such close ties and so much common history is unthinkable, that such a thing "can't happen here." It is otherwise in Lahore; reports from that city disclose the existence of acute nervousness, which is only to be expected as it lies only a few miles from the Indian border. Mr Nehru's statement that India had no troops nearer than twenty miles from the border made most reassuring reading, but unfortunately, according to recent travellers between Amritsar and Lahore who have had the evidence of their own eyes, it is simply not true.

Mr Nehru, the Indian Prime Minister, is a man of peace, and even in Pakistan he is generally credited with a genuine hatred of war and a desire to gain his ends peacefully. But gain his ends he must, at any rate where Kashmir is concerned. He will "tolerate no nonsense" in this matter. If world opinion is against him on this issue, we are to believe that it is biased or has been hoodwinked by Pakistan's clever presentation of its case. Mr Nehru reminds one of the Irish juryman who was in the minority of one—"Eleven more obstinate men I never saw in my life." Certainly he does not want war, but if his refusal to follow the path of settlement marked out by the Security Council should lead to a conflagration, a very grave responsibility will lie on his shoulders.

Appeal to Cæsar

In one of his recent communications to Mr Liaqat Ali Khan, the Prime Minister of Pakistan, Mr Nehru ends with an appeal to the verdict of history. It will be strange if the future historian, even if the issues become blurred by the mists of time, finds it possible to reconcile his insistence on mediation in the Korean dispute with his refusal to agree to it in the Kashmir dispute, or his attitude towards the accession of Junagadh to Pakistan with his attitude to the accession of Kashmir to India. (Incidentally, Pakistan's protest against India's seizure of the Junagadh state is still pending before the United Nations.) In any case, people ask in Pakistan, why should the verdict of some future historian be awaited when the verdict of the Security Council, as the effective organ of world opinion, can be obtained here and now? "Hast thou appealed unto Cæsar? Unto Cæsar thou shalt go," is what the Security Council should reply. It has already in its resolutions of March 30th prescribed that in the event of the failure of Dr Graham's mission both parties shall be called on to accept arbitration. If Mr Nehru's appeal is not merely rhetorical he should surely be willing to risk the verdict of world opinion in this shape. Mr Liaqat Ali Khan has all along urged that in arbitration lies the only solution and indeed it is obvious that nothing else can possibly break the current deadlock. "I am prepared," said he at the end of his last message to Mr Nehru, "to abide by the judgment of any impartial person."

As one of his reasons for rejecting any arbitration proposal Mr Nehru claims that the fate of Kashmir is too important to be decided by this means. Quite right, but here he seems to forget that the scope of the proposed arbitration is limited. The fate of Kashmir is to be decided by a free and impartial plebiscite. To that both sides have agreed, and the present deadlock is (ostensibly at least) simply due to a disagreement about demilitarisation and other arrangements for ensuring a fair plebiscite under independent control. These should be regarded as mere intermediate steps. The main method of resolving the dispute as a whole was agreed upon long ago and the Security Council at the moment is merely concerned with the mechanics of the thing.

But of course Mr Nehru does not forget this. The truth is that it has been made abundantly clear that India has changed its ground during the past three years: it evidently regrets its agreement that the future of Kashmir, which is now described as an integral part of India, should be decided by the plebiscite, and is determined to make it impossible for a fair expression of the will of the people to be obtained. It is noticeable that in recent months Mr Nehru has repeatedly brought out his insistence that Kashmir now forms an integral part of the Indian Union. His intention seems to be to reinforce this claim by the farce of the Kashmir Constituent Assembly so that he may finally argue that the state is no longer a disputed area and there is no longer any Kashmir problem. He has already claimed, in the Indian Parliament, that "the battle for Kashmir has been won." Meanwhile—this is the generally accepted answer to the second question asked at the outset—Indian troops have been massed on the frontiers in order to keep Pakistan overawed while the Kashmir Constituent Assembly plays its predained part of formally voting for accession to India. India cannot be afraid that Pakistan, however greatly provoked, would launch an attack on India proper; but Pakistan might have been tempted to start trouble in Kashmir by letting in the tribes. By emphasising that his Government regards Kashmir as part of India, Mr Nehru has made it clear that, if anything of this kind happens, India will take it as an act of aggression and will react accordingly on the frontiers of the Punjab and of Bengal.

Those who counsel patience point out that Pakistan should await further developments with confidence and self-control, in as much as the Security Council resolution of March 30th both makes it clear that the vote of the Kashmir Constituent Assembly will not be regarded as a settlement of the problem, and provides for the arbitration which Pakistan desires. Pakistanis tend to point out in reply that India has already rejected this resolution and that, judging by its past record, the Security Council is very unlikely to bring adequate pressure to bear. There may be grounds for this pessimism, but is the Security Council to fold up simply because one party to a dispute rejects a resolution and refuses to co-operate? If so, the United Nations will be signing its own death warrant as a peacemaking body, just as the League of Nations did when it failed to press sanctions in the Abyssinian affair.

The Argentine Economy—I

No Halt to Inflation

[FROM A CORRESPONDENT]

The newly arrived visitor to Argentina is agreeably surprised to see signs of evident prosperity. There is apparently no lack of spending power. Shops appear well stocked, even if imported lines of consumer goods are not so plentiful as elsewhere. Shops, theatres, cinemas, cafés and restaurants are packed; and the restaurants offer an abundance of *bifes* (beefsteaks) of a thickness, juiciness and cheapness well calculated to impress the foreigner. But meat is relatively the cheapest article of food in Argentina, and the tourist is probably quite well supplied with "grey-market" pesos;

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whereas the Argentine citizen cannot measure prices by the yardstick of pounds or dollars at grey-market rates or any other equivalents. His only standard of measurement is with prices a few years ago, last year or last month; and the comparison tends to be alarming.

Prices in Argentina have risen three, four or five times over within recent years; and the cost of living indices, even by official reckoning, rose from 119.4 in 1945 (1943=100) to 322.9 last November, or, by rather more comprehensive private reckoning, from 100 in 1939 to 475 last January. This picture is no means unique in a world beset with post-war inflationary problems. But in few countries did the postwar trend begin so late as in Argentina, probably in none is it still proceeding at such an accelerated tempo.

ARGENTINE BANK ADVANCES AND DEPOSITS, 1946-1950
(Pesos Million)
(December 31st of each year)

	1946	1947	1948	1949	1950
Advances :—					
To the Public	3,963	6,054	8,378	9,925	13,098
Official	1,461	4,294	7,859	10,194	10,619
TOTAL	5,424	10,348	16,237	20,119	23,717
Deposits :— (including Post Office Savings Bank)	11,389	12,993	17,076	20,135	23,066

Source : Argentine Ministry of Technical Affairs Monthly Statistical Resumen February, 1951 (last number issued)

ARGENTINE CENTRAL BANK NOTE ISSUE
(With Public and in Banks)
(Pesos Million)

1946 Dec. 31	1947 Dec. 31	1948 Dec. 31	1949 Dec. 31	1950 Dec. 31	1951 June 7
4,065	5,346	7,094	10,128	13,258	14,379

Note : Between May 15 and June 7, 1951, Note Issue rose by 415,000,000 pesos.
Source : Argentine Central Bank Published Statements.

The root of the problem lies in unbridled government spending, and the regime shows no sign of wishing to tackle it at its root. The only "remedy" is to meet rising costs with round after round of enforced wage and salary increases. The latest wage-adjustment decree, for example, gives 40 per cent increases to the sugar workers of the northern provinces; increases of 60-65 per cent in 1949 quickly increased the retail price of sugar from 65 centavos to 1.50 pesos, and it is calculated that the new increases will raise it to 2.50 pesos—over five times the price four years ago. New pay-scales decreed early this year for the railway personnel bring the lines' total payroll to an amount exceeding their total revenue, and according to Perón the railways had a deficit of 1,000 million pesos in 1950. In spite of the improved pay discontent still smoulders amongst railway workers.

Official utterances give little indication that the regime understands the real nature of Argentina's problem. Perón's speech to Congress on May 1st, ostensibly a "report on the state of the nation," did not even mention inflation, although it again asserted that "Argentina has no economic problems." But in a later speech to provincial functionaries he said that world inflationary trends must be expected to have repercussions in Argentina, and—with an unwonted note of hysteria—he asked what was the use of his giving the workers higher pay if traders took it from them in higher prices, suggested the formation of an "economic police force," and threatened that unscrupulous middlemen ("saboteurs") would be sought out and finished with "even if we have to eliminate the entire retail trade and replace it" [by state trading].

In his report on the state of the nation the President also said:

> In five years the nation has created a magnificent mercantile marine, has paid off its foreign debt, has nationalised its railways, telephones, ports, insurance and reinsurance, and has carried out public works for a total amount of 11,000 million pesos; and striking a simple balance we now find that we have in external means of payment as much as we had in 1946.

Such an enormous expansionist programme could not, in any case, have been carried out without taxing the country's economic resources to the utmost; and, *pace* General Perón, there is evidence that Argentina's economic problems have surpassed anything anticipated by the planners.

Between 1946 and the end of 1950 the net national funded debt (that is, less bonds held by the government) more than doubled, rising from 7,950 million to 15,997 million pesos. To these totals must be added the floating debt, which was 2,880 million pesos in 1946 and over 2,162 million (an incomplete figure) in 1950, as well as the very extensive government borrowing from the official banks and the borrowing by autonomous official entities such as IAPI (the State Trade Promotion Institute); the latter alone has borrowed an estimated 7,000 million pesos from official banks.

Government borrowing now monopolises nearly half the total of bank advances as against about 27 per cent in 1946. Total bank advances last December reached 23,717 million pesos, well over four times the corresponding figure for 1946, and exceeding the total of bank deposits by some 650 million, or about 2.8 per cent. Moreover, the gap may be considerably bigger than this, as the figures published by the Ministry of Technical Affairs probably do not include the Industrial Credit Bank, an official body lending on long-term mortgage or chattel mortgage for industrial development requirements. How the gap is to be met is a matter for speculation; presumably further recourse will be made to the printing press. The Central Bank's note issue in the hands of the public and with banks by last May had passed the 14,000 million mark, about three and a half times the December, 1946, figure. The normal rate of increase for some time has been about 150 million pesos per month, but of late it shows a tendency to achieve new records.

Argentina's economic picture presents several seemingly paradoxical features. Parallel with the public's exuberant spending power and an official policy of relatively cheap money, there exists a thriving grey sellers' market for temporary private lending at percentage rates quoted by the month. Concerns of established commercial status are forced to resort to this market to finance renewal of stocks, as prices rise and normal banking sources of credit are strained to the utmost (rates of as high as two per cent a month have been known). In the prevailing inflation, too, the stock exchange touches new levels of deflation. The investor no longer turns avidly to industrial equities for protection of capital, although dividends have been well maintained so far. But shortage of cash, needed for renewal of stocks, and capital erosion, force joint-stock companies to make scrip distributions on an increasing scale, and the abundance of new industrial paper, as well as the general feeling of uncertainty amongst the public, weigh heavily on the market. A recent suggestion (so far it is no more than that) of a tax on joint-stock companies' capital and reserves of up to 2 per cent per annum over ten years adds its quota to the prevailing depression.

(To be concluded)

Harsh Contrast in Iberia

[FROM A SPECIAL CORRESPONDENT]

THE uses of a trained economist are nowhere better illustrated than in the visible contrast between Portugal and Spain. In the one country a dictator with an economic education and the army's backing has known how to take what lay at hand, bring order out of chaos and make it thrive. In the other a dictator trained only in army ways has known how to seize power and hold it, how to apply spit and polish to a capital

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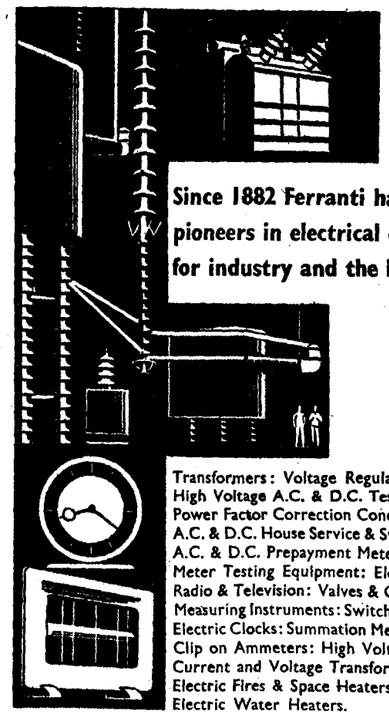

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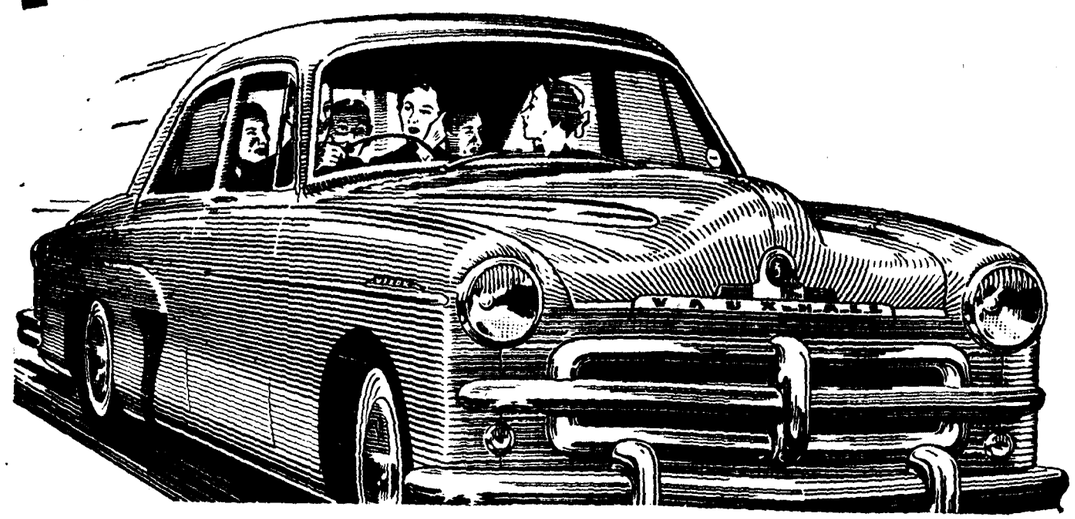

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city, but not how to keep an economy going. Portugal is visibly balanced and prosperous, well cared for, expressing its sense of controlled well-being in such unrelated ways as the flower-hung cleanliness of railway stations and the quick grace with which fisherwomen move about their work. Spain is bleak, harsh, sparsely cultivated, ragged and—outside the capital itself—doing little about it.

The border crossing brings a sense of shock. Even by plane from Lisbon to Madrid the green pattern landscape of the western Tagus valley thins and browns as the river narrows toward Spain. Roads peter out, mountains rise higher, the landscape takes on the austere solitude of the Spanish Estremadura. The airstrips of Barajas have a meagre appearance of having been laid down temporarily in a desert. Surely this airport is inadequate for Madrid.

The trip by train in the opposite direction sharpens the contrast. Leaving Madrid in the early evening a Spanish train of soiled antiquity takes one down the same Tagus valley, over the same mountains, in fourteen hours. (The plane takes an hour and half.) This way the passage is from sparseness to abundance. The traveller who goes to sleep in the uplands of the Spanish Estremadura wakes amid the cultivated plains and lush terraces of the lower Tagus. This is the same river that rings Toledo, but in Portugal it becomes lavish. Rice in the flooded fields on the valley floor, grapes on terraced hillsides, sugar beet, wheat, barley, peas and beans—every inch of soil is farmed and the land made a garden. To come thus to Lisbon is to re-enter the twentieth century.

Trains Old and New

By plane the frontier is crossed in the air, by express it is crossed by night. It is in the day trip from Lisbon to Seville that the two lands, towns and peoples offer the sharpest contrast to the travelling eye. The trip can only be made three times a week, on Tuesday, Thursday or Saturday. It covers 582 kilometres, takes three trains and more than twelve hours. First the Lisbon-Porto express—clean, brisk and businesslike, stopping at a junction to let out travellers who go east. Then a small one-car diesel train, skittering along the good roadbed, clean, sure of its power. And at the border a one-car Spanish diesel, made perhaps by the same manufacturer, but resembling its neighbour in nothing else. It takes on passengers at Badajoz, scene of the much-disputed bullring massacre of 1936 and obviously forgotten by man and Franco ever since.

Customs officers examine money and luggage, but with an air of resigned incompetence. In place of flower-hung walls and shining faces here are hunger, rags, and fierce despair. Scabrous children clutching hardly more than half a garment compete for tips with angry station guards. This is where the traveller, unfed since early breakfast, is supposed to eat, in a dark station restaurant hung with bead curtains meant to keep out flies and beggars. The town centre lies a mile or so away, but despite the two and a half hours waiting time there is general discouragement of any attempt to go and see it. No taxi cabs seek fares, no guides lure tourists to see the proud spots of this provincial capital. Perhaps there are no proud spots, but only misery, and spirits charged with a resentment that makes itself felt in every gesture.

Shabby as it is, smelling of low-grade hot oil, the diesel is a relief. Anything that took one away from Badajoz would be a relief. The rails lead across wide uplands, up and down mountain ranges from the Tagus valley to the Guadiana, from the Guadiana to the Guadalquivir, and the diesel follows them as best it can. On flat stretches it runs reasonably well, but given a hill it slows and shivers. No Spanish train likes a hill, but these diesels like them neither climbing up nor coming down. They are under-powered for the climb, and on the down-grade they trust neither the curves, the rails nor the switchmen. A hill-top represents victory behind and fears ahead. A siding must be approached with the greatest caution.

The result is that each passenger, however lacking in mechanical sense, becomes charged with a sense of personal responsibility for the driving. The shivers, the sudden stops, the slow and painful startings on a grade become his personal problems. It is no good trying to sleep away the hot hours—no smooth gait induces somnolence. These are the manners of a diligence, full of uncertainty and alarms. That the horses feed on oil instead of hay is merely a twentieth century accident.

Outside the open windows the land grows cork, olives, grain and grapes, live oak trees. One big new irrigation system looms on the right. Otherwise all is, as usual, hand-tended. The cork forests, olive orchards, grain fields, and vineyards served by this railroad might form the basis of a prosperous agricultural society. Yet so awry is this economy that Estremadura is one of the poorest provinces in Spain, holding large tracts of unworked land valued by absentee landlords chiefly for the shooting.

Dirt and Decay

The sun grows hotter as it drops, the train more cautious as it starts down the last set of gradients toward the Guadalajara plain and Seville. During most of the trip from Badajoz people have appeared only at railway stations, but now they and their houses increase in numbers. It is not only that they wear so few clothes—so do bathers on Portuguese beaches. It is not only that they are so ragged, not only that they are so dirty. Perhaps it is that neither they nor anyone else seems to care. Naked children tumble at the door of earth-floored huts, and both are sprung from the same desolation.

It is true that poverty is not new in Spain, that Andalusia has had four years of bad harvests. Though the rains have been kind this year, it takes time to recover from forty-eight months of drought. But these are excuses. They do not explain away a growing certainty that the prevailing deterioration is eating deep into people as well as into their tools. Railroad equipment is tottering on its rickety wheels, held up by bits of baling wire. Passenger coaches are ancient, unkempt, unmaintained. Goods wagons are falling apart. The Seville station is a shabby disgrace to a city of pride and standing. Broken-down taxi cabs, slab-sided street cars apparently unpainted since purchase, tired horses hitched to open victorias that once were gay—these form the city's transport system.

On the other hand the Moorish Alcazar is more elegant than it used to be when the King used it as a palace, and an apartment is being prepared there for the Generalissimo's newly married daughter. Its entrance court is newly paved with marble. Meanwhile the price of food continues to soar. It is not merely the contrast with Portuguese plenty which fills the traveller with a sense of foreboding.

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THE BUSINESS WORLD

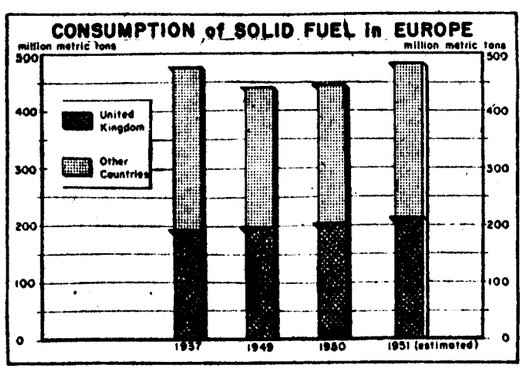
Britain and European Coal

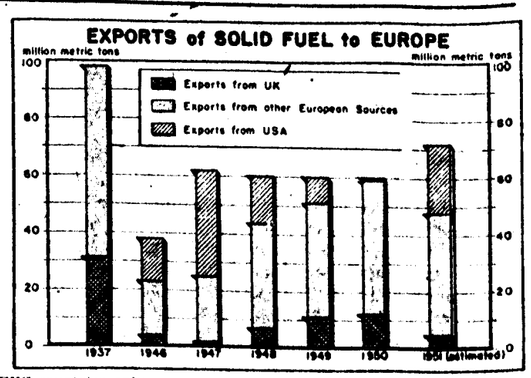
SINCE the war the European coal market has been dominated by two features: first, the inability of Britain to regain its prewar level of coal exports; secondly, the import of large quantities of coal from America (which was previously quite abnormal). In the single year 1937, Britain exported about 30 million tons of coal to Europe. (In this article "Europe" refers to European countries that are members of the Organisation for European Economic Co-operation.) In the six years between the beginning of 1946 and the end of 1951 exports of British coal to Europe will have amounted to about 40 million tons in all. In the same six years, Europe's imports of American coal will have totalled over 100 million tons. The comparison suggests that Europe's imports of coal from America can be linked directly with reduced exports from Britain.

Such a conclusion needs some modification because the other exporters of coal in Europe have also been supplying less to their European customers than they did before the war. But the fact is that other coal exporters have for the most part been catching up more quickly than Britain. Western Germany, which exported about 35 million tons in 1937, is now exporting at the rate of 25 million tons a year. Poland's exports to Europe (quite apart from the large amounts which it supplies to Eastern European countries and to Russia) have since 1947 been roughly in line with what was provided in 1937 from the mines that Poland now controls. France, together with the Saar, is also exporting at about the same rate as before the war. Belgium and the Netherlands are some way behind in their recovery but they have largely offset this lag by reducing their imports of coal. These countries together accounted for nearly 70 per cent of the European market in 1937; their share in 1951, of a smaller market, will be between 55 per cent and 60 per cent. Britain, which covered the remaining 30 per cent of the market in 1937, is likely to contribute no more than 7 per cent this year, less than half of this country's share in the last two years.

British exports are low for familiar reasons: output is still below the prewar level, while consumption at home is considerably higher. But this bald statement does not give a full impression of what has happened. For example, it obscures the fact that last year 23 million tons more coal was produced from the pits than in 1946, with a labour force much smaller than was employed in the mines in any prewar year, though with more capital equipment. Britain is the only coal producing country in Europe with fewer workers in the mines than before the war. The comparison also obscures the fact that the high and rising level of coal consumption in Britain is a reflection of British industrial expansion, which has not been without certain benefits to other countries. But when all proper qualifications are made, the low level of British coal exports is damaging both for Europe and for Britain.

In the calendar year 1951, between 20 and 25 million tons of American coal are likely to be brought into Europe, of which 8,000,000 tons were imported in the first half of the year. This is a measure of Europe's coal predicament. The blame for this state of affairs cannot be laid wholly at the door of Europe's normal suppliers. Between 1946 and the middle of 1949, large quantities of American coal were imported to help out while European mines were being re-equipped after years of wartime damage or neglect. But from mid 1949 until the closing months of 1950 there was, to all appearances, enough European coal to go round. Import requirements of the European countries seemed to have stabilised at a point considerably below the prewar level, as the accompanying chart on exports shows. This show of stability, in turn, reflected the fact that most countries (with the notable exception of Britain) were consuming less coal than before. Other sources of energy—hydro-electricity, fuel oil and natural gas—were being rapidly developed to take the place of solid fuel, particularly by countries with limited coal resources of their own, such as Italy, the Scandinavian countries, and Switzerland.





"Europe" refers to OEEC countries only.
Estimated figures for 1951 include 5-10 million tons for restocking. "Other European Sources" refers to Western Germany, France, Saar, Belgium, Netherlands, Poland and Czechoslovakia.

Even France, with a comparatively large coal production, seemed to be turning increasingly to other forms of energy.

This led to the conclusion in Europe (though not in Britain, where the demand for coal showed no sign of falling) that there might before long even be too much coal in Europe. There followed a manoeuvre by importers and buyers who held off the market in the hope that prices would fall—a manoeuvre in which they were encouraged by the American attack on dual prices. Consumers depleted their stocks to the point of exhaustion, while pithead stocks mounted alarmingly. Miners were laid off at high cost pits in France and Belgium, and a million tons of output or more was lost. The sudden upsurge in economic activity that followed the outbreak of the Korean war and the decision of the free nations to defend themselves presented buyers of coal on the Continent with an awkward situation; they had at once to meet a rising current demand and also to replenish dangerously reduced stocks. To make matters worse, there were smaller supplies of export coal because the exporting countries required more for their internal needs. In these circumstances, recourse once more to American coal was inevitable.

★

What are Europe's coal prospects for the next twelve months? There seems little hope that European exporters will increase their supplies. Western Germany will almost certainly absorb any additional coal that it produces. It is only because of decisions taken by the Ruhr Authority, against the wishes of the Germans themselves, that German exports have been maintained at their present level. France (including the Saar), Belgium and the Netherlands are also unlikely to export more; Polish exports to the West show little sign of variation; and there is not much hope, for some time to come, of more from Britain. During the coming winter, in fact, importers will be lucky if they continue to receive European coal at the rate at which it is being supplied now. Their needs are unlikely to abate. Coal is still urgently wanted for stocking against the winter months, especially in the Scandinavian countries, and to meet growing industrial demands. The present gap between supply and demand (estimated at over 10 million tons a quarter by the Economic Commission for Europe) is likely to persist well into next year, and it may even widen.

The only palliative immediately possible is for Europe to keep on importing American coal. But this cannot meet the need. For one thing, there is insufficient shipping. The 16 million tons of American coal which European countries consider they need until the end of the year already exceed the capacity of the ships that are available to carry it; and more demands may come along later. For another thing, Europe is short of coke, as well as coal, and for technical and supply reasons, no coke shipments can be made from America. Europe needs another 2,250,000 tons of coke, according to the latest ECE estimates, and the only way of getting this quantity is by bringing into operation more coke ovens in Europe. There may be enough ovens in about two years' time, if present plans materialise, but this is by no means certain. Meanwhile, insufficient coke will be added to the list of shortages that now afflict European steel production.

Thus the import of American coal cannot solve Europe's fuel problem during the next few months, but it can go a considerable way towards doing so. Indeed, without American coal, European recovery would by now have been seriously jeopardised. Is American coal, then, to become a permanent feature in the European economy? The answer largely depends on what happens in the British mines. If Britain cannot produce enough coal even to continue exporting at the present restricted rate, a gap will be left which other European producers would not be able to fill for years—and there are certain types of British coal, such as Welsh anthracite and dry steam coals, which cannot be provided from any other source. Any continued import of American coal over a long period would severely drain Europe's dollar resources and would draw shipping away from more normal and economic trades. These objections emphasise the need, from every point of view, that British coal exports should be maintained and quickly expanded. This is one vital way in which Britain can make a contribution to European progress. It is in Britain's direct interest also. Coal is nowadays a bargaining counter of prime importance in international trade. Many countries insist on receiving coal in return for the

EUROPEAN COAL PRODUCTION

	Producing Countries								Total
	United Kingdom	Western Germany	France	Saar	Belgium	Netherlands	Poland	Czechoslovakia	
1937					•	•			
Output (mn. metric tons)	244	138	44	13	30	14	66	17	566
Manpower ('000)	778	302	224	44	143	31	139	N.A.	...
OMS (metric tons)	1·186	1·587	·0833	1·054	0·782	1·774	1·738	N.A.	...
1949									
Output	206*	103	51	14	28	12	74	17	518
Manpower	720	376	275	61	164	42	N.A.	N.A.	...
OMS	1·179	1·048	0·702	0·844	0·641	1·407	N.A.	N.A.	...
1950									
Output	208†	111	51	15	27	12	78	18	532
Manpower	697	391	259	60	157	42	N.A.	N.A.	...
OMS	1·213	1·067	0·770	0·961	0·693	1·425	N.A.	N.A.	...
1951									
Output (estimated)	224	120	53	16	29	12	81	19	554

"Output" covers hard coal only and excludes brown coal. "Manpower" and "OMS" refer to all workers (underground and surface). * + 13 opencast. † + 12 opencast.

essential commodities they supply; trade negotiations would have been easier in the past if this country could have offered more coal. It will be quite essential in future bargaining.

What can be said of the future course of British coal exports? The Coal Board, when they issued their national plan last October, made it clear that they expected to have a large stake in the export market in the 'sixties. Without venturing as far ahead as a decade, it is difficult to see how British coal exports can be increased during the next year or two if present trends of production and internal consumption continue. Only three remedies appear possible. One solution would be to restrict internal consumption by rationing and allocation; but it is difficult to see how the domestic consumer can be squeezed much more and restrictions on industrial supplies would cure one evil only by creating dozens of others. A second step would be to resort to the costly and uneconomic expedient of importing other people's coal in order to export our own; but it would surely be difficult to justify this as a long-term measure. The last and only permanent solution is simply to increase production. It is difficult to believe that everything has yet been done to achieve this. This, indeed, is the first task of the new Coal Board.

Business Notes

TUC Calls the Tune

After their flurry and wide fluctuation provoked by the dividend freeze, the stock markets have this week subsided into a listlessness that is characteristic of the dog days. The one notable spasm of activity was that caused by the launching of the British Guiana loan. This had been so heavily "stagged" that allotments had to be sharply scaled down—with the result that, when dealings began on Wednesday afternoon, quick sellers actually secured a smaller premium than those who sold on the closing quotation of 5/16-7/16. Despite the depressing news from Persia, the gilt-edged market made a small advance on that day, but this still left prices no higher on the week. High-grade equities—except for tobacco shares—have been sagging in shrinking markets as investors reflect upon the crippling uncertainty that the Chancellor has caused and upon the many readjustments that still have to be made (such, for example, as the reduction in the issue price of the Johnson, Matthey offer to shareholders).

This malaise in the markets may deepen when investors ponder the economic sections of the annual report of the TUC, published this week. Unless they are wide awake when reading it they might well imagine that large passages from the Chancellor's end-July speech have been slipped in by mistake. But the alert ones will quickly perceive a more sinister reason for the closely parallel sequence of ideas. Before the Budget the TUC told the Chancellor that statutory limitation of dividends "in its most practicable form" would give "less stability than had been secured until then through voluntary restraint." The Chancellor duly echoed this conclusion in his Budget speech and raised the distributed profits tax instead. But by July the TUC had changed its mind and urged legal control, evoking an equally quick somersault by the nimble Mr Gaitskell. Similarly, in his turn on price-control, the Chancellor's antics followed the stage-managers' directions with quite extraordinary care. Although quite realistically acknowledging the weaknesses of price-control, the TUC appealed for its reimposition upon goods decontrolled in recent years and, in particular, for measures "to enable differential treatment to be given to firms of various levels of profitability"—if necessary with the supporting reintroduction of physical controls. Mr Gaitskell now projects action upon all three points, and justifies each by the TUC arguments.

*

On subsidies the Chancellor went his own way last April, and the TUC agrees with him that "certainly it would not be practicable to raise by taxation enough extra money to keep the cost of living completely stable by subsidisation." (Can any reader guess which of the two penned that unexceptionable conclusion? No prize is offered.) Now the TUC remarks that "some" increase in subsidies could be afforded if its request for increased taxation of higher incomes and profits were granted—and has evoked from Mr Gaitskell his recent offer of a "slight" increase if that would secure agreement "on a measure of internal stabilisation." Does this imply that the next stage-management by the TUC would mean still higher taxation of profits—and/or the capital gains tax for which it also appeals? The wider audience will not find much to console it in the knowledge that there is one turn that the TUC has already rejected—statutory controls of the profits of individual firms would "introduce a disastrous rigidity into industry and would break down of their own weight." So, of course, would the Chancellor who tried it—even if he had Mr Gaitskell's agility as a tumbler.

Rubber Growers and Dividend Control

The plea for exemption from dividend control that has been submitted to the Chancellor by the Rubber Growers' Association should be obligatory reading for all left-wing politicians. It provides an object lesson on how the proposed freeze would not only be useless and spiteful (as most politicians in their hearts, must already know) but also positively harmful to the British economy and wildly unfair between different shareholders. The rubber industry has always been heavily dependent on risk capital. Since it takes seven years for a rubber tree to become productive, potential supply could be equated with demand only if producers could forecast world economic activity seven years ahead. This is patently impossible, and rubber investors have therefore to accept violent fluctuations in their annual returns. If they are now to have a ceiling imposed upon them in one of their infrequent spells of prosperity—with no floor for any subsequent recession—it is clear that capital will "shy away from British enterprise in favour of foreign-owned enterprise." Since British rubber production is now doing almost as much to close the dollar gap as all the export industries of the United Kingdom put together—sales of sterling area rubber earned $210 million in 1950, and sales of Malayan rubber to the United States alone earned $228 million in the first half of 1951—this is a matter of grave concern. As the RGA's letter wisely implies, the net effect on the British working man of a freeze on rubber dividends would be that he would get, not more wages, but less wheat, cotton and tobacco.

Moreover, the basis on which the White Paper proposes to freeze dividends is absurdly, and differentially, unfair to the rubber industry. During the war most plantations were in enemy hands; since the war dividends have been restricted because of the need to plough back profits for rehabilitation and to repay loans from the Malayan Industry Rehabilitation Finance Board. The annual average dividend paid by a sample of 105 rubber companies in the last ten years has been only 2.58 per cent gross on issued capital—and much less than this on real capital. Some companies had begun to pay more adequate dividends since devaluation, but the axe that fell on July 27th means that those companies that had just published their accounts by that date would be able to pay about half as much again during the next three years as those that had just failed to do so. Companies that had recently announced interim but not final dividends, and companies that operate in Indonesia (many of which are only just getting back their estates) would also be differentially—and quite inequitably—hit.

The case for granting exemption from a freeze to the rubber industry—and, indeed, to all other overseas plantation and mining industries that have only recently emerged from years of enemy occupation and whose dividends include a substantial element of return of capital—is overwhelming. The only counter-argument is political. Lord Pakenham announced recently that while published dividends paid by British industrial companies rose by 14 per cent in the first half of 1950, published dividends by all British-controlled companies, "including those in the oil, rubber and mining industries abroad," rose by 20 per cent. Earlier in the same statement he had admitted, in response to a question, that the rise in all ordinary dividends in 1950 had amounted to £10 million gross (against rises in wages of £241 million). It is only by concentrating its propaganda on percentage increases instead of on money increases—and by weighting those percentage increases through the inclusion of industries that paid virtually no dividends in the war—that the Government can stir up "psychological" resentment, which it can then exploit as an excuse for a freeze

The effect of all this on such dollar earning treasures as the rubber industry—and through it on the British standard of life—should make even those who have no concern at all for justice to the shareholder beg Mr Gaitskell to think again.

* * *

Indecision about Coal

The weeks pass, and there is still no decision in principle about importing American coal during the coming winter. Since the experience of last winter's hastily contrived imports must surely have taught the lesson that last-minute decisions cause dislocation in shipping which in turn affects other industries including steel, is it to be concluded that the Government sees no need for imports of American coal this winter? It has not said so, and if it did there would be many (including members of the Coal Board itself) who would not accept the wisdom of such a decision. It seems more probable that Ministers are afflicted with the same feeling of autumn helplessness about coal that has been all too common in recent years. If there is a spurt in production, it may—so it seems to be hoped—be sufficiently determined and prolonged to see the first part, at least, of the winter through safely.

There is nothing in the latest coal figures that would justify this vague optimism. Output is showing its seasonal recovery after the holidays, but this year the holidays have entailed an actual drawing on stocks, the total of which fell from 13,886,000 tons on August 4th to 13,570,000 tons on August 11th. To reach the 18 million tons which is regarded as the "safe" figure at the beginning of the winter thus means adding 4,500,000 tons to distributed stocks in the space of eleven weeks. Since inland consumption has increased by 5,000,000 tons in the first 32 weeks of this year, the chances of obtaining this increase in stocks are not high. They would be better if it were not for the dismaying fall in the number of faceworkers that has occurred in the past month; the numbers on July 14th were 288,800 and on August 11th 287,600—a bare hundred more than a year ago. It remains to be seen how this decline in manpower at the face will affect productivity; up to the holiday period, this had been showing a promising improvement.

* * *

Steel Control in December

The Ministry of Supply has given notice that it will resume control over carbon steel supplies from December 3rd. The new arrangements will, it is stated, broadly restore the controls that were in operation up to May last year, but building and engineering firms will receive a notice in due course from the Ministry of Works telling them how to apply for the steel they need. The present controls over sheet and tinplate will remain unaltered. The restoration of control over carbon steel generally will mean that from December 3rd no one will be allowed to buy carbon steel without an "I.S. authorisation" which will be issued to firms to acquire specific quantities of steel for specific purposes. During the coming weeks, the apparatus of control will be re-erected, with all the former procedures for filing applications for steel through the appropriate departmental sponsors. Meanwhile, the Ministry of Supply will be engaged on the heavy task of collating the returns from the census of steel stocks and requirements; until this is done it will not be possible to hazard any guesses about how individual industries and firms are likely to fare. Indeed, this will depend on the "essentiality" of their production for defence, export and key requirements at home.

There is a general impression that many sections of industry, despite their objection to allocation in principle, will not complain at the restoration of control over steel supplies. This is not because their experience of nearly ten years of control during and after the war was uniformly happy, but because they have been concerned about excessive buying of steel in recent months (in which the long delay in raising steel prices played some part) and because they have reason for doubt about the ability of the steel industry—given its problems of raw materials supplies next year—to meet the intense weight of demand that essential purposes alone will impose upon it.

No doubt this broad approval will in due course be seriously qualified when the scheme comes into detailed operation. Schemes which start with the firm intention of applying refined methods of control such as are suggested by phrases like "specific quantities of steel for specific purposes" have a habit of fitting rather indifferently into the way that industry works. The degeneration of the earlier system of control, which was allowed to inflate itself to the point of breakdown, carries a serious lesson that should not be forgotten. If control is the only solution, then it must be sternly applied, if the priorities that it is intended to secure are in fact to be achieved. For this, the controllers will have to show a resistance to the claims of some industries—and no doubt of some trade unions—that they have not always displayed in the past.

* * *

United Sulphuric Acid Corporation

The co-operative project in which eleven large users of sulphuric acid are participating to set up a new plant capable of producing 150,000 tons of sulphuric acid from anhydrite deposits has now reached the stage of financing. The capital requirements of the new company, United Sulphuric Acid Corporation, are put at £4,200,000; this includes working capital and allows for a "steep rise" in costs. Of this total, £1,200,000 is to be subscribed in ordinary shares by the eleven participants, in proportion to the tonnage of acid that each is taking. These quotas are given below:—

	Tonnage		Tonnage
Alumina Co.	4,500	ICI	35,000
British Celanese	5,500	J. H. Dennis	6,000
British Enka	10,000	McKechnie Bros.	6,000
Clayton Aniline	13,500	T. Bolton	9,000
Courtaulds	20,000	Transparent Paper	3,500
Fisons	35,000		
		TOTAL	148,000

The remaining capital requirements are covered by an issue of £3,000,000 debenture stock, placed by Hoare and Company with institutional investors; this stock carries interest at 4¼ per cent and is redeemable by fifteen annual instalments starting in 1956 and ending in September, 1970. The eleven participants severally guarantee the interest on the stock during the period of construction. It is hoped that the plant will be in commercial operation within four years, and the eleven companies have undertaken to buy their quotas of sulphuric acid at a price that will cover interest and sinking fund on the stock during its life. No Stock Exchange quotation will be sought for this issue; a further £1,200,000 of ordinary capital will be subscribed by the guarantors in case of need to service the stock and to complete the plant if the estimates should be exceeded.

Given the technical experience of ICI in supervising and starting up the plant—thus drawing upon a body of established experience gained with a similar plant at Billingham—there is no reason to doubt the technical prospects for the new venture. The economics of the scheme are based on two main conditions—first, the supply of anhydrite, a relatively cheap indigenous raw material, which British Plaster Board has contracted to provide at the rate of 240,000 tons a year; secondly, the sale of cement clinker, a joint product of the process, on which an agreement is being concluded with Associated Portland Cement, who will build a new plant at Widnes, close to the new acid plant, where about

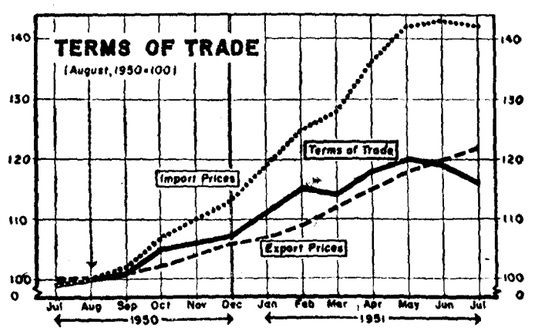
140,000 tons of clinker will be processed. The new venture will start with no apparent sign that elemental sulphur is likely to become much cheaper or more plentiful for some time to come. It would take a severe setback in the price of sulphur to reverse the economic and financial bases on which the plans have been drawn up.

* * *

Import Prices Drop

It was a whim of fate that in July, while the Chancellor of the Exchequer was warning the nation of a threatened trade crisis caused by the deterioration in the terms of trade, the cost of imports should have fallen, for the first time in two years. The Board of Trade index of import prices declined from 143 to 142 (1950=100). This may seem nothing to shout about. Its significance, however, lies in the fact that at long last the decline in world commodity prices, which began last February, has been reflected in the cost of British imports. The index of export prices rose a further two points to 122 (1950=100), so that the cost of imports in terms of exports (as shown in the accompanying chart) declined by 2 per cent. It is too much to hope that this improvement in the terms of trade—if it continues—will do more than reduce the large prospective deficit to one of slightly smaller size. But that would be a welcome relief.

The visible trade gap in July was also smaller, partly because of the higher value of exports. The volume of exports also increased, particularly of metals and engineering products. For example, the quantity of machinery and parts exported rose by about one-seventh, from 1,530,310 cwt in June to 1,743,176 cwt. in July. More vehicles were also exported; car exports increased from 23,170 in June to



24,712 in July, commercial vehicles from 4,992 to 5,295, and motor cycles from 7,166 to 9,922. A larger volume of most types of electrical goods was also shipped abroad. The expansion in the export drive has still come mainly from those industries that have borne the burden in the past and that are likely to be affected by rearmament in the future.

The value of textile exports last month was higher than in June, but was less than the average for the first half year. The volume of cotton yarns exported increased, but the quantity of woven piece goods declined from 72 million square yards to 65 million square yards. Exports of woollen and worsted manufactures increased from 13,888 cwt in June to 15,944 cwt in July, and more rayon manufactures were exported. But the total volume of textile exports in July was still below the average of the first six months of the year. Their increase by value has been almost entirely due to higher prices. Yet it is the textile industry that will have to shoulder an increasing share of the export trade if Britain's rearmament programme is not to create a bigger trade deficit.

Commonwealth Talks on Raw Materials

The meeting of Commonwealth ministers in London to discuss problems of raw material supplies has been fixed for September 24th. The first intimation of such a conference was given by Mr R. R. Stokes, the Lord Privy Seal and Minister of Materials on June 27th, during the second reading of the Ministry of Materials Bill. The agenda has not yet been finally settled, but the conference is apparently intended to provide an opportunity for joint consultation rather than to draw up specific development schemes. And since the Dominions and India are separately represented on the various committees of the International Materials Conference in Washington (Britain, Canada, Australia and India also have seats on its permanent central group), it is highly desirable that free and friendly discussion on each country's peculiar problems should take place. But it would be a pity if the coming conference did no more than that.

The mounting deficit in Britain's total trade and in the sterling area's trade with dollar countries has clearly revived the old fears about the dollar problem. Last year's experience showed that it is temporarily hidden from sight when American industrial activity requires large imports of raw materials; this year's experience shows that it remains a reality. The development of Commonwealth supplies to replace dollar materials is long overdue; opportunities were wasted immediately after the war, and the fiascos of the East African groundnut and the Gambia egg projects are a bitter reminder of the difficulties. But these failures should not deter further development provided the mistakes that have been made in the past are frankly recognised. If the September meeting paves the way for a new era of Commonwealth expansion, it will certainly be fruitful. But the theme of the conference would have to be "what countries can give" rather than "what countries can get."

* * *

Tin and Stockpiling

Tin producers have long been an easy target for American politicians and administrators. Some months ago, a report of a US Senate sub-committee described tin producers as "gouging" the American taxpayer by forcing up the price of tin. More recently Mr Stuart Symington, administrator of the Reconstruction Finance Corporation, which controls the Texas tin smelter and all imports of tin into the United States, repeated this charge. He sought to show that the cost of running the Texas smelter was worth while to the American public, and to substantiate his claim he described how the RFC had pulled the world price of tin down from 183 cents a lb to 103 cents in the past three or four months. It has indeed been an impressive episode, but it has nothing to do with "gouging" and little to do with the Texas smelter. Until last February, the United States was buying as much tin as it could lay hands on, and was paying penal prices. As soon as America stopped buying tin in March, the price fell.

Mr Symington was on good ground when he claimed that exorbitant prices encouraged the development of substitutes. He might have added that a high price for a material makes its user more careful and encourages avoidance of waste. These are simple truths that were amply confirmed when tin was booming. At £1,600 a ton, tin was preposterously dear. But the accusation that foreign producers are trying to maintain an artificially high price for tin is disproved by reference to the facts and to America's own success in forcing tin down by not buying.

The sharp rise in commodities in the nine months after the invasion of Korea has had one salutary effect. It has led the United States Government to revise its stockpiling policy. Last week President Truman authorised the sale of 25,000 tons of copper from the stockpile to meet defence needs. This quantity is to be restored to the stockpile by June, 1952, unless "replacement would not be in the interests of national

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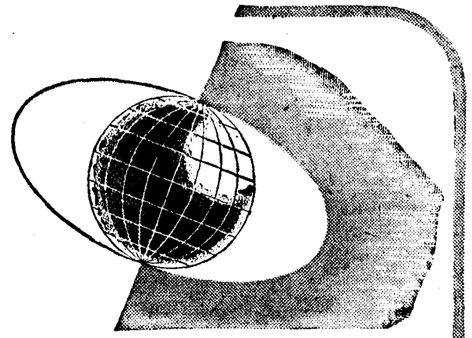

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defence." It would seem that the American Government is now following the principle that it is better to have a stock of weapons than only a stock of strategic materials; that, after all, was what stockpiling was for.

* * *

Sugar and Dollars

One week after the signing of the new Anglo-Cuban trade agreement under which Britain has guaranteed to buy not less than 1,500,000 tons of Cuban sugar (to be paid for in dollars) during the next three years, the Ministry of Food has announced that the supply of sugar to manufacturers and caterers will be reduced from November 4th in order to save dollars. The British public may be excused the thought that this decision comes very oddly so soon after the Cuban agreement, but this is not the real ground of complaint. The trade agreement was negotiated many months ago—before the Chancellor of the Exchequer had any fear of a dollar crisis this year; the decision to cut dollar imports was taken only four weeks ago when the possibility of a crisis could no longer be ignored, and sugar apparently stands high on the Government's list of dollar imports that are not "vital."

The real criticism is, first, that the proposed cuts will have a negligible effect on the balance of dollar payments. Purchases of sugar for this year have already been completed, so that no saving will be realised until 1952. Next year Britain has agreed to buy all the exportable surplus of sugar from Commonwealth countries and at least 400,000-500,000 tons from Cuba. The only scope for economy is in purchases from the Dominican Republic. Nor will the cuts free larger supplies of sugar for export, for this market has been declining. This year only 650,000 tons are expected to be sold abroad compared with 750,000 tons in 1950.

The actual size of the cut in supplies of sugar to manufacturers and caterers has not yet been published, but it is unlikely to exceed 10 per cent, equivalent to 100,000 tons of sugar worth less than $10 million. It is doubtful whether this kind of snipping serves a useful purpose. The dollar account is not to be balanced by petty economies of this kind, but by broader policies that encourage the earning of dollars. Large quantities of dollar sugar were purchased this year when the price rose to a peak of 8 cents a lb.; next year, when the "saved" sugar comes to be sold, the price is likely to be much lower. Manufacturers buy their sugar at an unsubsidised price, and since a smaller quantity will be sold at this higher price and (presumably) the same quantity for domestic users at the lower subsidised price, the total cost of the sugar subsidy will increase. If this increase cannot be absorbed by a corresponding reduction in the subsidies on other foods or by raising the limit of the total subsidy bill, it will have to be passed on to the consumer in the form of a higher retail price for sugar.

* * *

Cars for the Home Market

The Ministry of Supply has fixed the home market quota of passenger cars for 1952 at 80,000. When the quota for 1951 was reduced from 110,000 to 80,000 because of reduced sheet steel allocations, the Ministry promised that any cars produced above a total of 460,000 could be equally divided between the export and home markets. No such elasticity has been given to the quota for 1952.

The early announcement of the 1952 allocation seems designed to check any false hopes about future supplies for the home market that might have been raised by the opening of the Margam sheet-making plant. The continuing shortage of raw materials makes it less likely that the output of cars can be increased—production in the first half of the year was at an annual rate of less than 500,000 and the trend is downward. Army orders that have been placed with the motor industry go to those sections making commercial vehicles, but the greater weight of materials required for those vehicles, combined with a possible demand for extra labour, will have some repercussions on passenger car production even though military vehicles are not actually being built on passenger car assembly lines.

The factor that decides the rate of deliveries to the home market is, however, not so much the rate of production as the rate of export shipments. Last year, when more than 522,000 cars were produced, export deliveries were maintained at a high rate and the number of cars sold on the home market exceeded the quota of 110,000 by only a narrow margin. Last spring, when production started to fall, shipping difficulties held up the export of many cars destined for Australia, New Zealand and, to a less marked extent, to South Africa. To prevent these cars from piling up on the docks or in the factories, many of them were diverted on to the home market, a practice that has the full approval of the Ministry. In the first five months of this year the number of new British registrations reached 53,000, more than half the home market's allotted quota. There is rather more shipping available now than there was in the spring, but exports to Australia, New Zealand and South Africa could be increased if there were more still.

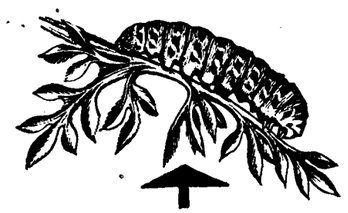
* * *

Prospects for Wool

Australia has refused to take part in any international allocation scheme for wool or to consider imposing maximum prices. This announcement was made by Mr R. G. Menzies, the Australian Prime Minister, on Wednesday, and it will at least remove one uncertainty when the Australian wool sales re-open next week. The negotiations on allocation have lasted, on and off, for almost twelve months, and in July it seemed as if the United States would have its way. Now that this question has been finally settled, for international allocation of wool without the world's largest exporter is obviously unworkable, the wool committee of the International Materials Conference will have to decide whether it can serve a useful function in co-ordinating government purchases of raw wool for defence needs.

The New Zealand wool sales held at Napier this week showed some signs of recovery. There was no marked rise in prices, but the tone was firmer and it improved as the sales progressed. American buyers returned to the market on a moderate scale. Prospects for the opening of the Australian season thus seem brighter than they did ten days ago, despite the fact that, for the first time since the war, production of raw wool in the current season will equal or exceed the prospective rate of consumption. Larger clips are forecast for Australia and New Zealand and the world total for 1951-52 is tentatively put at 2,365 million lb (clean). In addition some 85 million lb has been held over from last season, giving a total supply of 2,450 million lb. World consumption in the first half of this year has been running at an annual rate of about 2,350 million lb, and there is as yet no eagerness on the part of manufacturers to accumulate large stocks.

These conditions differ greatly from those of twelve months ago, when wool prices jumped 30 per cent on the opening day of the Australian season. World consumption was then running at 2,650 million lb a year with available supplies at 2,370 million lb; and the scramble for supplies was beginnnig to gain momentum. A lower level of wool prices might indeed encourage a higher rate of consumption. But manufacturers will want to be convinced that retail sales are likely to be maintained and that they will not have to compete against governments for supplies in the near future. Wool textile industries throughout the world have been substituting other materials for wool and this trend is unlikely to be quickly reversed. Even after this substitution,



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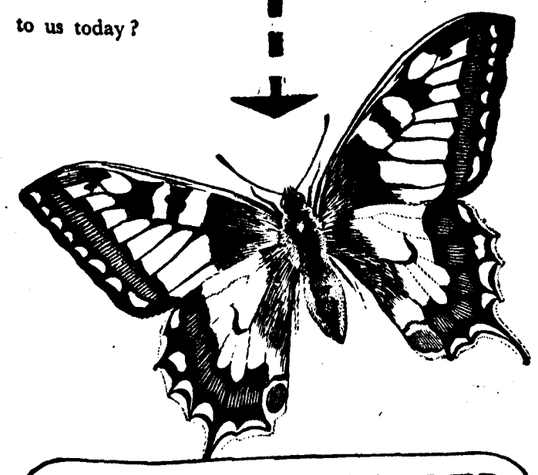

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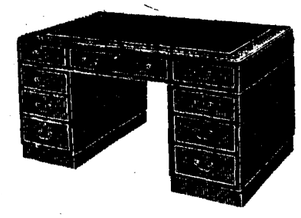

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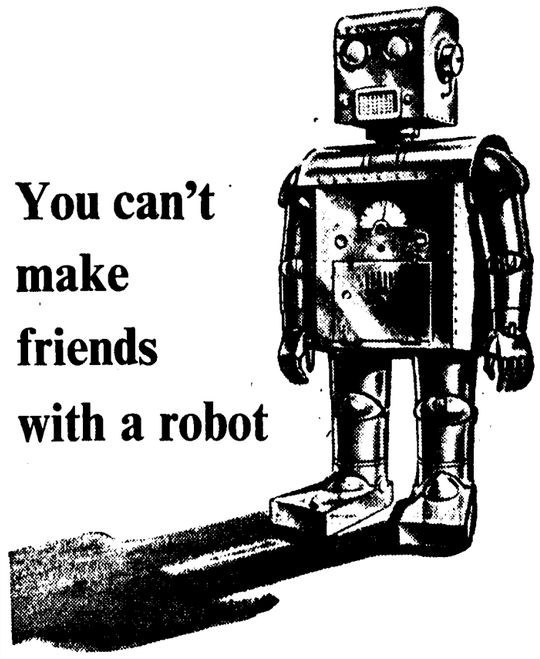

You can't make friends with a robot

SCIENTISTS have invented highly ingenious *Mechanical men* which can work out sums, cross a floor without bumping into furniture and answer questions almost as knowledgeably as Professor Brogan. Nevertheless, most of us would rather have real human beings as companions in our daily lives.

It's rather the same with wood. Wood has a *feel* and a character all its own. No matter how it is sawn, carved and planed, it remains somehow *alive*. You can *make friends* with it.

Naturally, architects specify wood for its traditional purposes wherever they can. The difficulty, these days, is in knowing what timbers are available and in what quantity. A card to the Timber Development Association will bring you details of many excellent woods which have recently come into the market.

There's nothing like **WOOD**

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the relationship between the consumption of virgin wool and other materials is only back more or less to its prewar level.

A lower level of wool prices should be welcome to importing countries and not serious for the exporters. It would help to curb the income inflation in Australia, New Zealand and South Africa and to damp the cost inflation in Britain, the United States and Europe. Current wool prices, despite the sharp fall of recent months, are still well above the reserve prices fixed by the Joint Organisation and these reserve prices in turn were fixed well above estimated costs of production. Yet it is proper to recall that Sir Douglas Copland, Vice-Chancellor of the Australian National University, has recently expressed the view that a substantial drop in wool prices within the next eighteen months might involve Australia in the worst depression of its history.

* * *

New Selling Procedure for Cotton Yarn

The Raw Cotton Commission recently extended the period for which it is willing to sell raw cotton forward, and it is now quoting for most of the important growths up to next June. But spinners have been unable to take advantage of these new facilities because their own forward sales had to be kept within the four-monthly allocation periods. In any one period a spinner could accept orders only up to the end of the following period so that his order book fluctuated from 4 to 8 months. As a new period became due, all the orders for the next period were booked in a very short space of time—often in the first week—and this cyclical pattern of intense activity concentrated into the first week or two of each four-month period was reflected throughout the industry. Converters have always objected to the scheme because they had to buy when spinners could offer yarn and not to suit their customers, often overseas importers.

From next month, however, the Cotton Board will introduce a modified buying and selling procedure for spinners, doublers and weavers. The four monthly allocation periods are to be abolished and instead spinners can contract to deliver yarn up to the equivalent of 40 weeks output. This limit applies at any point of time, so that if the spinner has reached it in any one week, he can take in new orders in the following week to bring his total up to 40 weeks again. The same procedure applies to doublers and weavers. Few spinners are expected to be booked as far as 40 weeks ahead, and it would seem that the idea of limit is retained in order to keep some control on the placing of orders.

These modifications are to some extent an experiment, but the greater flexibility they introduce will bring relief to Lancashire. In future, business can be spread more evenly over the year. Converters can place orders from week to week instead of from four months to four months, while spinners can take advantage of the discounts offered by the Raw Cotton Commission on forward quotations.

* * *

Labour in the Mills

The past three months have seen a gradual fall in the labour force of the cotton industry. A seasonal loss of workers always occurs at this time of year, and the losses recorded so far are not startling, the weekly excess of wastage over recruitment being between 100-200 whole-time workers, mainly from the spinning sections. No single significant cause accounts for the decline, unless it is the high average age in the industry. No more workers are being brought in from Europe, and Lancashire is wholly dependent on the local labour.

Last year, the cotton industry showed a net gain of 10,000 workers, bringing the labour force up from 200,000 at the end of the war to more than 300,000. So high a rate of gain could not be expected to continue indefinitely, and the net gain in the first half of this year was 2,370 compared with 4,210 in the same period of 1951. The chairman of the Bleachers' Association last week gave expression to a feeling prevalent in Lancashire that labour had once again become the limiting factor on the industry's output and that if exports were to be expanded in the coming year, "the question of labour supply should receive the early and urgent attention of the responsible Government department."

It must be hoped that these will prove to be gloomy forecasts. If there has been a rather higher rate of wastage this year than usual, the cotton industry also appears to be getting more than its customary share of new entrants from the schools. The cotton mills have not yet felt the effects of the competition for local labour that will undoubtedly follow the start of rearmament production when this year's programme of re-tooling is completed, but the new and generous wage increases should put them in a strong position to meet such competition. There is also considerable scope for labour economies within the majority of mills, and an impending scarcity of labour might restore the impetus to redeployment schemes that was lost when the recruitment figures began to rise. Given a continual increase in its labour bill, and the clear signs of a buyer's market throughout the world, the industry will be under greater compulsion to improve its efficiency.

* * *

Temporary Reprieve for Nickel Users

The date at which the ban on the use of nickel in a number of civilian goods was due to come into force has been postponed for another six weeks, from August 22nd to October 1st. The date from which a licence is needed for the sale of those articles has been extended to the end of the year. The articles affected by the order come into two classes, those using nickel alloy and those that are nickel plated. They include farm machinery, catering equipment, passenger car and radio components, shop fronts, certain hand tools and a wide range of household equipment. Licences for the continued use of nickel were to be granted when they could be justified on technical grounds; by reason of the article's high conversion value on the export market; or even because of "exceptional personal hardship."

The list of prohibited uses was published in June and, as in the case of the earlier ban on zinc, the subsequent flood of applications for individual licences to extend the time-limit showed that the Ministry had under-estimated the stocks of nickel alloys and anodes at the factories or the time that it took for that nickel to be converted into the finished product. The date at which the ban comes into operation has therefore been extended to give time for these stocks to be used up, and for production methods to be changed. There is no prospect of the ban itself being lifted. Already numbers of new cars are appearing with painted instead of plated radiators and wheel hubs but no estimate has been given of the amount of nickel that may be saved by these economies. Much will depend on how leniently the Ministry intends to treat applications for exemption, for the terms on which licences can be granted appear to leave a good deal of discretion.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit

22, RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

"Unabsorbed Availability" in Europe

The Ministry of Supply has been drawing the attention of defence contractors to the use that might be made of the facilities of the Ministry's European Purchasing Commission. This Commission was set up in May with a number of offices in Western Europe and is the government agency responsible for placing defence orders abroad. It has two functions—to find foreign manufacturers able to meet defence orders that cannot be placed in this country and to discover capacity in Western Europe that could be employed on British defence orders, and thus relieve the pressure on manufacturing capacity here.

Only a small proportion of such capacity is likely to be employed by the Commission, and it is now being suggested that manufacturers might make use of the information collected by the Commission on what one of the Ministry's regional boards has seen fit to call the "considerable unabsorbed availability" that exists in various countries. Such information could help British defence contractors to find foreign sub-contractors when capacity here is fully employed. The activities of the Commission would be limited to providing information; it would not take part in any subsequent negotiations.

Since several tentative government negotiations have already fallen through because the foreign companies have refused to find raw materials, the scope for such sub-contracting may prove limited. Its greatest possibilities seem to lie in fields where production demands a high degree of skill and where the quantities of materials required is small. One manufacturer has made independent arrangements to obtain precision components for aero-engines from Switzerland, but spare capacity of such a highly specialised kind is likely to be as scarce in Europe as it is here.

* * *

Jute Prospects

Political difficulties between Pakistan and India still interfere with the world trade in jute. Supplies of jute from Pakistan to India have been inadequate and as a result Indian exports of jute goods have declined by as much as 30 per cent. The new season Pakistan crop will shortly be on the market; it is not likely to be much more than 7,000,000 bales and there will be very little carryover unsold from the 1950-51 harvest. Earlier forecasts of the jute crop have proved too optimistic. Nevertheless, prices have continued to fall on the expectations of the new crop and as a result buyers are holding off the market, especially in the United States.

Jute has fallen in Dundee from £240 per ton in April to £149 per ton this week. New crop jute does not arrive in this country until the end of the year. Imports, however, have been good. In July total imports of jute into this country were 15,000 tons, compared with 10,000 tons in June. During the first seven months of the year imports totalled 83,000 tons compared with 70,000 tons for the same period last year and 62,000 tons a year earlier. Supplies are assured until the new crop arrives, since these imports have been in excess of consumption.

Both in this country and in the United States jute remains insufficient for demand for hessian cloth and jute bags. In both countries cotton and paper are increasingly replacing jute. Later this year the shortage may be alleviated to some extent when the Pakistan crop is available in the Indian mills and their working hours can be increased. But jute is likely to remain scarce until India and Pakistan reconcile their differences. Whether the ground lost by jute to other materials will ever be wholly regained is doubtful.

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* * *

Timber for the Trade?

The timber trade is pressing for a larger allocation of softwoods now that timber supplies in this country are becoming more ample, while the Government is more concerned to increase its stockpile. Imports have increased rapidly and in the seven months to July amounted to 726,000 standards, compared with 316,000 standards last year and 438,000 standards in 1949. Stocks at the end of May were 245,000 standards, representing an increase of 67,000 standards in twelve months. The total import this year on both government and private account is expected to reach 1,600,000 standards, of which a million standards would represent Government purchases. Consumption has been at an annual rate of about 1,100,000 standards, and if this rate is not increased, 500,000 standards will go into stocks.

The size of the Government's intended stockpile is not known. But it would seem highly probable that some 100,000-200,000 standards at least could be spared to increase the monthly allocation to the trade; it would mean an addition of 10,000 to 20,000 standards a month to the present allocation of 90,000 standards. Such an increase would allow more timber to be used for housing. It may indeed seem strange to the layman that, whereas the timber trade is keenly advocating more timber for housing, the Government is refusing to allow it.

* * *

Equalisation and the Local Authorities

The Ministry of Local Government and Planning announced last week that the rateable value of all property in England and Wales rose from just over £325 million in 1949-50 to just under £331 million in 1951-52. Simultaneously, rate receipts of local authorities rose from £283 million to £293 million. The average rate levied therefore rose from 17s. 9d. in the pound to 18s. in the pound—the spread ranging from Whickham in County Durham with 11s. 2d. in the pound to Bedwas and Machen in Monmouthshire with 30s. in the pound. Bournemouth remained the lowest rated borough with 12s. 2d. in the pound.

These figures lend topicality to an enterprising article in the current issue of *Accounting Research*. This article, which is part of a report prepared by a research working party that is inquiring into local government finance, examines the effect of the Exchequer Equalisation Grant introduced by the Local Government Act of 1948. The object of this grant was to equalise local authorities' resources, measured in rateable values, per head of weighted population (the weights were drawn upon a complicated system to compensate sparsely populated areas, which have little opportunity for spreading overheads, and areas with large child populations, which have heavy educational commitments). From analysis of questionnaires completed by the finance officers of county and county borough councils, it has been found that the Equalisation Grant had significantly reduced the spread of rate poundages; the rate poundages reported by county boroughs ranged from 131.6d. to 479.2d. in 1947-48, but only from 145.4d. to 313.7d. in 1949-50. But the working party also found that there had been virtually no trend towards equalisation of services. It believes, in fact, that there was much less inequality of services before the passing of the 1948 Act than had been supposed. This was due to the "overwhelming importance of a few closely regulated services—notably education, which was maintained very near to the national average by 'rich' and 'poor' authorities alike. Such inequality as did exist was due to the necessary sacrifice of less essential services—such as cultural facilities and measures to reduce drabness—by the poorer authorities. Since the introduction of the Equalisation Grant, any extension of these less essential services has been inhibited by the general rise in prices, the increased cost of controlled services and the scarcity of physical resources. The working party believes that these circumstances are likely to continue to prevent any pronounced movement towards equalisation of services in the near future.

* * *

Germanium Valves

Important progress has been made in the design and production of tiny germanium valves for radio circuits. The "transistor," as it is called in America, is expected to open up new fields of development in both the civil and military applications of electronics. Crystals of germanium are already used in television sets on both sides of the Atlantic, but until recently their employment was restricted to rectifying oscillating currents and turning them into direct current. Its extraordinary properties are now being developed in other ways. Germanium, a rather rare metal, is a relatively poor conductor of electricity; mounted on a metal base and touched by two "cat's whiskers," it will act as an amplifier in a radio circuit in much the same way as a thermionic valve.

The Bell Telephone laboratories in the United States first published information about the transistor in 1947, but at that time the new valve was unstable, fragile, and created too much radio "mush" to make it suitable for widespread employment. It also required crystals of a fantastic degree of purity. The new product, however, is said to be extremely robust and may be made in the form of a blob of plastic about the size of a pea. The problem of chemical purity has been partially solved, and the valve is now suitable for use wherever fairly low-power amplification is required. A number of American radio and valve corporations are spending large sums on research and development in this field. Two of the largest British companies in electrical engineering and radio are also well advanced towards production on a commercial scale, and at least one of them expects to have its version of the transistor on the market next year. There are still considerable production difficulties, including the accurate positioning of the "cat's whiskers" on the crystal and the need to ensure that these contacts will not shift during the lifetime of the valve.

The new valve seems to offer many advantages over the vacuum tube in many uses. Its small size, longer life, and simplicity—it needs no low tension heater current—are ideally suited for use in electronic computors and control equipment. For similar reasons it should play an important part in the development of guided missiles and radio proximity fuses. It should also find employment in radio and television sets, deaf aids, and in telephone exchanges where the saving on power for valve heater current should be considerable. At the same time, the continual development of the vacuum valve is unlikely to come to a halt.

Shorter Notes

As expected, the special "holiday increase" in the fiduciary issue, which was authorised at the end of July, has been rescinded this week; the fiduciary issue therefore declines from £1,425 million to £1,400 million. The return of notes from active circulation has, in fact, been most satisfactory since the holiday. In each of the last two weeks it has amounted to some £13 million, compared with £10 million and £12 million in the corresponding weeks of 1950. The active circulation, however, still stands at £1,367.8 million, compared with £1,307.5 million a year ago.

*

The first modern-type catalytic cracking unit to be built in Europe has been recently completed at the Shell Petroleum Company's Pernis refinery, near Rotterdam in Holland. Its capacity will be about 1,250,000 tons a year. The Pernis refinery is now the largest in Europe and with this new unit the major part of its postwar rehabilitation will have been completed.

Company Notes

Tootal Broadhurst Lee.—Many difficulties beset Tootal Broadhurst Lee in the year ended June 30th. Not the least was "the violent up-swing in the price of raw materials after the outbreak of the Korean war." The rise in the price of wool and Egyptian cotton to "fantastic" levels and the subsequent recession in prices have confronted the company with the difficult task of adjusting selling prices. Other textile concerns in Lancashire, however, have had to face similar problems and it is in comparison with their recent achievements that Tootal's earnings appear to be disappointing. Group trading profits have fallen slightly from £2,134,139 to £2,105,294 and although the directors were prepared to recommend more, the ordinary dividend has been reduced from 15 to 13¾ per cent in submission to the dividend control proposals. Some of the other trading difficulties are indicated in Sir Kenneth Lee's explanation of the rise in stocks from £2,287,294 to £3,560,559; this was "partly due to the longer time it has taken to convert material into finished goods" and partly to shipping delays which left a much larger volume of goods awaiting delivery in the company's warehouses on June 30th.

	Years to June 30, 1950	1951
Consolidated Earnings:—	£	£
Trading profit	2,134,139	2,105,294
Total income	2,171,604	2,142,401
Depreciation	126,175	163,348
Taxation	1,081,500	1,319,788
Group earnings for ordinary stock	*701,914*	*472,263*
Ordinary dividends	77,113	66,124
Ordinary dividends (per cent)	15	13¾
Added to group general reserves and carry forward	644,080	420,920
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	1,000,476	1,291,530
Net current assets	6,800,400	7,052,641
Stocks	2,287,294	3,560,559
Cash and money on deposit	2,608,954	2,015,479
Reserves	4,323,200	5,010,837
Ordinary capital (*a*)	934,700	934,700

(*a*) Includes £134,700 employees' shares.
£1 ordinary stock at 80s. 0d. yields £3 0s. per cent on 13¾ per cent dividend.

The company seems to have had a chequered experience with certain new developments. For example, the experiment of carrying out finishing processes in the United States has proved to be neither successful nor profitable and the American subsidiary has made "a very substantial loss" despite an increase in turnover. The company is, therefore, reverting to the old method of exporting finished goods directly from Britain. In Tasmania, where the company first arranged to build a stitching works, it has now been decided to install plant for the whole range of textile processing from spinning to finishing. This widening of the scope of the project involves delays. Group capital commitments on June 30th amounted to £1,035,515 and it is estimated that a further £200,000 will be needed to complete the new developments. This programme has made and will make considerable inroads upon cash resources.

Sir Kenneth's statement is not reassuring when he comes to speak of future prospects. The difficulty in selling goods in some markets, the "considerable set-back" in the

American textile trade and the lower prices of American cotton goods in comparison with British prices all lead him to the conclusion that "we are coming to the end of the boom period and, in consequence, shareholders must not expect the recent inflated profits to continue."

★

Watney Combe Reid.—The decline in beer consumption, except of the "heavier" bottled ales, has been persistent in the last two or three years. A year ago, the chairman of Watney Combe Reid connected the fall in demand and in brewery earnings with the high level of beer duty. The latest figures of beer output show that production in June was the lowest for that month since 1938. To round off this tale of difficulties, the fall in sales has been particularly marked in Southern England, where the biggest proportion of Watney's trade is concentrated.

It comes, therefore, as no surprise that Watney's group profits show a further fall from £1,696,797 to £1,571,123 after charging £307,660, against £414,651, to a provision for deferred repairs. As taxation is actually higher at £788,966, against £745,200, group net profits have fallen from £951,597 to £782,157.

A year ago, in view of future uncertainties, the company reduced the ordinary dividend from 20 to 17 per cent. This latter rate has now been maintained and this may suggest some revival of confidence. There are some grounds for this belief. First, beer prices have been raised, which will help to cover increased costs of production and distribution—though the effects on consumption may be another matter. Second, the company, by acquiring the business of Charles Hammerton, the stout brewers, has widened its interests in the more popular bottled trade. Third, the company has extended and modernised its own plant. The offer of £2,000,000 4 per cent debenture stock may be used to finance further capital projects. Alternatively, it may be needed to meet further investment commitments in current assets.

In the advance in industrial shares earlier this year, some interest was taken in the shares of breweries specialising in bottled beers, but it would not be unreasonable to characterise the brewery shares market as comparatively listless and, given present prospects, rightly so. Watney's £1 deferred shares at 59s. xd. yield 5½ per cent.

★

Pinchin, Johnson.—The latest trading year of Pinchin, Johnson, to March 31st, was marked by raw material shortages and rising costs, which finally forced the company to raise its selling prices. Demand, however, has been so well maintained that new production and sales records have been set up in this country and by certain overseas subsidiaries. The improved results of these overseas companies contributed "substantially" to the advance in group trading profits from £1,344,355 to £1,648,599. The ordinary dividend has been maintained at 25 per cent, which will be the controlled rate if dividend control becomes effective.

	Years to March 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	1,344,355	1,648,599
Total income	1,400,226	1,739,425
Depreciation	127,186	153,577
Taxation	659,540	844,477
Group earnings for ordinary stock	*459,594*	*465,411*
Ordinary dividends	343,517	350,092
Ordinary dividends (per cent)	25	25
Retained by subsidiaries	42,067	74,273
Added to carry forward	75,175	103,276
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	2,185,420	2,450,497
Net current assets	4,802,312	4,898,140
Stocks	3,412,340	3,992,514
Cash	1,401,776	753,059
Reserves	3,574,658	3,671,839
Ordinary capital	2,629,800	2,629,800

10s. ordinary stock at 14s. yields £5 14s. per cent.

The balance sheet, naturally enough, reflects the effects of price inflation. Stocks are up from £3,412,340 to £3,992,314, and debtors from £1,923,375 to £2,341,006. Some strain has therefore been imposed on liquid resources; bank overdrafts have been reduced from £373,434 to £271,263, but cash balances have fallen from £1,401,776 to £753,059. The chairman's statement points out that each 10s. ordinary share is covered two and a third times by tangible assets at book value. This valuation is a conservative one, for it ignores "the very considerable excess of the real values of fixed assets over the book values." The paint industry is keenly competitive, and the chairman once again emphasises that profits can only be maintained by a larger volume of sales.

★

Distillers.—The remarkable expansion in Distillers' profits and the company's dividend policy was discussed in a note in *The Economist* on July 28th. If the Government's dividend proposals come into force then the ordinary dividend will be controlled at a maximum rate of 21¼ per cent. The full accounts reveal some important changes. One is a rise of one-fifth in stock values, from £35,588,938 to £42,770,446, and a big jump in debtors from £8,043,559 to £13,539,693. There is no comment on these increases in the report; they clearly have a connection with the rise in raw material prices, but they also pose a problem about working capital.

Here also there are significant changes that will no doubt be explained at the annual meeting; cash balances of the group have risen from £5,644,794 to £10,322,940, but the book value of "quoted investments" has been reduced from £10,673,843 to £4,846,289. This mobilisation of cash during a year which saw the issue of £10 million of new loan stocks is perhaps to be regarded as timely preparation against further increases in prices, but the report does not explain it. The directors draw attention to the creation of a stock contingencies reserve, which stands at £439,190, in respect of stocks held by certain subsidiaries which is considered desirable in view of "recent increases in the costs of raw materials."

Additions to fixed capital have been covered by last year's twin issues of £10 million of unsecured loan stocks. This development programme is on a considerable scale; in the latest year the gross book value of plant, machinery, etc., has risen from £7,789,648 to £10,328,699, and outstanding commitments are estimated at £2,306,000. The rise in the book value of the group's trade investments from £3,457,701 to £5,221,516 illustrates the widening fields of industrial activity into which Distillers is branching out. It is a policy that has transformed the industrial progress and prospects of Distillers in recent years. Would it not be helpful to the stockholders and to the group's employees to say more about these achievements in the annual report and to describe the several component parts of the business—each of which is a major industrial undertaking?

	Years to March 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	13,837,691	17,934,520
Total income	14,019,071	18,411,095
Depreciation	953,078	1,103,627
Taxation	6,358,193	9,519,035
Group earnings for ordinary stock	*5,332,741*	*6,839,749*
Ordinary dividends	2,479,265	2,701,960
Ordinary dividends (per cent)	20	22½
Retained by subsidiaries	2,795,134	2,977,137
Added to general reserves and carry forward	683,558	1,173,361
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	10,152,370	12,348,116
Net current assets	50,436,998	58,318,554
Stocks	35,588,938	42,770,446
Cash	5,644,794	10,322,940
Reserves	29,063,463	28,705,166
Ordinary capital	22,538,770	22,589,770

4s. ordinary stock at 22s. xd. yields £4 2s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Aug. 15, 1951	Price, Aug. 22, 1951	Net Yield, Aug. 22, 1951 (n)	Gross Yield, Aug. 22, 1951
			£ s. d.	£ s. d.
War Bonds 2½%...	101⅛	101⅛	...	0 0 11
Mar. 1, 1951-53			0 9 8	1 12 11
War Bonds 2½%...	101⅛	101⅛	...	...
Mar. 1, 1952-54			0 14 8	1 18 0
Exchequer Stk. 2½%	101⅛	101⅛	0 15 1	1 16 5
Feb. 15, 1955				
War Bonds 2½%...	102⅛	102⅛	0 11 2	1 14 10
Aug. 15, 1954-56			0 17 1	2 0 8
Funding 2½%...	103	102⅛	...	0 16 9
June 16, 1952-57			1 2 6	2 9 3
Nat. Defence 3%...	102⅛	102⅛	0 14 4	2 3 5
July 15, 1954-58			1 4 1	2 12 7
War Loan 3%.....	103⅛	103⅛	0 17 8	2 8 3
Oct. 15, 1955-59			1 4 3	2 15 8
Savings Bonds 3%...	97⅛	97⅛	2 3 8	3 12 7
Aug. 15, 1955-65			1 15 2	3 4 2
Funding 2½%.....	97⅛	97⅛	2 0 7	3 6 9
April 15, 1956-61			1 13 4	2 18 7
Funding 3%.....	94⅛	94⅛	2 10 1	4 1 4
April 15, 1959-69			2 0 2	3 10 8
Funding 3%.....	94⅛	94⅛	2 0 6	3 10 2
Aug. 1, 1966-68			1 19 7	3 9 2
Funding 4%.....	103⅛	103⅛	1 14 0	3 12 10
May 1, 1960-90			1 19 7	3 17 4
Savings Bonds 3%..	92⅛*	92⅛	2 9 11	3 19 8
Sept. 1, 1960-70			2 0 11	3 10 9
Savings Bonds 2½%	91⅛	90⅛	2 3 5	3 9 3
May 1, 1964-67			2 0 5	3 6 2
Victory Bonds 4%..	103⅛*	103⅛*	1 15 7	3 12 6
Sept. 1, 1920-76				
Savings Bonds 3%..	89⅛	89⅛	2 9 0	3 19 4
Aug. 15, 1965-75			2 2 6	3 13 0
Consols 4%.....	98	97⅛	2 2 11	4 1 11
(after Feb. 1, 1957)				
Conversion 3½%...	89⅛	89⅛	2 1 7	3 19 9
(after Apr. 1, 1961)				
Treasury Stk. 2½%..	65⅛	65⅛	2 0 4	3 17 4
(after Apr. 1, 1975)				
Treasury Stk. 3%...	77⅛	77⅛	2 1 1	3 18 10
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	95⅛	95⅛	2 1 4	3 15 11
June 15, 1977-80			2 0 11	3 15 7
Redemp. Stk. 3%...	84⅛	84⅛	2 5 1	3 17 9
Oct., 1986-96			2 2 10	3 15 9
War Loan 3½%...	87⅛	87⅛	2 2 4	4 1 0
(after Dec. 1, 1952)				
Consols 2½%.....	66⅛	66	1 19 11	3 16 2
Brit. Elect. 3% Gtd..	91⅛	91⅛	2 4 11	3 16 1
April 1, 1968-73			2 2 2	3 13 3
Brit. Elect. 3% Gtd..	89⅛*	89⅛*	2 3 5	3 13 10
Mar. 15, 1974-77			2 2 3	3 12 8
Brit. Elect. 3½% Gtd.	97⅛	96⅛	2 0 5	3 15 0
Nov. 15, 1976-79			2 0 2	3 14 8
Brit. Tpt. 3% Gtd..	84⅛	84⅛	2 7 11	4 0 0
July 1, 1978-88			2 4 5	3 16 8
Brit. Tpt. 3% Gtd..	91⅛	91⅛	2 5 0	3 16 2
April 1, 1968-73			2 2 5	3 13 4
Brit. Gas Gtd. 3%...	83⅛	83⅛	2 4 5	3 17 2
May 1, 1990-95			2 3 5	3 16 3
Brit. Gas Gtd. 3½%	98⅛	98⅛	1 19 5	3 13 2
Sept. 10, 1969-71			1 19 2	3 12 11
Brit. Iron & Steel 3½%	95⅛	94⅛	2 1 8	3 16 1
Feb. 15, 1979-81			2 1 5	3 15 10

(*a*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields are calculated after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years 5 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Aug. 15, 1951	Price, Aug. 22, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	7⅛	7⅛	3 15 7
30	30	Anglo-Iran £1	5⅛	5⅛	5 12 11
20	17½	Assoc. Elec. £1	86/-	87/6	4 11 5
27½	25	Assoc. P. Cem. £1	107/6	107/6	5 2 4
35	30⅛	Austin 5/-	32/6	32/6	5 7 8
25†	23·4†	Bass £1	146·10⅛	149·4½	6 7 6
40	20 *m*	Boots 5/-	26/-	26/-	3 16 11
10	9	Br. Celanese 10/-	30/6	30/-	3 6 8
20	20	Br. Oxygen £1	97/-	96 6	4 2 11
12½	12½	Coats £1	61/10½	60·7½	4 2 6
11⅛	9⅛	Courtaulds £1	48/6	47 6	4 14 9
22½	21⅛	Distillers 4/-	22/-	22·- *	4 1 10
17½	16⅛	Dunlop £1	65	65	5 7 8
12½	11⅛	Ford £1	58·11⅛	58·11½	4 6 0
22½	20	Gen. Elect. £1	90/-	92/6	4 17 4
32	30⅛	Guinness £1	143·9	145/-	4 8 3
32½	8⅛ *m*	Hawker Sid. £1	38/6	38/3	5 4/ 7h
12	11	Imp. Chem. £1	50/-	50 -	4 16 0
32	32	Imp. Tobacco £1	100/- *	102 6	6 4 11
12½	11½	Lancs. Cotton £1	49·4½	47·6	5 5 3
13½	11½	Lever £1	53.1½	55·1½	5 1 7
15	15	Lon. Brick £1	58·9	60	5 0 0
75	65½ *m*	Marks & Sp. A 5/-	93/-	95/-	4 0 7
16	14	P. & O. Def. £1	67/6	68/- *	4 14 1
25	25	P. Johnson 10/-	44/-	45	5 11 1
124†	9·7†	"Shell" Stk. £1	91/10½	90·7½	5 5 1
25	25	Tube Invst. £1	6⅞	6⅛	3 16 11
20	17⅛	T. & Newall £1	95/7½	95 7½	4 3 8
10	9	Union Castle £1	38 6	37 6	5 6 8
50	33⅛	U. Sua Belong £1	60/-	60/7½	16 9 11
12½	9⅛	Vickers £1	49/-	49	5 2 0
42½	38⅛	Woolworth 5/-	47/-	46/9	4 10 11

(*b*) Yield basis 20%, after capital bonus. (*k*) Yield basis 10%. (*m*) Allowing for capital bonus. * Ex dividend. † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended August 18, 1951, total ordinary revenue was £76,230,000, against ordinary expenditure of £123,678,000 and issues to sinking funds £390,000, including sinking fund allocations of £4,978,000, the surplus accrued since April 1, 1951, is £40,424,000 compared with a surplus of £76,718,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Aug. 19, 1950	April 1, 1951 to Aug. 18, 1951	Week ended Aug. 19, 1950	Week ended Aug. 18, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	306,303	347,400	23,280	23,768
Sur-Tax	128,000	29,700	30,500	600	900
Estate, etc., Duties	180,000	71,350	77,500	3,200	3,000
Stamps	55,000	18,965	24,600	600	700
Profits Tax } E.P.T. }	312,650	78,620	109,400	5,400	10,000
Other Inland Rev.	500	50	55	...	...
Special Contributn.	1,500	2,300	1,340	80	50
Total Inland Rev.	2302400	512,988	590,795	33,160	38,418
Customs	930,500	329,446	367,605	20,496	20,189
Excise	720,500	278,900	304,200	10,000	14,800
Total Customs and Excise	1651000	608,346	671,805	30,496	34,989
Motor Duties	62,000	9,602	11,203	...	...
Surplus War Stores	20,000	10,481	8,798	4	...
Surp'ls from Trading	50,000	30,974	57,500	5,000	...
P.O. (Net Receipts)	5,400	5,200	6,100	2,300	2,600
Wireless Licences	13,600	3,100	3,400	...	...
Sundry Loans	27,000	6,219	8,352	...	54
Miscell. Receipts	105,000	21,246	18,056	153	169
Total Ord. Rev.	4236400	1208157	1376009	71,113	76,230
SELF-BALANCING					
Post Office	179,431	60,700	66,300	2,200	2,400
Income Tax on E.P.T. Refunds	4,900	3,773	1,987	199	162
Total	4420731	1272630	1444296	73,512	78,392

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Aug. 19, 1950	April 1, 1951 to Aug. 18, 1951	Week ended Aug. 19, 1950	Week ended Aug. 18, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	190,068	190,511	42,947	42,644
Payments to N. Ireland	38,000	12,191	12,431	...	...
Other Cons. Funds	11,000	3,997	4,067	184	34
Total	584,000	206 256	207 009	43,231	42,678
Supply Services	*3425640	920,445	1123597	59,300	79,000
Total Ord. Expd.	*4009640	1126701	1330607	102531	121678
Sinking Funds	...	4,738	4,978	40	390
Total (excl. Self-Bal. Expd.)	4009640	1131439	1335585	102571	122068
SELF-BALANCING					
Post Office	179,431	60,700	66,300	2,200	2,400
Income Tax on E.P.T. Refunds	4,900	3,773	1,987	199	162
Total	4193971	1195912	1403872	104970	124630

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £391,589 to £2,883,419, the other operations for the week increased the National Debt by £44,559,299 to £26,336 million.

NET RECEIPTS (£ thousand)

Cotton (Centralised Buying) Act, 1947	11,310

NET ISSUES (£ thousand)

Post Office and Telegraph (Money), Act 1950	400
E.P.T. Refunds	199
Export Guarantees Act, 1949, s. 3(2)	100
Local Authorities Loans Act, 1945, s. 3(2)	4,700
Finance Acts, 1946 and 1947: Postwar Credits	241
Miscellaneous Financial Provisions Act: War Damage:	
Board of Trade	1,000
War Damage Commission	3,000
	9,640

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	57,848	Nat. Savings Certs.	100
3% Def. Bonds	1,165	2½% Def. Bonds	2,685
Other Debt :—		Tax Reserve Certs.	534
Internal	702	3% Ter. Annuities	1,440
Ways & Means Advances	16,330	Other Debt :—	
		External	2,226
		Treasury Deposits by Banks	24,500
	76,045		31,485

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Aug. 19	3140·0	1921·2	410·8	...	430·0	5902·0
1951						
May 19	3230·0	2035·1	436·4	...	319·5	6021·0
,, 26	3230·0	2043·5	434·8	...	319·5	6027·9
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
,, 9	3220·0	2114·4	370·4	...	320·0	6024·8
,, 16	3220·0	2090·9	385·4	...	345·0	6041·2
,, 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
,, 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2195·1	342·8	...	344·5	6062·4
,, 14	3230·0	2129·1	373·2	...	344·5	6076·8
,, 21	3230·0	2161·9	335·4	...	344·5	6071·9
,, 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
,, 11	3220·0	2164·2	280·2	...	379·5	6043·9
,, 18	3230·0	2212·0	296·6	...	355·0	6093·6

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Aug. 18	240·0	312·8	240·0	10 3·23	70
1951					
May 18	260·0	350·9	260·0	10 2·80	63
,, 25	250·0	336·6	250·0	10 2·98	65
June 1	250·0	349·5	250·0	10 2·78	60
,, 8	260·0	355·2	260·0	10 2·80	62
,, 15	250·0	344·0	250·0	10 2·88	62
,, 22	250·0	344·0	250·0	10 2·81	62
,, 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
,, 13	250·0	345·2	250·0	10 2·81	61
,, 20	230·0	323·8	230·0	10 2·84	60
,, 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
,, 10	260·0	354·1	260·0	10 2·78	62
,, 17	260·0	341·4	260·0	10 3·02	68

On August 17th applications for 91 day bills to be paid from August 20 to August 25, 1951, were accepted dated Monday to Saturday as to about 68 per cent at £99 17s. 5d., and applications at higher prices were accepted in full, and Treasury Bills to a maximum of £260 million are being offered for August 24th. For the week ending August 25th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 19 Weeks ended Aug. 19, 1950	Totals 19 Weeks ended Aug. 18, 1951	Week ended Aug. 18, 1951
Savings Certificates :—			
Receipts	32,150	71,200	2,500
Repayments	49,400	54,400	2,000
Net Savings	*Dr17,250*	16,800	500
Defence Bonds :—			
Receipts	6,640	16,949	860
Repayments	20,164	20,711	3,635
Net Savings	*Dr13,524*	*Dr 3,762*	*Dr 2,775*
P.O. and Trustee Savings Banks :—			
Receipts	238,542	250,105	13,403
Repayments	263,197	319,539	14,832
Net Savings	*Dr24,655*	*Dr69,434*	*Dr 1,429*
Total Net Savings	*Dr55,429*	*Dr56,396*	*Dr 3,704*
Interest on certificates repaid	10,706	13,206	490
Interest accrued	45,586	45,961	2,389
Change in total invested	*20,549*	*23,641*	*1,805*

BANK OF ENGLAND RETURNS

AUGUST 22, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1367,774,034	Other Govt. Securities	1385,248,695
In Bankg. Department	32,582,789	Other Secs.	723,201
		Coin (other than gold)	3,013,044
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	344,522,853
Rest	3,861,445	Other Secs.:—	
Public Deps.:—	15,414,160	*Discounts and Advances*	36,204,235
*Public Accts.**	*14,505,683*	*Securities*	*13,654,092*
H.M. Treas. Special Acct.	*908,477*		*22,550,143*
Other Deps.:—	380,126,628		
Bankers	*289,910,066*	Notes	32,582,789
Other Accts.	*90,216,562*	Coin	645,356
	413,955,233		413,955,233

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

COMPARATIVE ANALYSIS

(£ million)

	1950	1951		
	Aug. 23	Aug. 8	Aug. 15	Aug. 22
Issue Dept. :—				
Notes in circulation	1307·5	1393·9	1380·9	1367·8
Notes in banking department	42·8	31·4	44·5	32·6
Government debt and securities*	1348·3	1420·8	1420·8	1396·3
Other securities	0·7	0·6	0·7	0·7
Gold and Coin	1·4	3·9	3·9	3·4
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	18·1	15·9	17·6	14·5
Treasury Special Account	246·5	0·3	0·9	0·9
Bankers	283·3	287·1	295·0	289·9
Others	96·2	93·7	90·4	90·2
Total	644·1	396·9	403·9	395·5
Securities :—				
Government	576·9	348·9	327·4	344·5
Discounts, etc.	14·7	4·1	22·1	13·7
Other	22·2	30·3	28·0	22·6
Total	613·8	383·3	377·5	380·8
Banking dept. res.	48·8	31·9	44·8	33·2
	%	%	%	%
"Proportion"	7·5	8·0	11·0	8·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 16	78·5	90·16	Market Closed	
,, 17	78·5	90·16	186 14	113 12
,, 18	Markets	Closed	187 12	113 11
,, 20	78·5	90·16	189 15	113 12
,, 21	78·5	90·16	189 8	113 12
,, 22	78·5	90·16	188 8	114 1

COMPANY MEETINGS

BLEACHERS' ASSOCIATION LIMITED

HIGHER TRADING PROFIT EARNED
RESERVES FULLY EMPLOYED
TAXATION AND HIGH COST STRUCTURE
MR R. C. REYNOLDS ON COTTON INDUSTRY'S FUTURE

The fifty-second annual general meeting of Bleachers' Association Limited was held in the Assembly Room, Blackfriars House, Parsonage, Manchester, on Wednesday, August 15, 1951.

Mr R. C. Reynolds (the chairman) presided.

In proposing the motion for the adoption of the report and accounts, Mr Reynolds said:

Ladies and gentlemen:—The Report of the Directors and the Accounts have been in your hands for several weeks. May I have your agreement that they shall be taken as read? (Agreed.)

It must be seldom that in two successive years a company has to deplore the loss of its Chairman in office—but so it is with us—and it is with the deepest regret that we have to record the death of Sir William Clare Lees on May 26th last after rather less than a year of office as Chairman in succession to Sir Alan Sykes.

This second blow has been a severe one for the Company to sustain, as Sir William had for so long been associated with the higher direction of the Company's affairs, previously as Deputy Chairman and before that as Chairman of the Management Board. His unexpected death has deprived us of a leader whose wise counsel and high example we had hoped to enjoy for quite a few more years. He was pre-eminently fitted for the office which he held and his loss will be felt over a wide area of the industrial activities of Lancashire.

Your Directors have done me the honour of appointing me as their Chairman.

We have also to record with regret the death, through an accident early this year, of Mr T. H. Cooke, the latest recruit to our Board, whose appointment was confirmed by you at our last Annual General Meeting. He was a comparatively young man whose ability held high promise of a successful career, and we shall miss him.

Our late Secretary, Mr Herbert Johnson, retired on pension at the end of the financial year, after spending the whole of his business life in the service of the Association. I am sure you will wish him health and happiness in his retirement, and that you will welcome his successor, Mr E. G. Goold, who has been with us for several years as Assistant Secretary and whom we have now appointed to the office of Secretary.

BALANCE SHEET AND RESERVES

In the Association's balance sheet, which is submitted for your approval, the value of fixed assets shows a net increase of rather more than £63,000 over the corresponding figure a year ago. This increase results from net capital expenditure amounting to £202,000, after allowing for sales, less the year's provision for depreciation of £138,600.

Investments are higher by some £45,000 and the total of current assets by rather more than £250,000. The latter figure includes an increase of over £50,000 in our cash balance, and the remaining £200,000 represents the increase in working capital required to finance business under present conditions of high prices and the need to maintain adequate stocks of materials in short supply.

On the left-hand side of the balance sheet, the total of revenue reserves and undistributed profits at £1,720,900 shows an increase over the total at the end of the previous year of £238,000. I will return to this item in a moment or two to explain the allocation of the reserves when I have completed the survey of the balance sheet. The only other changes in the balance sheet are a small decrease of £5,000 in loans, and an increase of £88,000 in provisions and current liabilities which arises almost entirely under the heading of trade creditors.

From the figures which I have quoted, it will be realised that after allowing for the full utilisation of the year's provision for depreciation, the total additional capital resources required by the past year's business have amounted to about £360,000. Against this may be set the increase of £88,000 in current liabilities and provisions, leaving rather more than £270,000 to be provided either out of undistributed profits or by the reduction of available liquid resources. I have been anxious to establish this point even at the cost of burdening you with more figures than I like, because it is the key to the appropriations which the directors have made and those which they submit for your approval.

To return now for a moment to the revenue reserves. The general reserve fund has been increased by a transfer of £100,000 from the profit and loss appropriation account, making the total of the fund £800,000. The investments contingency fund has been augmented by a small profit of £3,200 arising out of an exchange in one of our investments. We have transferred £250,000 from the contingencies fund to form the foundation of a fixed assets replacement fund, and have added to this new fund a sum of £100,000 out of the year's profits, making the total into £350,000 and reducing the contingencies fund to £125,000.

ADDITIONAL WORKING CAPITAL

These appropriations, together with a transfer of £23,000 from profit and loss account to the taxation allowances equalisation account and an increase in the balance of the profit and loss account carried forward after providing for the recommended dividends, make up the total increase of £238,000 in our revenue reserves which, together with an increase of £40,000 in the reserve for Income Tax on current period profits, have provided the increased capital resources required during the past year.

Apart from our investments in gilt-edged securities, which are no more than equivalent in amount to the general reserve fund, our accumulated reserves are fully employed in the business, and since the business has required this year some £270,000 additional working capital, your directors have decided that not less than £200,000 of that sum must be set aside out of the year's profits before considering the amount which can be recommended to be applied to the payment of dividend upon the ordinary stock.

As long as Government policies maintain the inflationary pressure and as long as Government taxation practise is draining the capital out of industry that, I hope, will be our policy. Otherwise we should fail in what, I believe, should be our first consideration, and that is to protect the value of your capital. That value depends upon the maintenance of the value of the assets and of their earning capacity. The appropriations which have been made to the reserves are no more than is necessary for that purpose, and although it would have given your directors as much pleasure to recommend a larger dividend on the ordinary stock as it would have given you to receive it, I believe that stockholders who will take the trouble to examine our accounts in the light of these remarks will agree that the recommendations we have made are the best that could be made in their interests.

LIMITATION OF DIVIDENDS

The Government have now intimated their intention to limit the distribution of dividends by statutory enactment. If this is carried into effect the matter will pass from our control and questions of policy will no longer arise. The explanations offered for this grossly unfair proposal are so unconvincing that it can only be regarded as a political move and therefore, perhaps, unsuitable for discussion here. It does, however, give rise to one thought. The rate of tax on distributed profits was raised by the recent Finance Act from 30 per cent. to 50 per cent. for the express purpose of discouraging the payment of larger dividends, and to encourage the retention of profits in business. If, in future, dividends are to be rigidly controlled by statute, there would appear to be no reason why the rate of distributed profits tax should not be restored to the 30 per cent. level, thereby leaving more of the profits in companies' reserves. This would at least provide ultimately some compensation to the ordinary shareholder for the arbitrary restriction with which he is now threatened.

TAXATION AND INFLATION

The Association's profit and loss account shows a trading profit for the year, before providing for taxation, of £873,500, compared with £795,800 in the preceding year—an increase of nearly £78,000 or almost 10 per cent.

The provision for income tax and profits tax, however, is nearly £67,000 higher, and with an increase of almost £10,000 in the transfer to taxation equalisation account, the available net profit for the year is little more than £1,000 higher than that of the year before.

Taxation last year absorbed 55½ per cent. of the profit, although the increased rate of distributed profits tax applied to only a portion of the year. To the extent that the increased cost of taxation is attributable in part to the cost of the rearmament programme, we must regard it as the price to be paid for safeguarding what in current parlance is termed "our way of life." But even without the added cost of the safeguard, the "way of life" is a costly affair when it is translated into the "welfare state."

Most of us, I believe, would regard the improvement which has been effected in the standard of living of a large section of the population as a desirable thing, although we may not all agree that it should have been achieved by quite so drastic a redistribution of income, and that it would have been more soundly based if it had rested on the increased productive effort of those who have benefited. But few can regard with equanimity a system which by taxation is rapidly reducing our capital and converting

it by subsidies, or by the provision of free services, to additional consumer purchasing power which, although constituting an improved standard of living for some, is contributing substantially to the inflation which is raising the cost of living for all.

By such means we are building up in this country a high cost economy which must react against the sale of our products abroad and depleting our capital resources to an extent which, if continued, will ultimately undermine the employment of our workpeople.

There is little else in our accounts that calls for comment. The consolidated balance sheet shows no important changes, but it will be noted that in the consolidated profit and loss account the profit carried forward is about £98,000 more than that which is carried forward in the Association's accounts. This additional profit is retained in the accounts of the subsidiary companies, as their available funds are required to finance their current business at the higher level of costs now prevailing.

FUTURE PROSPECTS

Our future prospects are almost entirely dependent upon those of the cotton industry as a whole. As finishers we do not own any of the cloth we process and our work is practically all with merchant and manufacturer converters who distribute their own products in the finished state.

There is, therefore, little that we can do to regulate the volume of our production beyond giving the highest quality of finish and the best service we can to our customers. There appears to be every prospect of the cotton industry being fully employed, certainly to the end of the current financial year, and in the absence of a major crisis, for some time beyond that.

Under present conditions there is some uncertainty with regard to the future price of cotton, and a natural unwillingness on the part of those who may be affected thereby to commit themselves too far forward on a basis of price which may not be sustained. This hesitancy is, for the moment, retarding business, but it should be no more than a temporary pause.

The capacity of the cotton industry to meet the demands which will fall upon it is, however, entirely dependent upon its ability to retain its labour force, which it is becoming more difficult to do in face of the demands created by the rearmament programme. Since the Government is relying upon the cotton industry to increase substantially its exports, in order to balance the diminished exports of engineering products and also to help in narrowing the gap which has recently re-appeared in our external trade balance, the question of labour supply should receive the early and urgent attention of the responsible Government department. Even if we succeed in avoiding any depletion of our labour force, it is almost inevitable that the required increase in exports must involve some contraction in supplies to the home market, and so add a little more weight to the inflationary pressure.

Looking further ahead, our main concern must be first with the threat of the high cost structure which is being built up in this country under our present system of national finance and taxation, and secondly, with the rehabilitation of the Japanese cotton industry, as well as the continued industrialisation of some of our still important export markets.

For our part we have done our best to ensure that we can face the future with confidence. We have, as you will have seen from the accounts, incurred an increased expenditure upon repairs and maintenance, and we have spent substantial sums on capital account for the renewal and modernisation of our plant. Much attention has been given to means to increase our productivity per unit of labour either by improved methods of working or increased mechanisation. Our research organisation has been actively engaged in the investigation of new finishes or more efficient methods of production, and the Association's works are well equipped to play their part in maintaining the progress of the cotton industry.

I am sure you would not wish me to conclude without expressing on your behalf, as well as for myself, our sincere thanks to my colleagues on the management board, to our executive and other directors, to all our branch managers, and to the staff at head office and at our works, as well as that fine body of craftsmen and operatives upon whom we depend, for all that they have done to contributed to the results we have placed before you.

Mr P. L. Wright seconded the resolution and the meeting approved the report and accounts.

The retiring directors were re-elected and the fees of the joint auditors, Messrs Jones Crewdson and Youatt and Messrs P. and J. Kevan were fixed.

A vote of thanks to Mr R. C. Reynolds for presiding was moved by Mr E. R. Clark and carried unanimously.

JEREMIAH AMBLER AND SONS LIMITED

RECORD RESULTS

MAJOR E. BEDDINGTON BEHRENS' STATEMENT

The fifty-eighth annual general meeting of Jeremiah Ambler and Sons Limited was held on August 14th in London, Major E. Beddington Behrens, M.C., Ph.D., the chairman, presiding.

The following is the statement by the chairman, which had been circulated with the report and accounts for the year ending December 31, 1950, and was taken as read:—

As I forecast in my statement last year, I am again able to present to you "satisfactory" results of the trading of 1950. Profits for the year to December 31st, after all provisions, except taxation and debenture interest, amounted to £222,244, as compared with £220,118 for 1949, and constitute a new record. After deducting income tax and profits tax totalling £116,504, debenture interest £9,563, the fixed dividends on the preference shares £9,075 net, and the interim and proposed final dividend totalling 14 per cent. for the year on the ordinary stock £21,189 net, there remains £65,913. Adding to this amount the balance brought forward from last year and reserves no longer required gives a total of £325,273 to be carried forward.

This amount carried forward is equivalent to nine times the amount (£36,121 after tax) required to pay a full year's interest on the existing debentures, together with the fixed dividend on the preference shares and dividends at the present rate of 14 per cent. on the ordinary stock.

As shown on the schedule attached to the accounts, the ordinary dividend of 14 per cent. only represents approximately 1¾ per cent. on the capital actually employed in the business, less the nominal amount of the debentures and preference shares. The fixed assets, freehold and leasehold properties, and plant and machinery, shown in the balance sheet of the group at the written down value of £309,118, are valued for insurance purposes at £2,201,000.

BONUS ISSUE APPLICATION REFUSED

As it is proposed, subject to the appropriate resolutions being passed, to make a further issue of debentures, to which I refer later, it was necessary to apply to the Capital Issues Committee for permission to repeat the bonus distribution of nearly 3 per cent. as last year, by an issue of £7,244 of ordinary stock, which assuming the maintenance of the present rate of dividend, 14 per cent., would only require an additional £532 net per annum. Bearing in mind the conservative dividend policy that has been followed (the dividend has been kept at 14 per cent. since 1946) and the excess of the net value of the assets employed in the business over the issued capital, your board regarded this request to the Capital Issues Committee as most reasonable. Permission has, however, been refused, and I regret therefore that we are reluctantly unable to make a bonus issue this year. As you will have seen in the press in the case of certain companies permission has been given for substantial issues of bonus shares, while other applications of apparently equal merit have been refused. On what grounds the Treasury base their decisions in such cases is not at all clear.

NEED FOR FURTHER WORKING CAPITAL

The rapid rise in the price of wool and other fibres during the year under review made the provision of further working capital necessary, in spite of the fact that the larger part of the profits have been retained in the business. Taxation at present levels leaves our group, in common with the rest of the wool textile industry, with inadequate funds to replenish raw material stocks. Accordingly during the year £150,000 four and a-quarter per cent. debentures, being the balance of the total of £300,000 then authorised, were issued.

Although group stocks have been kept at the lowest possible level compatible with efficient production, at December 31, 1950, they amounted to £1,127,010, as against £647,860 the year before, an increase of £479,150. After taking into account the proceeds of the additional issue of £150,000 of debentures, the net overdrawn bank balance of the group at December 31, 1950, was £147,349, as compared with a balance in hand of £121,557 and a holding of £118,925 of tax reserve certificates the year before.

DEBENTURE ISSUE

In order to provide the group with further liquid resources it is proposed to issue a further £200,000 of debentures, and meetings of the debenture stockholders are being called at which resolutions are to be proposed increasing the total authorised issue of debentures from £300,000 to £500,000, and increasing the rate of debenture interest from 4¼ to 5 per cent. Resolutions are also to be proposed at the annual general meeting increasing the directors' borrowing powers to an amount equal to one and a-quarter times the issued capital of the company. The Treasury has already given its consent to this proposed further issue of debentures.

Our physical output for the year was 8 per cent. in excess of that for 1949, with a more than corresponding increase in value due to rising prices. This increased production has been achieved with approximately the same labour force, the increase being due to improved efficiency resulting from the policy of modernisation and re-equipment that has been followed since I became chairman and the extension of incentive bonus systems for our operatives resulting in higher individual average wages but a lower labour cost per unit of production.

During the year under review, wool, our principal raw material, more than doubled in price, and the other animal fibres we use correspondingly increased. Your board had, however, adopted a very prudent policy with regard to raw materials, which the recent considerable fall in the price of wool has fully justified.

DEVELOPMENT OF SYNTHETICS

The high cost and scarcity of natural fibres is leading to an increased use of synthetics, which not only cost considerably less, but the prices of which are more stable. Although this tendency is now being arrested by shortages of the raw materials required to make rayon and nylon, we have made good progress in the development of specialised yarns of mixed wool and synthetic fibre combining the advantages of both. Approximately 8 per cent. of our output now consists of synthetic fibres.

In Ulster, where the labour position is easier than in Bradford, our wholly-owned subsidiary Jeremiah Ambler (Ulster), Limited, is now operating continuously on a two-shift basis and making a satisfactory contribution to the profits of the group.

THE CURRENT YEAR

During the current year to date the profits have been maintained, and having regard to the existing contracts I feel confident that I will again be able to present shareholders next year with equally "satisfactory" results. Taking a long-term view, the wide fluctuations in the prices of raw material must create serious concern. After the large re-equipment undertaken in recent years we have come to the conclusion that in present unsettled world conditions it is now prudent for the company to slow up the installation of additional plant and equipment and the increase of productive capacity, and to husband its resources against a rainy day.

Towards the end of the year Mr A. S. Bower joined the board and became managing director in place of Mr J. S. Ambler. Mr Ambler has served the company for a great many years, and on behalf of the company and the board we extend to him our very good wishes in any future activities in which he may be engaged.

In conclusion I wish to express my appreciation of the services of my co-directors, and of those of the directors and managers of our subsidiary companies and the staff and workpeople of the whole group, and to congratulate them on the excellent results achieved.

CHAIRMAN'S ADDITIONAL REMARKS

In answer to a question Mr Beddington Behrens stated that as a member of the Council of the Federation of British Industries he had adhered to the recommendation of the Federation not to increase dividends. The company's earnings in the last four years had averaged 67 per cent. on the nominal ordinary capital of £282,516 (represented by assets at replacement value of £2,595,638) and had only paid 14 per cent. to shareholders, or less than 25 per cent. of available earnings. Thus, companies like ours who have strictly supported the Government in their plea for moderation of dividends, are penalised as compared with other companies who had decided, wisely as it now seems, not to co-operate with the Government. This is extremely unfortunate, as it had always been in the tradition of British industry to co-operate fully with the Government of the day, of whatever party.

The report and accounts were unanimously adopted.

EDGAR ALLEN AND COMPANY, LIMITED

MR W. H. HIGGINBOTHAM'S REVIEW

The fifty-second annual general meeting of Edgar Allen and Company, Limited, was held on August 16th at Imperial Steel Works, Sheffield, Mr W. Higginbotham, F.S.A.A., F.S.S. (chairman) presided. He said that during the year ended March 31st every department of the company's varied business was very actively employed; as a result the total turnover, in value, was roughly 12 per cent. higher than in the preceding year and the highest yet recorded. Although sales of steel declined in the latter part of the year (restrictions having been imposed on certain exports) sales of steel castings were maintained at the level of the previous year; those of small tools and permanent magnets were substantially higher; and the turnover of the engineering division increased by nearly 45 per cent.—largely by completion and delivery of a considerable amount of equipment which was in an advanced stage of progress at the beginning of the lyear. The profit on this fell, of course, into this year's accounts. These factors, and particularly the last mentioned, accounted in the main for the increase in trading surplus (before depreciation) for the year to £547,549 as against £454,352 last year. The overall ratio of profit to turnover had not increased —in one or two instances it had actually fallen slightly, and although price increases had occurred they had done little if anything more than offset the advances in wages, materials and in other costs.

The balance sheet showed total assets of £3,172,774 comprising fixed assets of £1,223,285, or 38.6 per cent.; current assets at £1,769,964, or 55.8 per cent.; and interests in subsidiary companies and trade investments amounting together to £179,525, or 5.6 per cent. As compared with the previous year the value of fixed assets was less by £21,743; under the head of current assets, values of stocks and work in progress were greater at £842,506 by £98,788; book debts now £690,278 were higher by £130,135; and cash balances at £237,180 had increased by £38,507.

Current liabilities appeared as £429,108 and showed a net increase on the year of £52,077. Of this amount £33,751 arose under the head of sundry creditors, £9,892 in respect of income tax and profits tax, and £8,434 in the provision for dividends. In addition to these liabilities there was a further liability for taxation due at a later date, amounting to £191,500 and showing an increase of £25,500 over the corresponding figure of last year, and further their total liability, present and prospective for taxation amounted to £311,638 or more than the rest of their external liabilities put together.

The surplus of current assets over current liabilities was £1,340,856; addition of the value of interests in subsidiaries and that of investments (together £179,525) raised that surplus to £1,520,381 which was greater by £200,690 than last year's corresponding figure. The net worth of the company's business without consideration of the value of goodwill, comprised paid-up capital of £730,945, revenue reserves (derived from the taxed profits of the past) £905,911—making together £1,636,856—and capital reserves of £850,260, totalling £2,487,116.

Summarising the trading results and the appropriations of profits they found that net earnings, before tax, at a rate of 18.9 per cent. in relation to net worth were reduced after taxation to 8 per cent.; from this 6.3 per cent. was ploughed back into the business, and dividends took the balance of 1.7 per cent.—the proportion taken by the ordinary shares was 1.36 per cent. net.

The report was adopted.

WILLIAMS AND WILLIAMS LIMITED

SUCCESS OF OVERSEAS VENTURES

The forty-second annual general meeting of Williams and Williams Limited, was held on August 17, 1951, at Reliance Works, Chester. In the absence of the chairman, Mr B. A. Williams, O.B.E., M.I.P.E., on company's business abroad, Mr T. Sarl-Williams, A.C.A., presided and read the remarks of the chairman, of which the following are extracts:—

Ladies and Gentlemen,—I am disappointed at being unable to be present at the forty-second annual general meeting of your company, especially as it will be the only annual general meeting of the company I have not attended. However, I, with the other members of your board, after careful consideration, decided your interests would be better served by my attendance with directors of your subsidiaries in Europe and Africa at special conferences being held abroad.

Since our last meeting, Mr J. K. Vivian and I have visited many of your subsidiaries in North America, and we are glad to report that they, in common with your other interests, continue to make progress. It has been necessary during the year for three of your subsidiaries to extend their buildings and to install additional plant and machinery. Such development, although costly, must receive priority, notwithstanding the heavy claims made on the company's liquid resources, so severely restricted by the burden of taxation. Of your overseas companies I would in particular refer to the one in Manila which, during the first year of its operation, proved an outstanding success and fully justified the expectations expressed in my remarks at the last annual meeting.

I would also report the resignation of Mr A. M. Maddox, who for many years has expressed a desire to return to India, where he has joined some very good friends of ours. We were glad to be of some assistance to him in achieving his ambition, and would like to record our appreciation of his loyal and distinguished service.

THE YEAR'S RESULTS

Turning now to the profit and loss account and balance sheet, you will observe that the year's trading has shown a consolidated net profit of £236,939 after providing for all chargeable expenditure other than taxation and after adding the sum of £164,609 brought forward from previous years, a balance remains of £401,548 which your directors recommend be dealt with in the manner set forth in their report.

Your directors recommend that a dividend of 17½ per cent. be paid on the ordinary share capital of the company. In submitting to you this recommendation I would remind you that the last increase in the rate of dividend was recommended to you fourteen years ago and has been maintained consistently ever since. Whilst the directors are fully mindful of the continued need for restraint, they consider it only fitting that some modest but tangible indication of the success of your overseas ventures should be made, and it is in the growing promise of these ventures that this recommendation should receive your consideration.

Doubtless you would like me to say a word or two about the future. I will refrain from depressing you with a catalogue of difficulties such as power cuts and restricted supplies of raw materials, but will end on the note of assurance that, confident of the loyal co-operation of your staff and employees to whom much of your progress is due, we shall unitedly meet these difficulties in the future with the same determination as we have met them in the past.

The report was adopted.

GLOBE TELEGRAPH AND TRUST COMPANY, LIMITED

SUCCESS OF RECONSTRUCTION

The seventy-eighth annual general meeting of The Globe Telegraph and Trust Company, Limited, was held on August 17th in London.

Sir Edward Wilshaw, K.C.M.G., the chairman, after expressing regret at the death of Mr B. W. Bloomer, and stating that Mr Harold Vennils and the Rt. Hon. Lord Pender, C.B.E., had been appointed to the board, in the course of his speech, said:—

The accounts cover the year to June 30, 1951, during which period the capital of the company has been reconstructed. The result to date of that reconstruction will, I venture to say, be found to be most satisfactory. In recommending to you today, as I shall do later, the adoption of a final dividend of 4½ per cent., less income tax, making in all 7 per cent., less income tax, for the year, I feel that you will agree that I have fulfilled my prediction that your income from the company would exceed that which you received prior to reconstruction.

Whether or not we shall be able to maintain this rate of distribution in the future will depend upon the regulations in force at the time, but it should be obvious to all that the proposals in regard to the limitation of dividends and even their reduction, as announced by the Chancellor of the Exchequer, subsequent to the compilation of our present accounts and to the issue of our report, must not only have their effect on the income which we receive in future from our investments, but also limit the amount which can be distributed to you. In the case of companies whose capital structure has changed in the last two years, the effect of the proposed legislation is far from clear.

DETERRENT TO RISK CAPITAL

It cannot be too widely known that a very large proportion of the securities which have thus been affected are held by people of small means, and the registers of our public companies will show how small is the average individual shareholding.

Apart from the upheaval in prices which this measure has brought about, the effect must be to make registration of companies in this country less attractive than ever, and to offer to the foreigner—who might otherwise be prepared to bring financial resources to this country—the greatest deterrent from so doing. Nothing is more discouraging to the provider of risk capital, whose aid we need so much at the present time, than the fear of political action.

The value of the quoted investments (£6,136,073) included in the portfolio, alone amounts to £8,623,544, an appreciation of £2,487,471, or a little more than 40 per cent.

The profit of the year before taxation amounts to £314,961, or 8.1 per cent. on the issued capital, and these profits do not include a full year of our new investments. You will have received an increase in income from the company somewhat greater than the most optimistic forecasts that could have been made when the reconstruction scheme was put before you. The dividend for the year is 7 per cent., which we hope to be a maintainable minimum. It represents an increase over the former dividend of 5 per cent., free of income tax, paid on the Ordinary capital before the reconstruction scheme.

In the circumstances, I think you cannot but be exceedingly pleased with the results, and I have every hope and confidence that so far as it lies within our powers, these results will be maintained.

The report was adopted.

WM. CORY & SON, LIMITED

IMPROVED TRADING RESULTS

The Rt. Hon. Lord Leathers, C.H., presided on August 23rd at the fifty-fifth annual general meeting of Wm. Cory & Son, Limited, held at Cory Buildings, Fenchurch Street, London, E.C.3.

The following is an extract from his statement circulated with the accounts:—

We have completed concentration of ownership of the fleet of steam colliers in the holding company.

The net profit is £676,637, an increase of nearly £25,000 over that of the previous year.

The tonnage of coal distributed by your company in this country (including imported coal) was 5 per cent. greater than in the previous year. The percentage carried in our own coasting collier fleet was less than in the preceding year. Your company placed orders for three new ships before Budget Day. The coal exports from this country were lower than in the previous year, but the company's tonnage was much higher because of coal exports from sources outside this country.

The company's discharging installations on the Thames, as well as the lighterage section, handled tonnages well above those of last year. The Group immediately after the war embarked upon a building programme of some 250 barges and eight tugs, involving an expenditure of more than a million pounds, which is practically completed. As the barges are larger and the tugs correspondingly more powerful, the fleet has been more than maintained.

The oil department had another good year with a tonnage increase greater than that recorded last year. Since the close of the financial year, the action of the Persian Government has brought about the cessation of shipment of oil from Abadan, which provides a very substantial part of your company's activity in oil supplies for marine and other purposes.

The subsidiaries in South Africa had a successful year in 1950, with exports at peak figures for both volume and price. The situation in South Africa has seriously deteriorated since early in May, through an unexpected shortage of rail transport. So acute has the position become as to make it necessary for the South African Government again to apply the Coal Export Permit system and to decline to issue permits meantime, which means, for the present, a cessation of all coal exports.

John Kelly Limited, of Belfast, in which business your company holds a half interest, has again had a satisfactory year. Contracts for three new ships have been placed.

The report was adopted.

SANDAC RUBBER

In his statement accompanying the annual accounts of Sandac Rubber Estates Limited, for 1950-51, the chairman, Sir Eric Macfadyen, stated that the year's crop was 944,190 lb. and the profit realised was £46,899, reduced by taxation to £20,249. From this balance, £12,790 had been transferred to replacement reserve, bringing that provision for replanting and new planting up to £20,000, and a dividend of 12½ per cent. was recommended on the company's issued capital of £88,744, leaving £7,221 to be carried forward, against £5,111 brought in. The balance sheet showed securities and cash £46,070, and stocks and sundry debtors £27,615; and, on the other side, £26,650 required as a reserve for future taxation liabilities. There was a new capital reserve of £3,497, being a first payment of one-quarter on account of the amount receivable from the war damage compensation fund in North Borneo. Replanting had been resumed, but could not be pushed forward rapidly owing to the difficulty of securing more labour; the company had, however, set aside money as above to provide for more rapid progress when this difficulty could be overcome. No problem before the Government of North Borneo was more pressing than that of securing a more adequate labour supply. The accounts showed that the cost of working the estates had increased considerably, expenditure on revenue account being £53,786 against the previous year's £39,298. He had had an opportunity of visiting the estates in March last and had found them well managed and in a state of cultivation not, in essentials, below that prevailing prewar. North Borneo had so far been immune from the unrest and terrorism which had recently been the bane of neighbouring territories.

CORK MANUFACTURING COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR

The twenty-seventh annual general meeting of the Cork Manufacturing Company, Limited, was held on August 23rd in London, Mr A. Coote, M.A., M.I.N.A. (the chairman), presiding.

The following is an extract from his circulated statement:—

It has been my good fortune for many years to begin my remarks by announcing another successful year. I am glad to be able to do so again today. On the Cork side of the business there has been a considerable increase both in turnover and in production; the latter in spite of shortages and the rise in price of raw materials. On the plywood side, sales have also increased.

Increased costs of raw materials have necessitated increased selling prices. Such increases have been kept as low as possible and so far as I can see have not caused any diminution in demands for our products.

In the opinion of your directors the present liquid resources of the company are insufficient. We are, therefore, at present carrying out negotiations for the issue of debentures to raise the additional cash which is considered necessary.

The directors recommend the payment of a final dividend on the Ordinary shares of 12½ per cent. actual, less income tax, making a total dividend for the year of 17½ per cent. actual, less income tax.

I would say that in spite of raw material and other difficulties, the company is prospering and our order books are in a satisfactory state.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: In my statement which was circulated with the accounts, I mentioned a proposed debenture issue and stated that I hoped to be able to give shareholders further information at the general meeting.

I am now able to say that permission has been received from the capital issues committee for the issue at par of £150,000 mortgage debenture stock at the rate of 4½ per cent. per annum. The issue will be privately subscribed by institutional investors and provisional promises to accept allotments up to the total amount of the issue have already been received.

The trust deed is now being drawn up, and when this is approved, as is expected shortly, the issue will then be completed.

I will add that sales for the current year continue to be highly satisfactory.

The report was adopted.

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THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of Research Assistant in the Department of Geography for a period of one year, at a salary of £400, to undertake an investigation within the field of Economic Geography on "The Journey to Work on Merseyside." Candidates must be graduates in Geography.

Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than September 12, 1951, by the undersigned, from whom particulars of the conditions of appointment may be obtained.

STANLEY DUMBELL, Registrar.

August 17, 1951.

BRITISH ELECTRICITY AUTHORITY—NORTH WESTERN DIVISION

VACANCY NO. 536

Applications are invited for the post of Education and Training Officer.

Candidates should possess a degree in a faculty of engineering or in economics, and it is desirable that they should have had experience in commercial or industrial education.

The salary for this position will be between £705 and £900 per annum, according to qualifications, experience and potential capabilities. The position will be superannuable, and the terms and conditions of service will be in accordance with the National Joint Council Agreement.

Applications, quoting vacancy number, stating age, present position, and giving full details of education and experience, should be received by the Divisional Secretary, British Electricity House, Wilmslow Road, East Didsbury, Manchester 20, not later than 7 days after the appearance of this advertisement.

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CAPITAL ISSUED AND FULLY PAID UP - - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - - $30,000,000
Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3
London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, H. A. Mabey, O.B.E.

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CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore (Orchard Road)	SIAM
*Dairen	EUROPE	Osaka	Sungei Patani	Bangkok
*Foochow	Hamburg	Tokyo	Telok Anson	UNITED KINGDOM
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THE EASTERN BANK LIMITED

The Transfer Books and Register of Members will be closed from September 6 to September 19, 1951, both days inclusive.

By Order of the Board,
C. L. MANNING, Secretary.

2 and 3, Crosby Square, London, E.C.3. August 22, 1951.

INCORPORATED ACCOUNTANTS

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS' EXAMINATIONS

EXAMINATIONS, NOVEMBER, 1951

The Society's November, 1951, Examinations will be held on the following dates:—

Final, Part I.	13th and 14th November, 1951.
Part II.	15th and 16th November, 1951.
Intermediate	15th and 16th November, 1951.
Preliminary	15th and 16th November, 1951.

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle-on-Tyne.

Applications on the appropriate forms, which can be obtained from the Hon. Secretaries of District Societies, must be lodged with the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, W.C.2, not later than Monday, September 17th.

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Mr Gromyko at San Francisco

MR GROMYKO's 61-minute speech at San Francisco on Wednesday revealed only part of his hand. It revealed what the Russians want, but not how they propose to try to get it. He has, however, succeeded in stealing the show and there is an element of petard-hoisting in the position of the Americans, who arranged the conference as an opportunity for oratory and propaganda and now find the world once more hanging on what the Russians will say.

It is not that there has ever been any question about their objective. They want to prevent the signing of a treaty that is an achievement of their opponents and excludes them from any legal authority in the Far East. And it is altogether probable that their tactics will be those they regularly use when trying to prevent something they do not like. They will declare it to be intolerable and will but barely conceal the threat that if their wishes are not met they will unleash total war. What the world wants to know is how far they will push these tactics. It is certainly no accident that the cease-fire negotiations in Korea have been brought, for the duration of the conference, to a position from which they can be turned either to peace or to war.

Fortunately there is not much sign of anybody being greatly impressed by the threat. It may, indeed, be a real one; but the free world has long ago made up its mind to face the threat of Russian aggression while preparing to be able to prevent it. It is unlikely in the very highest degree that the Japanese treaty by itself would make the difference in Stalin's mind between war and peace. If he is prepared to go to war about it, it is because he has made up his mind to go to war in any case—and in that event, to yield to the threat at San Francisco would split the free world for no purpose at all.

The Japanese treaty is not perfect, and the fact that it will have so few Asian signatories is certainly a very grave drawback. But its authors can at least take one credit for it, that much the greater number of the criticisms that have been levelled at it are on the score that it is too liberal. Liberal peace treaties must expect to be unpopular at the time they are signed. But they stand up very well to the test of history, and the signatories at San Francisco may well be content to await that test.

But in any case the time for expressing doubts has passed. A large majority of the governments entitled to a voice in the matter had made up their minds, before the Russians said they would come to San Francisco, to sign the treaty. Nothing could possibly be sillier than, having decided to do what it was known the Russians did not like, to hesitate now merely because Mr Gromyko's presence at San Francisco underlines the Kremlin's threats. He has undoubtedly succeeded in introducing an element of the farcical into the proceedings; but the farce must be played out according to the advertised programme.

The Age of Inflation

AT Blackpool this week Mr Gaitskell made another plea to the trade unions for moderation in pressing wage claims. In the past similar pleas have met with some response. But the omens are now that the unions will turn a deaf ear, not because they have suddenly grown more wicked or less responsible, but because they feel themselves under greater pressure from the rising cost of living. The Chancellor told them that they could not have a larger slice of the cake ; but they think they are defending their present slice, and they will go on with their claims even though they know that to do so will put the cost of living up again. There could hardly be a clearer demonstration of how the standards of economic conduct deteriorate just as soon as it becomes the general belief that the value of money will go on falling.

The accepted standards of behaviour in an age of rising prices formed the subject matter of a series of articles by a correspondent which have appeared in the last three issues of *The Economist*. Our correspondent has two main theses. The first is that the value of money will continue to fall for as far ahead as can be seen. The second is that a number of consequential actions should be taken, most of them having the form of revising the various forms of monetary contract to make them adjustable by an index number of prices. These two theses are logically quite separate, and it is possible to be impressed by the strength of the arguments for the one while still rejecting the other. The first of our correspondent's theses, in fact, seems to us to rest on much firmer grounds than the second. But both are matters which deserve the most careful consideration by all who have at heart the continuance of a liberal civilisation built up on trust and contract.

There can be no denying that the inflationary tendencies at work in present-day society are very strong indeed. It is plain that many of the social and institutional forces determining the direction of the economy have decisively changed ; the bias has been shifted from deflation to inflation. Redistributive taxation has sapped the sources of saving ; the growth of state planning has put the control of monetary policy into the hands of men whose occupational temptation must always be to take the optimistic view and to hand out more claims to wealth than the economy can in fact redeem ; full employment has enormously strengthened the bargaining power of trade unions ; the breakdown of free trade and the gold standard has removed the main restraints against inflation —there is no need to repeat the catalogue, which can be found set out in detail in the first of our correspondent's articles. Some of his arguments seem to us to be overstated. For example, we cannot believe that the tendencies towards self-generating fluctuations which are so strong in a mature industrial society have been so completely overruled as to abolish the trade cycle completely—though that may only mean that the upward trend of prices will not be quite so continuous as our correspondent thinks. Or, as a special case of the same exception, we cannot believe that the present rearmament programme is going to be as inflationary in its later stages as in its first heave—indeed, when the rate of increase of spending on arms slows down there may even be deflationary reactions. Nevertheless, taken in their entirety, the arguments for our correspondent's first thesis are very impressive indeed. It takes an uncommonly hardy degree of optimism to deny them. In economics man has stumbled on a peculiarly diabolical form of perpetual motion and has embodied it in a steamroller which all sensible men will wish away but whose progress they seem powerless to arrest.

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If, then, the first proposition—that prices will continue to rise indefinitely—can be accepted, at least as a strong hypothesis, the argument moves on to the second and much more debatable contention. If inflation is likely to be permanent, what should be done about it ? Mankind, the argument runs, must lie on the inflationary bed it has made ; it may as well recognise the fact and decide to be as comfortable as possible. The chief social objection to inflation is that it is unfair. In effect, it defrauds—for the benefit of the rest—all those people whose claims on the community are at present fixed, or nearly fixed, in money terms. It defrauds, that is to say, pensioners, holders of fixed-interest securities of every kind, creditors in general, most people who save, people who insure themselves, many salary-earners, and those wage-earners whose bargaining strength is relatively weak. The essential proposal of the articles is that the money value of most of these claims should in future be related to the cost of living. The scheme is not perfectionist: some anomalies would remain—for example, salaries would follow the cost of living only after a time-lag. But, broadly speaking, all claims on the real national income would be insulated from the effect of inflation. As money depreciated, everyone would get more of it. By making the fraud universal, no one would be defrauded.

Basically, this argument is a humanitarian one. Since inflation is inevitable, and will cause a great deal of individual hardship, let us do what we can to alleviate the hardships. But like many other humanitarian arguments it ignores the effect that it is likely to have on society as a whole and therefore, at one short remove, on the individual whom it is designed to relieve. The basic defect of all devices to take the sting out of inflation is that they make more inflation inevitable. In attempting to relieve the hardship caused by rising prices, they make prices rise still faster. This is true for two quite separate reasons. First, it is inevitable in the logic of the matter. Inflation does not just happen ; it is caused by the issue (or, more accurately, by the coming on to the market) of more monetary claims to wealth than there is wealth to satisfy ; the only way by which the economic mechanism can solve the problem is by putting prices up until enough people are cheated of their expectations of wealth to make ends meet. The cheating, in other words, is the object of the process ; and the more arrangements are made to see that nobody is cheated, the longer the process must go on. The anomalies and injustices of inflation are the brakes restricting its speed ; remove them, and even a small excess of demand over supply will result in a very large rise in prices.

In practice, however, this is likely to be less important than the second, or psychological, reason for saying that

all attempts to soften the pain of inflation in fact increase the amount of it. The major brake upon the speed of inflation is the degree of confidence that, even in a manifest inflation like the present, people still place in the value of money. (For example, more life insurance is being sold now than two years ago, when the general view was that prices were as likely to fall as to rise.) To destroy this confidence is to take the brakes off inflation. But this is exactly what our correspondent's proposals would do. Every one of them would be a public proclamation that money will not keep its value. Every one of them is an open invitation to the public to lose what confidence in its currency it still retains. Yet once it is generally believed that continuous inflation is inevitable, and particularly if the belief is formally embodied in the economic structure as would be done by these proposals, then that belief automatically makes inflation worse. In a moderate inflation the fraud works by money losing its value when people expect it to remain stable ; if they start expecting prices to rise, then the fraud must work by prices rising faster than they expect. When expectations are revised accordingly, the actual increase must become greater still. And so on. This is the galloping inflation familiar enough in countries hitherto less fortunate than Britain.

Our correspondent rightly claims that his proposals would not in themselves create such a process ; but they might well tip the balance which is already so uncertain. In some respects they would make a runaway, as well as a moderate, inflation less intolerable. Bond values tied to the cost of living would help people to keep their capital intact, and everyone would have the security of knowing that his future real income would not be cut. But such considerations would not affect the main fact that if everyone expects prices to rise appreciably every month, money in the pocket or in the bank becomes something to get rid of. It loses its functions as a store of value and a unit of account, and becomes satisfactory as a medium of exchange only if it can be exchanged at once. Bonds (even at zero interest) cannot fulfil the functions of cash. Once the inevitability of inflation is accepted, its consequences are no longer those of moderate inflation—inconvenience and inequity affecting countless individual transactions. They are a flight from the currency and the broad social and economic disorganisation that it involves.

Here, then, is a very painful dilemma. If a continuous rise in prices is thought to be inevitable, there will be very strong humanitarian and political pressures for adopting the sort of measures of relief that our correspondent advocates. Indeed, it will be very difficult to resist these pressures, for to do so is to stand by while the strong, the ruthless, the fast-moving, the well organised, the selfish protect themselves and the weak, the modest and the public spirited, the pensioner, the widow, the orphan and the ward of charity go to the wall. Yet the other horn of the dilemma is at least equally intolerable. For to do all these things is to make the inflation more certain and more swift until at last it becomes a torrent. Galloping inflation is not only socially and economically destructive beyond the imagination of anyone who has not experienced or observed it, it can also be fatal to political liberty itself. If modern liberal civilisation were to become so committed to inflation as the articles suggest, then how it can be made less uncomfortable is not the only question to be asked. There is the question whether such a civilisation can survive. Inflation may make mankind mad enough to turn with relief to the sort of collectivist economy that can solve its problem, after a fashion, by arbitrarily decreeing a large reduction in prices overnight, in the style of Russian practice.

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From this dilemma there is, in our opinion, no escape. One horn of the dilemma means intolerable individual injustice ; the other means certain destruction of the free society as we know it. Thus if our correspondent's first thesis is accepted, it matters very little whether his second is accepted or not, for the choice is only between different forms of social suicide. If anything more than a very gradual fall in the value of money becomes the normal expectation of ordinary people, then there is acute danger ahead for democratic society.

The argument must therefore be taken back to its beginning. In spite of the very impressive weight of the reasons for the thesis that inflation is inevitable, it is imperative to reject it. What is more, it can be rejected if there is the will to do so. The proposition that inflation is inevitable is not an acknowledgment of economic determinism but a political judgment that the will to control inflation has disappeared. Six years of postwar experience seem an inadequate basis for quite so pessimistic a conclusion. The brave new economic planning is surely not a robot that has already completely mastered its creators. The political will is obviously and lamentably weak, but the right course for those who see realistically the strength of inflation is not to accept its inevitability. It is still to do—with however sinking a heart—all that can be done to strengthen the will to stop inflation before it is too late.

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Germany and the West

A YEAR has almost passed since Mr Acheson informed the surprised Foreign Ministers of Britain and France that the American Government had decided to accord Germany the right to rearm, in return for a greater measure of sovereignty. It was inevitable that this reversal of previous policy should have thrown confusion into the relations between the Germans and the occupation powers ; but few could have realised at the time that twelve months later the cleavage between the two would be actually greater than it was last September.

On the eve of the meeting of Foreign Ministers in Ottawa, it is very doubtful whether the gains in the relationship between the Germans and the western governments during the last twelve months have not been more than offset by losses. On paper, some progress has been made—the agreements for the Schuman Plan and on the basis of a European Army are cases in point—but these paper agreements have not been implemented and those who observe the tone of German politics can only wonder if they ever will be. On the credit side, it can be recorded that the hostility of the German man-in-the-street to the idea of rearming even for defence has diminished. The majority is no longer dominated by the nihilistic slogan "*ohne mich*"—"count me out." For this change various factors are responsible, notably the display of American determination and strength in Korea, the conception of a European army, and the lead given by the German generals to their former troops. But once the Germans realised the strategic bargaining position in which they found themselves and the chance which rearmament offered them, they launched upon a campaign of self-pity, criticism and importunate demands which in turn is in a fair way to alienating the western governments. There is still a little time for an objective reassessment of the position on both sides and perhaps for a lightening of an atmosphere which is beginning to be dangerously charged with emotions.

At present the German leaders, with the notable exception of Dr Adenauer, and an irresponsible press, are fostering the national tendency to run to extremes and make claims without regard to practical possibilities of their fulfilment. The public is being whipped up to resentment against the western powers in hysterical terms which are often ridiculous when set alongside the facts. Though Americans would be wrong to conclude that the $4 billion in aid which they have given Germany ensures them any gratitude or automatically justifies everything that has been done since Potsdam, the Germans for their part are grossly exaggerating their complaints. They are convinced they are oppressed, and are determined to shake off all shackles ; and they are completely unaware that their record of stubborn, distorted opposition to necessary burdens and reforms is causing indignation among those who have kept them alive.

The German press has recently listed those grievances which, it is said, destroy Germany's will to join in defence of the West. They are the Ruhr Authority's insistence that nearly 25 million tons of German coal must be exported to other countries this year ; the refusal to admit Western Germany's political sovereignty over the Saar ; the refusal to reduce the bill for occupation costs ; the removal of foreign securities owned by Germans ; the Allied law establishing the seizure of these and other German assets abroad as reparations which will not be offset against the Reich's foreign debts ; an Allied measure to prevent German courts from condemning spies who provided information to the western powers, and, last week, the High Commission's sharp reminder that the Germans must not go back on the undertaking they gave (as part of the negotiations on the Schuman Plan) to dissolve their monopoly coal-selling organisation. Under the heading "First die—then live !" the refugee press adds to this list Mr McCloy's intimation that Congress can hardly be asked to provide a billion marks for the German refugees until the Government makes a practical contribution to Atlantic defence.

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These are some of the main grievances of the Germans. Their positive demands have not been precisely formulated. But it would be well to examine them as far as they can be ascertained, and see whether they constitute too high a price for a German contribution to the manpower of the Atlantic forces. These demands are certainly not low. They start with insistence on complete equality with other sovereign powers, more particularly in the organisation of the European defence force (which means that if the French keep a general staff, the Germans must have one, too) ; they proceed to territorial claims—an end to the political autonomy of the Saar and an assurance that Germany's lost lands beyond the Oder-Neisse line will eventually be returned ; and they make it clear that these things must be combined with a higher standard of living and a complete system of social security. Further, the German Government has intimated that Germany will establish a defence force only if the United States will pay for it ; every pfennig that is spent on a German army must be deducted from the amount now levied upon the Government by the western powers to meet the costs of occupation—indeed, more than that, for the occupation budget must first be reduced by the one or two billion marks which the Federal Government declares it cannot raise. Another billion marks must be contributed by the United States and other nations for the Germans exiled from the territories east of the Oder-Neisse and elsewhere, for, it is threatened, the refugees will otherwise be consumed by a nihilistic will to destroy. An assurance must be given, it is claimed, that General Eisenhower will not retreat from the Elbe, but will carry any war immediately to the Vistula, for Germans are not willing to see any of their territory devastated again—neither the present Federal Republic nor those homelands in Eastern Europe which, they demand, must be returned to them without fail.

The former German army, led by the ex-generals, has added its own particular claims to the rest. It declares that the honour of the German soldier, including the *Waffen SS*, shall be acknowledged in word and deed. The men who fought for their Fatherland and "for Europe," and the officers who kept their oath to their Supreme Commander, must be rehabilitated, and the Allies' work of "glorifying treason" must be undone.

The western governments, it seems, must at once issue a declaration of collective innocence to the Germans. Otherwise, it is implied, the Allies will only have themselves to blame if in the midst of battle a German general decides that his patriotic duty lies not in obeying General Eisenhower, but in joining fellow Germans in the Soviet-German ranks.

The impression must not be given that the Federal Government itself subscribes to all these extravagances. The financial demands mentioned above have been officially put forward ; but for the rest, Dr Adenauer has pursued a far-sighted and moderate course. His insistence that the first steps in German rearmament must be entrusted to soldiers whose hostility to Hitler is not in doubt has brought him into conflict with an influential section of the military community, and his deliberate expression of support for the survivors of the July 20th plot against Hitler in a recent broadcast was largely censored by the German press. This action shows how far public opinion is being encouraged—by the press, by the Opposition and even by minor politicians of the Government parties—to race ahead of the moderation of the Chancellor himself, who may, before long, find himself compelled either to subscribe to the whole extreme programme or see his coalition fall to pieces.

It is not necessary to ask whether any of these demands rest upon a basis of justice, since it is perfectly obvious that they are not going to be granted. Even the formulation of demands such as these, when they percolate through to western public opinion, will lead to an outburst of anger. No American or British or French government could think of conceding even a small fraction of the programme that is now being built up by the press and the minor politicians of Western Germany. If these are the conditions for German co-operation with the West, then there will be no co-operation.

For the present state of affairs the blind arrogance of the German temperament is partly to blame. Surely no other people would be so wholly unable to see themselves as others see them. But the follies of Allied policy towards Germany must also bear a very large share of the responsibility. A long chain of mistakes, starting with the doctrine of unconditional surrender, the destruction of all governments in Germany and the policy of Potsdam, has led to the present position. It was always perfectly clear that a policy towards Germany that started off by being too strong would finish up by being too weak, and that the longer the delay in recognising the idiocy of Potsdam the more sudden would be the somersault into appeasement. It is very little comfort, indeed, to those who, like this journal, repeatedly predicted what would happen to see their predictions so completely fulfilled. The task now is to cope with the situation that exists, and the central fact about it is that willing German co-operation with the western allies has become something that appears much more valuable to the western allies than it does to the Germans. That this puts the Germans in a strong bargaining posiion cannot be helped. The clumsiness of American policy last year underlined the fact and gave the Germans an open invitation to blackmail ; but the strength of their position is too obvious to have gone undiscovered for very long. At the moment, the roles are almost reversed ; it is not the victors who face the vanquished, but those who want something and those who have it to give or to withhold.

The Germans, characteristically, are greatly overplaying their hand. They may lose the game in so doing, but it serves no useful purpose to pretend that their hand is not a strong one. Before the final tricks are played, however, it would be as well for both sides to ask themselves where their real interest lies—and perhaps the best way of clearing minds on that is for both sides to ask themselves if they really prefer the alternative to striking a mutual bargain.

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The advantage to the western allies of incorporating Western Germany in the North Atlantic community, and using its manpower and industry in the common defence, is too obvious to require any re-arguing. Indeed, perhaps it has been overstated. It is certainly very great ; but not so great that any price at all can be exacted for it. The time has come to talk plainly about the alternative. If willing German co-operation is refused—or is offered only on terms too fantastic to be accepted—then the alternative is not, as it might have been two years ago, that the western powers would wash their hands of Germany and evacuate their troops. So long as the danger of war with Russia continues, the Allied troops are obviously going to remain on the Elbe and start fighting there—any other proposition is madness. Whatever happens, Germany is going to continue to be occupied and will be involved in a new war if it comes. The difference is that, if German co-operation is refused, Germany will have to be treated as potentially hostile territory—and the Germans themselves are in the best position to know that armies can fight very effectively even if the inhabitants of the country they are fighting in do not want them to. Another consequence would be that the strategy of the West would no longer have to include the defence of Germany against destruction as one of its objectives. Clearly, such a state of affairs would be very much less desirable to the western allies than to have Germany as a willing ally, equally sharing the burdens. But it would also be very much less desirable to the Germans. Do they realise, with all their wild talk, that the alternative to co-operation with the West is not to find themselves in the position of a neutral, but in no man's land ?

If there is any common sense left in Western Germany, a bargain can still be struck. And since the Allies are seeking something of value to themselves, they must be prepared to pay a price. They must be willing to take risks in withdrawing the restraints upon German sovereignty in advance of the German *quid pro quo*—but only if they have good reason to believe that the *quid pro quo* will be forthcoming. They should be willing to meet the Germans halfway on the question of occupation costs, since to have their armies in Germany serves a valuable purpose of their own—but here, again, they will not be willing to put money down for nothing. The Germans will have to realise—to put the matter in its bluntest terms—that it is a question whether they can be trusted. And the way that most of them have been talking in recent months does not encourage a favourable answer.

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The Tourist Industry—I

The Value of Visitors

FROM the publicity that attaches to each increase in the volume of tourist traffic, one might conclude that it is something entirely new for Britain to be a tourist centre—an ingenious new way of making up some of the income from overseas investments which disappeared in the course of the war. The truth is very different. As an earner of foreign exchange, tourism's postwar achievement is a parallel not to, say, the booming motor car industry, so much as to the struggling cotton trade. Britain's gross income from tourism in 1950 was almost double what it was in 1938; but as the value of money was halved in that period, the return in real terms was very much as it was before the war. Moreover, in proportion to Britain's total overseas receipts, the contribution from tourism was smaller than before the war. In 1938 it brought in £30 million, out of total receipts of £938 million—about 3 per cent. In 1950 it brought in £58 million out of total receipts of £3,132 million—less than 2 per cent.

Tourism, moreover, still shows a net deficit in the balance of payments. This was always so, for British people are inveterate travellers as soon as they have enough money. In 1950 holidays abroad cost the country £82 million in foreign exchange (though this official figure is somewhat too high, since it is based on the travel allowances granted and does not take account of the unused travellers' cheques which holidaymakers returned). On the other side of the account, foreign tourists spent some £58 million in the United Kingdom. These receipts and payments are not comparable, however, because the figure for outgoings includes some fares paid for foreign transport on international routes, whereas the figure for income does not include fares paid by foreigners to British shipping and airlines. If these are included, Britain's earnings from tourism amounted to £81 million. In short, the net deficit was small, and moreover involved exchanging soft currency for hard; for British tourists go mainly to the Continent and Eire, whereas American and Canadian tourists form a large part of the incoming traffic. But it was still a deficit.

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Why, then, is there so much talk about the postwar development of tourism? It refers to the *number* of visitors to Britain, which has increased from less than 450,000 in 1938 to over 600,000 in 1950. In real terms the average expenditure per head of these people was only about three quarters of what the average visitor spent in 1938—a reflection of the fact that Britain is not the only country which has been redistributing its national income. The number who came to Britain in 1950 was still low compared with the 3,050,000 who visited France or the 3,500,000 who visited Italy. But visitors to Britain stayed longer; in terms of "tourist nights," Britain had a better record than Italy in Holy Year—some 18½ million compared with Italy's 17 million.

To correct the impression—probably fairly common—that tourism is a new source of income to Britain, and a vastly more important one than before the war, is not to belittle its importance or deny the usefulness of efforts to develop it. In these times it is a particularly good way of earning foreign exchange because it uses a very small amount of raw material. The purchases of tourists certainly contribute heavily to Government revenue, through indirect taxation and especially through liquor duty and entertainments tax. Above all, it is a way of earning dollars. American and Canadian visitors to Britain in 1950 spent $61 million, not including their fares—equivalent to some 42 per cent of the total expenditure by all tourists in Britain. American visitors alone, if fare payments to British shipping and air lines are included, were worth some £25 million to Britain, or about one quarter of total physical exports to the United States. An average American tourist, travelling on a British ship, is worth as much in dollar earnings as the export of a motor car.

This year the number of American visitors has declined. Between January and July, for example, they numbered 73,000, compared with 78,140 in the same months of last year. The Festival of Britain was not enough to offset the fear of war. But potentially there is a large "pool" of American tourists still to be tapped. According to a study made by the Unites States Department of Commerce, some 80 per cent of Americans employed in private industry in 1948, and 97 per cent of all office workers, got holidays with pay for a minimum of two weeks. For two weeks it is impossible to come to Europe except by air; the air fare—now £241 return from New York to London—is high, but not impossible to save for in a country where average weekly earnings in industry now amount to $41, or £15. There are already cheap fares in the winter and, if the present intentions of the airlines are realised, there will in a year or two be "second-class" air fares across the Atlantic. As travel comes within reach of their purses many Americans want to visit their relatives in Europe. The Department of Commerce estimated that there are nearly 30 million Americans of first or second generation of European descent, and over 3,000,000 originating in the United Kingdom.

All these Americans with their family ties, their desire to taste the culture of the old world and to know the peoples with whom they have thrown in their lot, form collectively what is known to the inhuman statistical world as the "dollar tourist potential." Its existence has brought into being a whole crop of organisations, national and international, for the promotion of tourism, and above all of dollar tourism. In Britain the body with the task of promoting the tourist industry is the British Travel and Holidays Association. This was reconstituted in 1950 and is a semi-official although independent body receiving Government assistance. At first the Exchequer contributed a pound for every pound contributed by the members. The share was increased to two pounds in every three, and now the procedure is that the association presents its budget, and broadly speaking the Government makes up the deficiency that cannot be financed in other ways. It is a very large deficiency. Last year a grant from the Board of Trade provided £591,000 out of the association's total income of £712,956, and the members a mere £59,432.

About four-fifths of this income is spent on overseas publicity, whose object is the general one of getting people to "Come to Britain." BTHA has published a large number of booklets, for example, on such subjects as castles and cathedrals, and there is an excellent magazine called "Coming Events," with attractive photographs and descriptive articles, which is distributed free in strategic places. Most of the publicity is directed towards the United States. One effective trick is to photograph an ordinary American family outside, say, Buckingham Palace, and send the photograph to their local paper.

Of the members, only local authorities, or rather their towns, are specifically mentioned in the publicity. According to an Act of 1931, local authorities are permitted to levy a rate up to a maximum of ½d. for the purpose of overseas publicity conducted through an appropriate agency. This power is exercised to such effect that local authorities make a far larger contribution (£31,788 in 1950) to the funds of the association than any other class of member—a fact which perhaps outweighs the disadvantage that they are not always the towns which, on aesthetic grounds, one would advise the foreign tourist to see.

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Since, apart from the mention of certain places, BTHA's publicity is all of a general character, it is clear that the small section of the trade which subscribes to its funds is benefiting other sections which make no contribution whatever. The people concerned with tourists and travel—whether by the British at home or by overseas visitors, whether by road, rail or sea—form a larger manpower group than is employed by any other industry, or about 6 per cent of the working population. The hotel and catering trade alone employs some 650,000 workers; yet it contributes only £5,857 to the association.

There are exceptions to all generalisations, but the hotel and catering industry as a whole is little interested in foreign tourists, who are considered to give too much trouble. If European, they speak the wrong language and complain about the food. If American, they are always demanding hot water or iced water—anything but water as God made it—and the noise they make disturbs the old ladies in the palm court. The average hotel keeper much prefers the Englishman, who makes no complaints and no demands, sits quietly in the bar all evening and goes off to bed in a harmless stupor. And with roughly half the adult population of Britain going on holiday every year the hotelier does not need to attract the foreign tourist to fill his hotel in the summer. A provincial hotel has an exceptionally large foreign tourist clientèle if this constitutes more than 5 per cent of its total trade. Moreover, only a limited number of places are on the foreign tourist's map: London, Oxford or Cambridge, Stratford, Edinburgh and perhaps the Trossachs—and Britain, except to the more discerning tourist, is done.

It is arguable that as the trade's contribution to the funds of BTHA is so small, it might be better to dispense with it altogether, so that the association would have a freer hand in dealing with the trade. Only then, for example, would it be possible for it to draw up an objective hotels guide, on the lines of "Auberges de France," which might do much to raise the standard of British hotels. But to make the association entirely dependent on Government funds would have two considerable disadvantages. The first is that its approaches to the trade would then be regarded as the meddlesome interference of a Government department, especially when it passed on a client's complaints—one of the functions that it now performs. As it is partly acting for the consumer, it is not a trade association in the usual sense; but the members know that it is concerned with their interests too, and not merely with Britain's balance of payments.

The second disadvantage of an association wholly dependent on the state is that, although the development of tourism has received official blessing, it conflicts at many points with the rest of the planned economy—at least as now planned. In practice a large part of the association's time is devoted to pleading the cause of tourism against competing claims and against controls of various kinds. It is therefore better that it should speak with something of an independent voice. Even today, when foreign travel is no longer the preserve of the rich, tourism is still largely a luxury business; and as such it accords ill with the inelegant egalitarianism of the politicians. The difficulties of fitting tourism into the welfare state involve, however, wider questions than this, and will be discussed in a second article.

The Essential Liberty

Have the Christian Socialists faced the idea of the shameless and tremendous despotism they will have to conjure up in order to ensure the working of their scheme? . . . How are they to deal with those independent workmen who, either from rejection or from choice, have remained free and unassociated? Are they to be condemned to inaction and starvation? . . . Are they to be forbidden to work except for a certain number of hours and at a prescribed rate of wages? Is the individual capitalist to be prevented from employing them on any terms which he and they . . . may mutually agree upon? If not—if they are to be free to work how they like, as long as they like, for whom they like, and at what remuneration they like, then all your boasted extinction of competition is at an end; the very basis of your scheme for revolutionising the existing arrangements of capital and labour crumbles in the dust; the essence of your panacea for regenerating society evaporates in air; and the golden age is as far removed as ever. If, on the other hand, these floating, isolated, unattached freemen are to be debarred from the first element . . . of liberty—viz., the right to sell their own labour on their own terms and to a customer of their own choice; if the associated guilds are to be endowed with power to crush all outlying rivals and competitors, or to compel them to a forced and loathed incorporation—then you are not only casting out Satan by Satan's agency, but you are bringing seven worse devils than the old one into the chamber you have swept and garnished for your mad experiment; . . . you are summoning Tyranny to do the work of Justice; you are rashly calling in the worst foe to civilisation . . . to aid you in your glorious aims of indefinite improvement and universal emancipation; you are asking spirits from hell to do the work of angels from heaven,—and they laugh in scornful amazement at your blind temerity and your wilful and headlong self-delusion.

The Economist

September 6, 1851

NOTES OF THE WEEK

The West Confers

Next week an historic round of international conferences begins with tripartite talks in Washington between the foreign ministers of America, Britain and France, after their return from the signing of the Japanese peace treaty in San Francisco. If the Russians do not put this time-table out by their tactics over Japan, Mr Acheson, Mr Morrison and M. Schuman are due to assemble on September 10th for three days. They are to conduct a general *tour d'horizon*, but the three main items on their agenda are, first, Germany—its contribution to western defence, contractual relations with the occupying powers, and the Pleven plan for a European army—secondly, the Middle East, including the organisation of its defence and the trouble with Egypt over the Suez Canal, and, thirdly, the revision of the Italian peace treaty.

On September 15th the Council of the twelve powers of the North Atlantic Treaty Organisation (Nato), each represented by its foreign, finance, and defence ministers, assembles in Ottawa for a week—Mr Morrison is booked to sail for home in the *Queen Mary* on the 21st. The first two agenda items for Ottawa are the admission of Greece and Turkey to Nato—now sponsored by France as well as by Britain and America—and the wide range of problems involved in sharing the burden of rearmament, to be discussed specifically in the light of the confidential report just drawn up by the FEB (Financial and Economic Board) in Paris. Probably the next two topics to be dealt with will be the Italian peace treaty and Nato's relations with the Mediterranean and Middle East command structures. The keynotes of Ottawa are thus Nato's own organisation and the economics of its task. If all goes well, the result of these discussions should be a very distinct increase in Nato's prestige and authority.

Another coming event is the annual meeting in Washington next week of the World Bank and of the International Monetary Fund. Then on September 21st Mr Acheson is expected to receive General de Lattre, the French High Commissioner in Indo-China, and on about September 22nd Signor De Gasperi, the Italian Prime Minister, who will also have been at Ottawa in his additional new capacity as Italy's foreign minister. Over in Europe on October 8th, Dr Adenauer, the Federal German Chancellor, is to pay a five-day visit to London—the first German Chancellor to do so for twenty years.

In the last week of October the Council of Nato is to meet again, this time in Rome and possibly with foreign ministers only represented. The purpose of this meeting is for Nato to come to grips with the crucial problem of Germany; this is not on the agenda for Ottawa, though, depending on the progress previously made at the tripartite talks in Washington—for which the British, American and French High Commissioners in Germany will also be available—the subject will certainly be discussed informally. Indeed, apart from the need to tackle the economic problems of rearmament, the basic task of the coming meetings will be to try to get enough practical agreement to achieve a really decisive turning point in western relations with Germany.

Finally, on November 6th, the United Nations General Assembly meets in Paris—and while it is in session there is probably to be another round of direct talks between Mr Morrison and M. Schuman.

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Dr Mossadegh's Ultimatum

Dr Mossadegh has been trying to tell the Persian Parliament that he is about to present an ultimatum to the British: either they agree to negotiate on his own conditions or he will turn out the British engineers who remain at Abadan. The opposition have frustrated this move by refusing to provide a quorum in the Majlis, and it is therefore uncertain whether the ultimatum will ever be sent. If it is, it will be rejected, for the conditions are fantastic. It is therefore as well to assume that Dr Mossadegh will be left to carry out his threat, and that will pose a pretty problem for the British Government, which no doubt is his intention. Under prodding from the Conservatives, the Government has on more than one occasion declared its opposition to complete evacuation. It would seem to follow that the threat to evict the last British at Abadan will lead to a British occupation of the island by force. But if Dr Mossadegh's method of evicting the British is simply to withdraw their residence permits, one by one, the British would be put in the position of using force to counter an ordinary administrative act that is certainly within the competence of any sovereign government. It would be a poor case to argue at the United Nations, and Dr Mossadegh would have made a breach in the present unassailable legal case of the British.

Before any action is taken, it is therefore to be hoped that the British Government will ask itself exactly what purpose is served by insisting on 300-odd British subjects remaining at Abadan. It is not as if they were still effectively in control of the refinery; that point has been conceded long ago. They have, in fact—or soon will have—nothing to do. It is said that once the evacuation is complete, it will be universally assumed that the British will never return. But it is difficult to see any logical basis for this belief. Whether or not the British ever return will be settled by decisions taken in Teheran, London, Washington and other places, and the presence of 300 unemployed British residents of Abadan will have very little bearing on the matter.

On the other hand, so long as they are there, they can be made the scapegoats of anything that happens or does not happen. It is not past Mr Makki to blow up the refinery, when he finds he cannot work it, and say the British did it. It is a perplexing decision to have to take, particularly as the British Government's pride is involved. But on the whole it seems better to take the men away before Dr Mossadegh turns them out and to tell the whole world, as the Anglo-Iranian Oil Company is doing, that any purchaser of oil from Persia will be pursued in the courts of the world as a receiver of stolen goods.

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Bluntness at Blackpool

The Chancellor on Tuesday presented the Trades Union Congress with a commendably clear and frank review of economic facts and prospects. It could hardly have been more different in temper and tone from his last review, to the House of Commons in July. Then, of course, he was leading up to the announcement of dividend limitation. It was as well, at least for the sake of the internal consistency of his speech this week, that no serious attempt to justify that measure was considered necessary before a trade union gathering.

There is no doubt that Mr Gaitskell's candour made a deep impression on the delegates at Blackpool, many of whom were ready, not so long ago, to dismiss some of his policies as an insult to their own intelligence. Whatever the further results, his immediate achievement was to prove, to an audience invariably suspicious of "intellectual" Socialists, that Mr Bevan is not the only Labour politician who has the courage of his convictions. But the TUC naturally liked Mr Gaitskell more than it liked the things he said. Presently, perhaps, when the delegates return to their individual unions, they will see what they can do to help him. He left them in no doubt at all that the country's problems, and the problem of inflation in particular, cannot be solved except with the TUC "acting for industrial labour as a whole," which is just what the TUC's General Council has in effect said it cannot now do. He insisted that the Government could not secure full employment without inflation unless it had the unions' help. And the way to help was to remember the "special need for moderation during the next few months," and to renounce restrictive practices because "fear and inertia on both sides of industry" were making life in this island at present "thinner, poorer, harder and more burdensome than it need be."

This is all very fine in principle, but it is not a policy and it makes an unfair demand on the union leaders. To ask for particular restraint in wage claims "during the next few months" is to ask for the impossible. Too many unions have already undertaken to demand more money for their members; their leaders cannot retreat now. The need to make so urgent and unrealistic an appeal is a confession that the Government is failing in its own task of ensuring that inflation cannot get out of hand. But if the unions cannot be expected to respond at once, they certainly should take Mr Gaitskell's frank and gloomy words to heart. Their apparent willingness to reflect on them is one more demonstration that the British Labour movement admires courage and will generally follow, within reasonable limits, the people who tell it the truth. It is by this, and not by subtle manœuvring to dish Mr Bevan, that the Government will keep its followers behind it—and might even, if it were consistent, regain some of the support it has lost in the country.

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Return to Whitehall

The first full Cabinet meeting since Parliament adjourned was held on Tuesday, and normal ministerial work has been resumed—though, temporarily, with much of its attention concentrated on this month's series of international conferences in North America. It must be a considerable relief to hard-pressed Ministers that at least their holiday from Parliamentary duties is continuing for the first time in four years. In 1948 Parliament was recalled in September for the Bill to reduce the House of Lords' delaying powers (and, incidentally, by the Berlin blockade); in 1949 it was recalled by devaluation, and in 1950 by the launching of the rearmament programme. It now seems likely that this summer, despite the stresses at home and abroad, the Government will be able to get through the recess without such an emergency sitting.

But the closed season for politics, with MPs scattered in prewar fashion across half Europe, has ended. Most of the current issues, from wages to Bevanism, have been paraded at the TUC. The Cabinet meeting had no new problems to face, but all the old ones—Persia, the Korean truce talks, the balance of payments—were there in worsened form. The failure to make any progress in the Korean and Persian negotiations is a particular disappointment to Ministers; it robs them of what they had undoubtedly hoped to make their chief card for the autumn campaign—whether that is simply a propaganda campaign aimed to restore public confidence in the Government before the winter or a definite election campaign.

Speculation about the timing of an election is certain now to be intensified. Mr Attlee can hardly avoid making up his mind, for or against the autumn, during the next three weeks—before the Labour commanders and NCOs assemble at Scarborough. The balance of opinion among the professional prophets now puts the odds slightly against an autumn election. The reasons are not particularly strong. The party organisers at Transport House are known to want to wait until June, but that proves nothing: it is the disease of organisers always to believe that they could be better prepared if they had more time, and Mr Attlee has rejected their advice before. More important, the strategy of delay is reputed to have Mr Gaitskell's support—in the belief that world prices will fall. But to wait through the winter is to risk a further fuel crisis, the demoralisation of a further session of pottering about at Westminster, and the possibility of by-election defeats forcing the Government's hand. The decision boils down to the balancing of two considerations. On the one hand is the danger, if the election is delayed and Labour's position deteriorates further, not only of being defeated, but of being very thoroughly defeated—which would increase Mr Bevan's chances of displacing the present party leaders. On the other hand, there is always the hope that things will after all look up. The hope in itself seems very faint, but inertia works in the same direction. Whatever its intention, it is at this moment in the Government's interest to discourage talk of an early election—because the more widely that is expected the more the Government will appear to have been forced into a reluctant appeal to the country. Yet Mr Attlee must know that Labour's mandate, such as it was, is now politically, as distinct from legally, exhausted. The atmosphere of a continuous pre-election campaign is in these circumstances unavoidable, and it is good neither for government nor for any political party. Nothing but an election can end it.

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Paris Sets the Pace

European co-operation is about to enter its second stage of development, one which will try the patience of officials and the temper of participating governments. Last week, the Council of Ministers of the Organisation for European Economic Co-operation issued a manifesto declaring that the broad objective will be to expand total production in Western Europe by 25 per cent over the next five years, and that governments "will work together to take such steps in common as are necessary to attain this objective." The new concept is "taking steps in common." Hitherto, co-operation has meant putting the interests of member countries before the interests of other countries which had no close political relationship, but second to interests of domestic importance. When, for example, the British Government was faced with the prospect of an inadequate supply of coal, it could—and it did—within the previous concept of co-operation, reduce its exports to Western Europe to husband its domestic supplies. In future, if the manifesto means anything, Britain would first have to agree such a policy with member countries of the OEEC. One wonders whether the logic of this was clear in Mr Gaitskell's mind.

This new development became apparent some months ago in the negotiations on freeing European trade from quantitative restrictions. The original plan allowed countries to choose which goods they wanted to "liberalise," and they were deemed to have honoured their commitment when a relatively small part of their "private" (non-governmental) trade was liberalised. But as the proportion approached 75 per cent of total private trade, countries realised that real freedom could be achieved only if they all removed import quotas from the same type of goods. A common list was therefore prepared. This same idea has also been adopted in the preparation, in the interest of economy, of a common list of prohibited end-uses for certain non-ferrous metals. When this list is accepted all countries will forbid the use of these metals in the same kind of goods. In other words, in the past co-operation meant that so long as countries walked in the same direction they could go as they please; now they are to try to keep in step.

Common action is in many respects part of the material development towards Western Union, and the significance of last week's manifesto lies in the fact that member countries have agreed to take this step. Whether they will have mis-

givings later on remains to be seen. Countries pursuing policies of full employment jealously guard their sovereignty over domestic economic affairs, but it may in fact be a godsend for those governments composed of unstable partners or working with slender majorities because Europe can be held responsible for any unpopular measures. Nobody expects common action to be achieved without some sacrifices of sovereignty, but if those sacrifices prevented the standard of living of Western Europe from falling during the next three years they would surely have been worth while.

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Europe Can Take It

Having welcomed the principle of common action, however, it is vital to assess what chance there is of really achieving a 25 per cent increase in the gross national product of Western Europe. At first sight, it looks suspiciously like the old formula of arms without the tears that everyone knows have got to be shed. Has the OEEC, then, merely subscribed to the popular belief that rearmament must not hurt, and gone from there to postulating the conditions—however improbable—under which it will not hurt?

Few things are more difficult than to know what guesses about future productivity can be considered reasonable. On the one hand, there is the recorded fact that the production of goods and services in Western Europe increased by 9 per cent between 1947 and 1948, by 7 per cent between 1948 and 1949, and by 6 per cent between 1949 and 1950. If even the lowest of these rates could be maintained, an increase of 25 per cent within five years should be easily attainable. On the other hand, past experience over a longer period holds no warrant for the belief that rates of increase such as these can be sustained for more than a few years at a time, and the high figures of the last few years may be due to precisely those elements of recovery from a war—such as the easing of materials shortages and payments difficulties—which are now about to be reversed. It should not be forgotten that the natural rate of increase in the working population of Western Europe is nearly 1 per cent a year, and that the large capital investment of recent years should by now be showing results in higher productivity. Perhaps the conclusion should be that the OEEC has, quite properly, placed its target well within the limits of the possible but beyond what the mere continuance of present methods will achieve.

Moreover, there are some specific difficulties to be overcome. Total production depends disproportionately on progress in certain basic industries, specifically in coal, electricity and steel; and it would take more than the normal course of events to achieve an adequate increase in any of these fields. The shortage of manpower in British mines would have to be cured, and it can only be cured by opening the doors to surplus Italian labour; there would have to be a concerted programme to expand electrical installations, to conserve scrap and to increase the production of iron ore and coke. As with industries, so with countries; all plans and past precedents must go by the board unless the balance of payments problem for each individual country remains manageable, which may well require an expansion or alteration in the functions of the European Payments Union.

To say this is not to dismiss the possibility of a substantial increase in production. It is to conclude that a new attack on these problems is necessary and, if made, would have a real chance of success. That is the recognition which is, or ought to have been, behind last week's announcement by the members of the OEEC.

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Egypt Arraigned

At the end of last week the Security Council passed by eight votes to nil, with three abstentions—Russia, India and Nationalist China—the resolution introduced jointly by Britain, America and France calling on Egypt to lift its partial blockade of the Suez Canal. The last-minute surprise was that Mr Tsarapkin, the Russian delegate, abstained from voting and, above all, did not veto the proposal, in spite of his intervention in the debate a few days earlier with every apparent intention of exercising his right to make trouble. The Russians clearly have a vested interest in maintaining the freedom of the seas owing to their own land-locked maritime approaches. But they may also be expected not to maintain indefinitely their present neutral attitude in the Arab-Jewish struggle, if they can see any profitable discomfiture for the West in their supporting the Arab world. Thinking that Mr Tsarapkin was at last going to come down off the fence, the Egyptians had already begun licking their lips last week. Now, they would do well to reflect that only three years ago Russian backing for the Jews of Palestine was partly instrumental in creating Israel.

Two points of particular interest emerge from this resolution. First, it is worth noting what a dilemma the Turks were in before they decided to vote in favour. They were elected to the Security Council as representatives of the Arab bloc and are now being roundly cursed for betraying their trust. In reality, they have acted as true internationalists, conscious of the wider issues and of the role the Security Council must play if it is to survive as a force for law and peace in the world. Their vote was by no means a toadying to the West.

The second point is to know what the Security Council can now do to enforce its decision that the Suez Canal should remain free to all shipping, as was originally intended in the Convention of 1888. Contrary to every tenet of international law, the Egyptians appear ready to defy the new resolution, and in this they are receiving support from the Arab League. The suggestion that a United Nations naval escort should be provided for ships in the Canal is ridiculous. The case of the *Amethyst* ought to have taught the lesson that in the narrow waters of rivers and canals warships are more likely to be a liability than an asset; it would be the easiest thing in the world for the Egyptians to block the passage of the Canal entirely. The fact is that there is nothing the Security Council can do at the moment. This, however, in no way absolves the powers from treating Egypt, when the occasion arises, as a bandit-state without the right to sympathetic consideration in sundry other claims which it customarily puts forward—such as the power to tear up its existing treaty with Britain.

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Breaking a Bottleneck

It is welcome news that Dr Dalton gave last Saturday. The Government intends shortly to take powers to set up decentralised public markets for the auctioning of fruit and vegetables. Too many Labour proposals for reducing the cost of living or checking its rise are really only proposals for shifting its incidence from the more favoured to the less favoured classes of the community. Dividend limitation and price controls are merely attempts to ensure that less of the national money income shall go to businessmen and more of it to consumers; they do nothing to alter that basic disparity between the total national money income and the total supply of goods which is forcing the cost of living up. It is refreshing to see the problem attacked by way of an effective increase in the supply of goods and economy in their distribution.

One need not be afflicted by the congenital Labour distrust of the private merchant, or the Labour propensity to look for a greedy monopolist behind every tree, to regard the system by which British fruit and vegetables are distributed as faulty. Probably in few other countries are the costs of distribution so heavy in proportion to the costs of actual horticultural production; perhaps in no other country are

vegetables allowed to deteriorate so heartbreakingly between garden and shop counter. To "nationalise" distribution, as some trade unions and constituency Labour parties have demanded, would probably be to make it even more cumbrous and wasteful and yield only the dubious satisfaction of doing the private trader out of his profit. Experience of official meat distribution is certainly not encouraging. To provide public, but optional, facilities for competitive private enterprise is, on the contrary, a move which Adam Smith himself might applaud.

The gain in cheapness and quality, and the avoidance of waste both from decay in transit and from the growers' frequent refusal to market a crop unable to carry present distributive charges, may be less than is expected; there is a general tendency, not confined to Labour, to regard distribution from grower to seller as an easy and costless proceeding—a view very remote from reality—and to underestimate the specialised skill of the merchant at every step. This underestimate probably accounts for the frequent failure, even after initial success, of the occasional efforts made by growers to market their produce direct to the public. So long, however, as no magical transformation is expected, and so long as there is no compulsion on either grower or buyer to make exclusive use of the new markets, there should be a real gain to growers, housewives, and the nation's vitamin intake—a gain not measured merely by the often fallacious test of the price tag but by a real economy in labour and in goods.

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Investment: Home or Overseas?

In the current *District Bank Review*, Professor W. A. Lewis sets out some disturbing facts and arguments on the vexed question of capital export. Using statistical material from League of Nations and United Nations sources, he demonstrates that the present world shortage of primary products, so far from being a mere reflection of exceptional rearmament demand, results from a secular and continuing decline in primary production relative to world population. Even before Korea, the demand for primary produce generated by a rate of industrial growth actually smaller than that obtaining around 1900 was steadily outrunning the still smaller increment in primary production. Even the most improbably complete political *détente*, therefore, would leave the deficiency essentially unaffected. Unless progress in primary production can be accelerated, shortages, mounting prices, and the consequent worsening of Britain's terms of trade, will continue.

Professor Lewis is, of course, no Malthusian Jeremiah despairingly preaching autarky. On the contrary, he concludes that British investment should be channelled less into the development of home industry, yielding yet more exports to be sold at yet worse relative prices, than into the development of world primary production, yielding cheaper and more plentiful imports. The necessary techniques are known; merely to raise the most backward primary producers to the average level would double or treble the existing rate of increase. A world agriculture now yielding painfully diminished returns to crude manpower would yield generously increasing returns to capital, particularly to capital invested in education. The long-run marginal productivity of investment is, in fact, much higher in such uses than in most British industries; and the moral is that Britain, in its own interests, should "take the lead in organising the flow of skill and of capital in the world overseas."

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For many obvious reasons this flow cannot be a matter of purely private investment, still less of predominantly British private investment. A balance of payments so precarious that a single year without deficit is hailed as a triumph is hardly consistent with a massive overseas investment programme; though were the luxuriance of home investment scaled down much could be done without net loss. Whether the machinery which Professor Lewis favours, with governments or international agencies acting as guarantors and intermediaries between private lenders and ultimate borrowers, could be really effective is a question deserving further discussion. Sensitive assessment of credit worthiness, nice adjustment of credit terms, the specific commercial skills of the foreign issue market, remain desirable; and their exercise may not be possible under the necessarily rigid regulations of an official agency.

Meanwhile, Britain gets the worst of both worlds. When not actually disinvesting, as at present, by the accumulation of sterling balances, it gets all the disadvantages of capital export, and very few of its advantages, by the running down of balances previously accumulated. Immediately "unrequited" exports, which ultimately cheapen the supply of essential primary produce, are one thing; "unrequited" exports merely serving to keep Egyptian pashas in the style to which they are accustomed are quite another. Nothing in Professor Lewis's arguments justifies complacency about this debilitating drain on British resources. It would be regrettable, however, were preoccupation with the immediate balance of payments and with hyper-full home employment, or an obsessive desire to keep capital closely under the tax-collector's eye, to hamper constructive policy for strengthening the weakest sector of the world economy—a sector from whose weakness Britain is the chief sufferer.

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Chaos and Darkness

The power failure in the north of England on Monday is a frightening reminder that the amenities of modern life hang by a thread. It affected 2,000 square miles and reduced Liverpool to chaos. Trains were stopped, trams blocked the streets, small fires started as transformers blew out all over the city, the telephone system was partly out of action. The British Electricity Authority has explained that the cause was "a chance in a million." The line between Carlisle and Kendal developed a fault and was automatically disconnected, throwing its load on the other two lines which connect the area with the main grid. Before the load could be shed these two lines also became automatically disconnected.

Unfortunately this chain of events is far from being a "chance in a million." It happened once before, on a Sunday in 1948; and it is only too likely to happen again. The grid was designed to cut out the least economical power stations in time of low demand, and to transfer current to an area where the supply had temporarily failed. It was never intended to transfer bulk supplies from one part of the country to another, as it is now doing; and the load—although not as heavy as it was during the war—is constantly 50 to 80 per cent above the load for which the transmission system was designed. One area manager recently remarked that his control lines got "hot enough to cook eggs and bacon."

Lord Citrine, BEA's chairman, was caught with the TUC in the blackout at Blackpool. He is reported as saying that the only way to prevent the system becoming overloaded is "either by controlling the load, or by putting in larger mains or lines, and that is a big job." But the second takes time, and the first method, as this incident shows, cannot be relied on to prevent dislocation or even catastrophe. The root of the problem is that demand is still rising faster than the capacity of the electricity industry, and there is nothing for it but "staggering," a higher price for electricity to restrict demand, and faith—or load-shedding and occasional blackouts.

South African Parties Merge

The South African Nationalists have now merged with Mr Havenga's Afrikaner Party and Dr Malan, the Prime Minister, can face the next election—not later than 1953—with an added cheerfulness. After the 1948 elections the Afrikaner Party, with its 9 seats, held the balance between the two major parties—the Nationalists with 70 seats and the United Party with 65. Mr Havenga has in point of fact supported Dr Malan and acted as Finance Minister in his Cabinet, but there was always a degree of uncertainty in this arrangement, because of differences over native and coloured representation policy. Mr Havenga was a member of the Hertzog cabinet which passed the native legislation of 1936, with its assurance that native representation—by Europeans—would be maintained, and to this day he feels himself bound by the moral obligation which that Act imposed on him. Although Mr Havenga concurred when the Cape Coloured people were taken off the common voter's roll a few months ago, now that the Nationalists are planning to abolish native representation as well they will probably wait for Mr Havenga's retirement, reckoned to be not far off, before pursuing their object.

Under General Hertzog, the Afrikaner Party broke with the Nationalists ten years ago, not on native policy, but on the question of equality of rights for English-speaking South Africans. The programme of the new merged party does, in fact, accept a broader recognition of these rights than the present Nationalist programme. It promises "non-partisan protection of the rights and privileges of every section of the population." At the same time, there is a new clause professing republican aims, with a complete separation from the British Crown, though granting that a republic must be brought about "only on the basis of the broad will of the people." This profession, however, is not likely to satisfy the more extreme republicanism of the authoritarian Ossewabrandwag and Mr Pirow, who are talking of forming a "people's movement" to bring about a republic through "people's candidates." In comparison with these younger nationalist firebrands, Dr Malan and Mr Havenga appear almost moderate. But the facts are that the Prime Minister himself is an elderly, ageing and satisfied man; that many South Africans have lately come to realise how much their security depends on the outside world; and that, although a storm is brewing for the future, South Africa is unlikely for the moment to make any drastic move to cut itself adrift from the rest of the Commonwealth.

* * *

Backfire in Buenos Aires

The Peronista regime in Argentina has met with its first visible setback. The great rally in Buenos Aires on August 22nd, preceded by weeks of intensive propaganda and planned on a scale which disorganised the life of the whole nation, was a failure. In a democratic country the spectacle of 300,000 supporters of General Perón vociferously demanding that he and his wife should become candidates for the presidency and vice-presidency in the forthcoming elections might well have sufficed to convince rival parties of the strength of the general's following. General Perón, however, was concerned to impress his popularity, and that of his wife, upon the dissident groups within his own movement rather than upon his ostensible opponents; and in this he failed. He had undertaken to attract two million Peronistas to the rally, and when they did not appear the dissidents were emboldened to press their arguments against Señora Perón's candidacy. In a broadcast on August 31st Señora Perón—a former radio actress—announced her withdrawal in a voice broken with emotion.

Before the rally it had been assumed that the army was the only doubtful factor in the Peronista front, and that the chief aim of the demonstration was to overawe discontented officers. Now it is apparent that the divisions within the governing party are more widespread. As a professed champion of labour, Señora Perón could have expected the trade union confederation to bring to Buenos Aires enough demonstrators to silence the army's murmurs against her. The confederation was, indeed, pledged to call a general strike in support of her nomination, should this become necessary. It must now be considered doubtful whether the trade unions are sufficiently united or disciplined to stage such a strike. At the same time, there are growing complaints among right-wing Peronistas about the favour which the President has shown to the trade unions. And the army, although mollified by the sacrifice of Señora Perón, has not been wholly satisfied; it would have preferred to see Colonel Mercante, the governor of Buenos Aires province, as vice-president. General Perón's decision to give a second term of office to the present vice-president, Dr Quijano, in itself reveals the extent of the rifts within his party, for Dr Quijano is a colourless personality whose only qualification is inoffensiveness.

* * *

From the Dustbin of History

That the Americans should have thought it worthwhile to lift Alexander Kerensky out of the dustbin of history and to brush him up for political and propaganda purposes is something to marvel at. It shows to what depths of spurious ingenuity "psychological warfare" can sink. This seventy-year old lawyer once sat in the Duma as a Labour member, though he was in fact a social revolutionary; he orated eloquently during the February Revolution; as last Prime Minister of the Provisional Government, he was ridiculed by both Right and extreme Left. He fled from the October Revolution and his attempt later to march on Petrograd was an utter failure. In short "Kerenskism" is a synonym for indecision and failure in action. It is better forgotten.

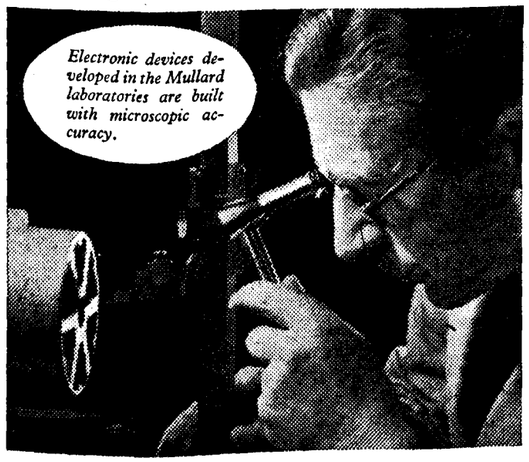
It seems highly probable that the American Committee for the Liberation of the Peoples of Russia will burn its fingers badly with this and other projects which have their headquarters in Munich. Dissension between groups is notoriously part of the tradition of Russian *émigrés*, and what political backbone they had was lost between the wars, when murder and kidnapping took their toll of the few effective leaders. Since 1945 their political life has been immensely complicated by their intermingling with hundreds of thousands of Russians left in German camps, to say nothing of Soviet citizens from the Ukraine, the Caucasus and Central Asia. These have not found it easy to shake down with monarchists (who, incidentally, regard Kerensky as a traitor), Fascist elements, collaborators with the Nazis, and that complicated class known as camouflaged Leninists, who oppose the regime of Stalin but believe in the Soviet system. At the moment it looks as if the National Labour alliance, headed by a former follower of General Vlassov, is fairly effective; but the real question is whether an effective anti-Soviet bloc can be formed out of this and such other groups as the former Socialist Revolutionaries, the Union of Soldiers of the Liberation, and the League of Struggle for National Freedom. If British experience with political exiles is any guide, success is most unlikely—and undesirable.

* * *

Houses per Acre

Hertfordshire County Council is one authority to take a critical view of the notion that housing densities ought to be increased with a view to conserving agricultural land and cutting costs. A report by the County Planning Officer on planning standards finds the agriculturist's case not proven—

Progress in Electronics



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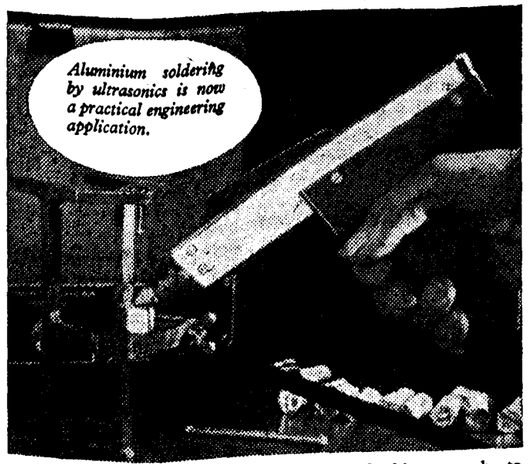

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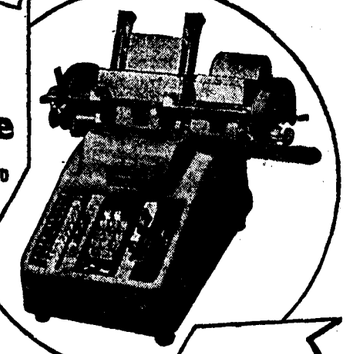

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pointing out as an example that it is not sensible to deprive 3,000 families of their kitchen gardens in order to save 150 acres of farm land. It remarks that the closest type of building development—that involving a high proportion of flats—is also the costliest. The Council rightly believes that it is a short-sighted policy to cramp the living conditions of citizens who move out from London to Hertfordshire, and thus to take away what is after all the main attraction for making the move, once the immediate housing shortage has been rectified. On this basis, it is opposed to plans "for very close development" put forward by the London County Council at Oxhey (which is in Hertfordshire) and (of all authorities) by the Stevenage Development Corporation.

Private enterprise building in Hertfordshire, even since the war, has usually not exceeded six houses to the acre, and public schemes have kept within the customary prewar maximum of twelve houses to the acre for the development of open sites. It is now necessary for planning authorities to redetermine their density standards. It is surprising to find that Hertfordshire County Council, when it leaves principles to go into details, is prepared to accept for future schemes an average in density of 13.3 houses to the acre and a maximum density of 14.6 houses. This standard seems to be accepted reluctantly as a compromise with agricultural and economic pressures, and the Council hopes that "it will normally be possible to improve" on it. On this basis, the Council lays down minimum land requirements for a residential neighbourhood including the needs of education, recreation, and so on. They work out at 463 acres per 10,000 persons. This figure falls in between two alternative sets of standards laid down in the Greater London Plan.

* * *

The Gremlin at Transport House

A poltergeist, jinx or gremlin undoubtedly haunts the Labour party's publicity machine. The mercifully unretentive public memory might, if left to itself, forget that charming photograph of a Royal baby once circulated in a Labour pamphlet as an illustration of the radiant health bestowed on the working-class child by the National Health Service. It might be equally oblivious of the prewar, private-enterprise houses similarly annexed, for propaganda purposes, to Labour's housing programme. But the public memory does not get left to itself; Transport House, or Transport House's irrepressible familiar demon, can be relied upon to jog it. The scene of the gremlin's latest feat is Glasgow, where two young housewives in a shopping queue were interviewed on behalf of an occasional propaganda magazine with the revolting title "Womanfare." Their photographs, complete with names and addresses, subsequently appeared—embellished, comic-strip fashion, with balloons enclosing snappy excerpts from the Labour propaganda line—as illustrations to a full-page article; an article which, with singular lack of tact, attributed to them a personal memory of the shopping conditions of the "lean 'thirties." Now, it appears, both housewives have denied voicing a single one of the sentiments attributed to them; and one may assume that at least in the immediate neighbourhood of two Glasgow homes "Womanfare" is enjoying a *succès de scandale* quite unwished for by its compilers.

Labour is not alone in relying on the sort of propaganda which, without being actually scurrilous, induces in any reasonably civilised reader an overwhelming desire (as Mr Peter Ustinov's French colonel puts it) to clean his teeth. Presumably party headquarters have their own means of judging the general level of civic intelligence, and act accordingly; a depressing thought. The Labour estimate of that level does, however, now seem to be a fraction more abysmal than the Conservative; which may be why the gremlins concentrate their activities rather on Transport House than on Abbey House.

No Sausages for the Poles

Polish townspeople are reported to be suffering from a serious shortage of meat. This is not a new experience for them, nor are the Poles the only East Europeans to have trouble with their meat supplies—a similar state of affairs was reported from Slovakia recently. But it is three years since the last serious meat crisis in Poland and the government seems to be anxious to allay popular discontent and to guarantee better supplies in the future by proffering fresh inducements to the peasants to breed more pigs. Those who enter into individual contracts with the state will be guaranteed a fixed and profitable price for every pig delivered. They can claim an advance payment as soon as their contract is completed as well as financial help and other privileges. The target under this contract scheme for the year ending September 1, 1952, is nearly 7,000,000. Whether it will be reached will depend, of course, on the attitude of the peasants, especially of the richer ones who carry on most of the pig breeding. Their unwillingness to sell to the government must have contributed to the present shortage, and since the currency reform last October wiped out most of their savings, they are not very impressed by financial incentives.

Meanwhile, the Polish townsman has been warned that no swift improvement in the supply of his sausages—by which he sets great store—can be expected. He will be all the more surprised by their disappearance since, according to the recent Polish census, the pig population has made a remarkable recovery since the war. If, as seems probable, the present shortage is partly due to increased meat exports to the Soviet Union, Communist officials will certainly keep quiet about it. They are trying hard to divert popular discontent on to meat profiteers and those found guilty of illegal slaughtering. It may, indeed, well be true that the illegal meat trade has assumed "serious proportions." The taking over by the state, earlier this year, of the retail meat trade, must have left many rebellious butchers outside the state scheme with every inducement to sabotage it.

* * *

Australia Asks for More

Mr McEwen, the Australian Minister of Commerce, has come to Britain to ask for higher prices for butter, cheese and meat. Under the long-term contract with Australia, the maximum annual variation in price is 7½ per cent either way. Mr McEwen has already made it clear that such an increase will not satisfy him this year. He also wants the contracts to be extended for a much longer period. He apparently has two arguments. The first is that since Australian wool growers are earning large profits, despite the recent sharp fall in wool prices, the production of dairy produce and meat can be maintained only by giving these farmers similarly large profits. The second is that Australia is losing 7d. on every pound of butter it sells to Britain; there is no reason to think that he can substantiate that claim.

Mr Webb will certainly reply that the effects of large profits on wool are a matter for the Australian Government, not for him. Admittedly Britain needs all the food that Australia can export but it is doubtful if the Government would be willing to pay 4s. a lb. for butter. If Britain accepted the Australian claim, its prices to all other suppliers would have to be increased correspondingly. It is doubtful whether an abnormally big increase in prices would raise supplies, and of what value would it be to Australia? It might add, temporarily, to the popularity of the Australian Government, but it would also add to the fires of inflation already burning fiercely enough in Australia and elsewhere. Mr Webb might say that Australia could contribute more to international welfare by exporting more dairy produce and more meat than by exporting its own inflation.

DANGER SIGN

THE rise of Western Germany as a serious competitor with Britain in the export markets was inevitable. Japanese competition also will be. It is no good complaining about it. We shall simply have to adapt ourselves to the facts of competitive trading.

The switching of part of our industry to defence is bound to make things easier for Germany, but it would be a mistake to imagine that this is already the reason for the dramatic increase in Germany's figures. *Sheer hard work* has earned Germany's promising recovery, which is probably not unconnected with the fact that the country has 2,000,000 unemployed.

It is this old-style incentive which will have to be answered by new-style full-employment Britain if we are to keep our full employment and our social services.

How? The T.U.C. has seen the point already. We have to make the new style more efficient than the old. In two words, we require *higher productivity*. That is the only means to bring our export prices to a competitive level without taking it out of the skin of our workers.

It means that every machine must be used to its full capacity and there must be an end of wasting manpower. *We repeat once more that restrictive practices on either side of industry are suicidal.*

Reprinted from the editorial column of the Daily Mirror of Aug. 28. The Daily Mirror's net sale—over 4,400,000—exceeds that of any other daily newspaper in the world.

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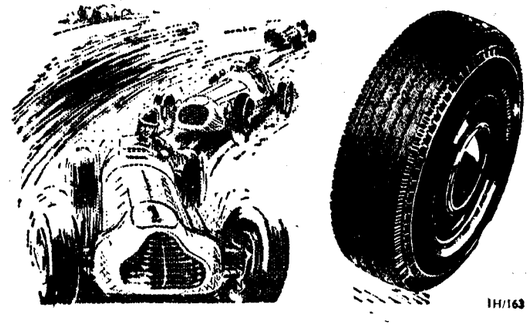

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Letters to the Editor

Conjurer of Wealth

Sir,—You are right to ask for a closer definition of a policy of tough expansion. I am going to offer this to you, and, in advance, I acknowledge the help which you, the most fashionable general practitioner in economic ideas, have given me. But I must confess that for some time you have appeared to me too pessimistic about the scope for increasing the national income. Every Tom, Dick and Harry may have a job, but how many of us are fully employed? And if the production of key commodities could be improved, what effect might that have on the output of others?

Allowing for the big growth in the numbers in work and for the improved methods and equipment, the present level of production is a failure. But, essentially, the failure is not economic. What is on trial is the British character, and I believe you underestimate the rapidity and vigour with which a different Government could rouse the virtues of enterprise and patriotism. So when you accuse me of being too starry and I accuse you of being too earthy we are not thinking of the same things.—Yours faithfully,

DAVID ECCLES

House of Commons

McCarran Follows McCarthy

Sir,—The article entitled "McCarran Follows *McCarthy*," in your issue of August 11th, not only was biased and distorted, but insulting toward Senator McCarran to boot. Senator McCarran is a Democrat who has been in the Senate for four terms. He has always been pro-Labour, but has not otherwise slavishly followed the New Deal-Fair Deal line. This has made him some enemies among the Left Wing Democrats, but has also made him a "big Senator" to independent Democrats (including the writer) and to most Republicans.

Your Washington correspondent first refers to Senator McCarran in relation to "his somewhat more notorious colleague from Wisconsin, Senator Joseph McCarthy." There are various things the matter with this reference. In the first place, it is doubtful whether more than a minority of the people in this country consider Senator McCarthy as "notorious." In the second place, I have never heard anyone say that Senator McCarran is "notorious" before. I doubt that your correspondent can cite any supporting opinion aside from the *Daily Worker*, and possibly *The Nation* and a few other Leftish organs.

"It is abundantly clear," says your correspondent, "that Senator McCarran and his committee intend, if they can, to bring about the jailing on perjury charges of Professor Owen Lattimore . . . and Mr. Joseph Barnes. . . ." Well, if they should be shown to have committed perjury, why should they not be jailed? Thus far two witnesses have testified that Mr Lattimore was a Communist and four have so testified about Mr Barnes—and the hearings are far from over. Why criticise Senator McCarran? Both Mr Lattimore and Mr Barnes were high officials of the Office of War Information and both were deep in the formulation of our disastrous China policy. It is hardly an academic matter. Why not wait and see what eventuates?

Has your correspondent forgotten the cases of Hiss, Marzani, Remington, Coplon, Fuchs, and a dozen others? It should be remembered that President Truman on seven separate occasions called the Hiss charges "a red herring" before Congressman (now Senator) Richard Nixon finally brought Mr Hiss to trial and eventual conviction. Anyone who thinks the McCarran hearings are a witch hunt is either blind or prejudiced, after what has been uncovered in earlier investigations.

Your correspondent's account of Mr Barmine's testimony about Mr Lattimore and Mr Barnes is both incomplete and misleading. It is said that Mr Barmine based his testimony on what the former Soviet Military Intelligence General Walter Krivitsky told him in Paris, after both had escaped the Soviet purges of 1937. Actually, the main part of Mr Barmine's testimony related to what he was told by General Jan Birzin when the latter was Chief of Soviet Military Intelligence and while Mr Barmine was ostensibly an economic attaché but actually was assigned to arm, secretly, pro-Communist elements in China. The Krivitsky quotation was merely a later and corroborative piece of evidence.—Yours faithfully,

MONTGOMERY M. GREEN

Havre de Grace, Maryland, USA

Price Control

Sir,—Your remarks on the efficacy of price controls in an anti-inflationary policy surely neglect the fact that the pressure for wage increases is dependent mainly on the prices of a relatively limited range of goods which are necessities or near-necessities. It is the working housewives, not the Horners, of this world who are the prime movers in wage inflation. Place some check upon the rise of the cost of maintaining a family in reasonably decent conditions and half your battle against inflation is won; the price level of most commodities can rise considerably further than those of the daily-bread variety without provoking any clamour.

Nor does this necessarily divert resources from export or rearmament. If the price-controlled articles have a relatively inelastic demand, the effect of price-control is not so much to affect the volume of resources employed as to divert demand elsewhere. If the articles receiving the additional demand are relative luxuries—as seems likely—the high incidence of purchase tax on them will absorb inflationary pressure; it is also likely that the diverted demand will reach tertiary industries, such as the cinema and transport, in which, as Mr Worswick points out, the marginal demand for labour (and other factors) is small. In any case, since price control, in your own words, "will divert, not reduce, expenditure," it is also true that it will not increase expenditure, so that no net increase in the consumption of resources occurs. Control prevents a rise in price in certain commodities; the rise in other prices is *pro tanto* greater. If diversion from exports or rearmament occurs with price control, it would have occurred without it; it is merely the direction, not the volume, of diversion which is affected.—Yours faithfully,

EDWARD NEVIN

Corpus Christi College, Cambridge

[It has never been denied in our articles that price control may, in practice, be a fraud, raising some prices fully as much as it reduces others. But (a) there is likely to be a time-lag, during which it will tend to divert resources from exports and rearmament to home consumption; (b) when the fraud is perceived when it is found that on balance real wages have not been maintained—such stimulus to wage restraint as price control ever provided will disappear. —EDITOR.]

"One Way Only"

Sir,—Mr T. Wilson asks me how many of the countries at present under Communist control could have been saved if the standard of life had been raised a little by international investment. The answer is, all. If there had been something like ERP in 1918, Russia herself might have been saved and assistance in the thirties could have made the states of Eastern Europe more viable. Whether the situation could have been retrieved once the Russian army was there is doubtful, but Mr Molotov was at least afraid of the consequences of the satellite countries taking part in ERP. Would Mr Wilson deny that a large number of other European countries were saved from Communism by postwar American aid? This is the relevant point.

It is indeed uncertain whether we can afford much overseas aid in view of Soviet strength and ruthlessness. There are, however, three unanswered questions. First, will a large military programme on a weak economic base make us stronger from a strictly military point of view: is it worth having extra divisions but violent inflation and smaller coal and steel reserves? Secondly, will depriving backward areas of goods and shipping space, and thus of political stability, impair the "total" strength of the West? Thirdly, from our own viewpoint, will the shortage of foreign exchange and basic materials weaken British influence on western policy? Perhaps it is re-

armament on the scale envisaged that is the "panacea."

Very few people will think that a point of view should be suppressed merely because the Communists can make use of it. To cry "Bolshie" at one's opponent is becoming a controversial cliché, but surely this is the first time one of your correspondents has used "liberal-minded" as a term of disparagement and has feared division of opinion. Here, if one stooped to argument by abuse, is "good Communist propaganda."—Yours faithfully,

DUDLEY SEERS

Accra, Gold Coast

Fiji

Sir,—A number of statements about Fiji made by your correspondent in your issue of July 28th are apt, unless clarified or amplified, to give a misleading picture of the situation. It is stated that prices are no longer left to chance and that the British Ministry of Food buys the whole of the copra under bulk buying contracts through the statutory Copra Boards which are non-profit making organisations. The inference is, although it is not specifically stated, that this arrangement is all to the good from the Colony's point of view. In fact, this is one of the few of the British Government's bulk buying schemes which has since its inception been to the almost exclusive advantage of the British Government. It is a nine-year contract with provision for a price adjustment of 10 per cent up or down each year. As the basic price, however, was fixed in 1948 in sterling and no provision was made for exchange adjustment the contract so far has meant that the Fijian producer has now for a long time been getting considerably less than the world market price for his copra. Admittedly the producer even so is receiving a high price by all previous standards and has the advantage of security—a very great benefit to a section of the community which has very bitter memories of the time when copra slumped so badly that it was practically unsaleable—but the high price is largely offset by universal inflation and £50 or more per ton was on any reckoning a heavy price to pay for security.

The main criticism, however, which must be levelled against your correspondent's article is that it makes no mention of Fiji's fundamental problems which are the land tenure problem and the allied problem of relations between the Indian, now numerically the single largest community, and the Fijian.

Only one-ninth of Fiji's total area is alienated freehold land. The balance is native land or crown land. By far the larger proportion of native land is communally owned and all dealings in native land have to be approved by the Native Land Trust Board, a body on which Fijian influence predominates. All dealings in crown land have to be approved by the Lands Department. The Fijian's methods of agriculture are primitive. The Indian would almost undoubtedly make better use of the land and in fact does so on such land as he is able to obtain, but he cannot obtain enough. Under the Deed of Cession the British are obliged to protect Fijian interests. On the other hand, the British are responsible for the presence of the Indian and now preach democracy in all colonial territories. Democracy in the last resort is the rule of the majority and the Indians are in a fast increasing majority.

Government policy, if it can be said to be a policy, is to let sleeping dogs lie. So far it has been lucky. Thanks largely to the general prosperity of the Colony, there has been no communal trouble of any magnitude. That situation, however, cannot last indefinitely and the communal make-up in Fiji nurtures the seeds of another Malaya or Palestine.

The present division of non-official seats in the Legislature—five each to Europeans, Fijians and Indians—is not a solution. It is only a compromise. The problem of introducing the electoral system into a community still largely feudal in make-up has still to be faced. It is to be hoped that the fundamental problems have been brought to Mr Dugdale's attention in the course of his recent visit and that he will not have been exclusively occupied with the "development colony," the colonial equivalent of the welfare state. Development projects we have in plenty although up to now we have seen more personnel than material, but the outlook for the future would be brighter if more attention was being paid to the mental and economic development of the Fijian and less to his physical welfare. What the Fijian most requires at the moment is a little more twentieth-century economic and social freedom and responsibility and a little less feudal paternalism.—Yours faithfully,

J. GOUGH

Suva, Fiji

Books and Publications

Twentieth-Century Pioneer

Beckoning Frontiers. By Marriner S. Eccles. *Alfred A. Knopf, New York.* 499 pages. $5.

The frontier of Mr Eccles's title, the one that still calls him, is a world at peace where "we can use our human and material resources for the well-being of all men." But in his search for that distant and challenging land he has staked out claims on frontiers nearer home, frontiers that he has now established even if he has not managed to leave them entirely safe from attack. It is these that are described in his readable book, which he calls "an adventure in capitalism, or an autobigraphy in economics." Mr Eccles is as much a pioneer as was his Mormon father from the slums of Glasgow, who made a fortune out of the barren valleys of Utah and the forests of Oregon. But the son went back to the cities, to pioneer in the world of government, to clear the underbrush of Wall Street out of Washington, to reclaim American enterprise from the outgrown philosophy that was choking it in the nineteen-thirties.

The prophet, who came out of the west in 1934 and was within a few months head of the Federal Reserve Board, was no star-gazing professor but a successful businessman who never took a university degree, no Socialist (although he was often called one) but a solid Republican, no theorist but a banker who had been convinced by practical experience that government planning had become necessary to economic survival. That is presumably why he proved tougher than the other "brains-trusters," why he alone stayed the Washington course for seventeen years, leaving only a few weeks ago. It is a tribute to him, and to those who worked with, and against, him for so long, that when he left the regret was genuine and universal. His departure seemed to signify that the New Deal had come of age and even those who wished it had been strangled at birth saluted the man who had nursed it so conscientiously.

Mr Eccles never sacrificed his economic convictions to political expediency, never expected gratitude or hesitated to criticise even his friends (nor does he in this book), and as head of an independent government agency always maintained his statutory freedom from outside influence, whether of the Administration, the Congress or the financial community. By these methods he succeeded, unexpectedly to those who know the climate of Washington, in founding two settlements in the economic wilderness.

The first of these, worked out from what he saw around him in the great depression without any help from the works of Keynes, was the theory of the managed economy, in which the government compensates for the deficiencies of, but does not supplant, private enterprise. That theory was written into law in the Employment Act of 1946, largely as the result of the educational work done by Mr Eccles, but that does not mean that the theory has ever been wholeheartedly applied. President Roosevelt was apparently just learning, as much from the depression of 1937-38 as from Mr Eccles' teaching, that deficit spending must be on a lavish scale if it is to do its job, when the war came. When the war was over, President Truman and the Congress took up where their predecessors had left off, relaxing controls, reducing taxes and expanding credit, instead of listening to Mr Eccles's lectures on the dangers of inflation and the need for frugality, restraint and a balanced budget in the completely different circumstances of the postwar world. The new defence programme has postponed the uncomfortable day when Mr Eccles will be proved right.

He was, of course, although his book does not stress the point, only one of

many Americans who hit on the compensatory economy as the answer to the depression of the thirties. But he seems to have been alone in realising that if credit was to be manipulated, the Federal Reserve Board must have greater power. He pushed through almost single-handed the 1935 legislation that freed the Board from the domination of the New York banks, although he never achieved the further legislation for "bank unification" that would have concentrated all government examination and supervision of banks in the Board. This he needed as an additional weapon in his struggle with the Treasury, which arose out of the conflicting duties of the two agencies—one having the responsibility of financing the government as cheaply as possible, the other having to regulate money and credit in the interests of economic stability. When this old clash over cheap money finally became an open breach early this year, the public was on the Federal Reserve Board's side, thanks again to the clearness with which Mr Eccles had put its case. As a result the Treasury came to terms and Mr Eccles's second task was accomplished, too late to provide this book with its happy ending, but not too late to crown his Washington career.

Stuffy and Bumptious

British and American English Since 1900. By Eric Partridge and John W. Clark. *Andrew Dakers.* 341 pages. 18s.

For large chunks of this book, one of the series "Twentieth Century Histories," the reader wonders what on earth it is getting at. The two principal authors enjoy themselves so thoroughly riding their own particular hobby-horses, which take them into some extraordinary digressions, that it is very difficult to find and follow the book's main theme.

The difficulty is enhanced because no attempt has been made to co-ordinate—that blessed twentieth-century word—the various contributions, and in addition to Mr Partridge and Mr Clark there are eight other authors, writing on Dominions English (including India), on Cockney and on the teaching of English. This maintenance of independence is quite deliberate, and it makes the book much more entertaining than if it were the work of a committee. But the effect of reading two majority and several minority reports, which, quite often and quite bluntly, contradict each other, is a very blurred impression of the state of the English language in the middle of the twentieth century.

It is not until near the end of the book that two sentences by Mr Clark (author of the section on American English) catch the eye—and the penny drops. Discussing the difference between American and British (or, as we would prefer to say, English) English, he says:

> Another way of saying it is to say that British English has more *frein* and American English more *élan*. Yet another is to say that British English is stuffy and American English bumptious.

Stuffiness . . . of course. This explains why Mr Partridge is so anxious to unbridle written English; why he spends so much time on the modern poets, particularly Mr T. S. Eliot, who employ "the natural resources" instead of the conventional and therefore "unnecessarily restricted resources" of the English language. It explains, too, his championship of dialects, particularly Cockney, and his plea for a greater encroachment of the vernacular on literary English. Just as Vulgar Latin, the Latin of the vernacular, overcame Classical Latin, so will vernacular English, Mr Partridge believes and hopes, overcome literary Standard English. In so doing, it would become less illiterate and imprecise than it is today, but English would, in the victory of the vernacular, shed many of its grammatical formalities. We shall be writing "between you and I" as well as saying it. Mr Partridge may be right. But one is left wondering why, if he believes this, he himself chooses such a difficult and unvernacular style in this book. To read many of his sentences is like watching an obstacle race. They are full of fun and variety. But one sighs with relief when he has successfully passed over all his parenthetical phrases and relative clauses and comes into the straight without losing his subject, main verb and object somewhere behind him.

Mr Clark, by contrast, is all for some tightening up. He deplores the effect of the Educators (capital "e") on American children's education and the belief that education should be based on the abilities of the average child. American English, according to him, is being debased. He would like a greater concentration on grammar and less "corruption of the vocabulary." Children should be given at least "the refusal of a high standard of usage." They should not be taught "a minimum standard of language" any more than "a minimum standard of table manners or bodily cleanliness; it is mental subsistence farming."

Perhaps it is not surprising that with Mr Partridge and Mr Clark expressing themselves so vigorously, the writers on Dominions English should be more moderate. Dominions English, though it has diverged from the home standard and has been influenced by American English, has achieved an independent idiom in each Dominion. Mr F. E. L. Priestley, who writes on Canadian English, quotes Sir Basil Brooke as saying that "Canadian neckties may look startling to the English, but to Americans they seem to verge on the dowdy." The Canadian, declares Mr Priestley, would

> insist that a closer examination of the neckwear would reveal something of an exclusive Canadian pattern.

A Book on Books

The Making of Books. By Sean Jennett. *Faber.* 474 pages. 42s.

"The Making of Books" has plainly been a painstaking attempt to combine in one volume a cyclopædia of technical information about printing, a primer on typographical design, a history of printing processes and a type specimen. But in trying to do so much Mr Jennett has tried too hard. In many of his instructional pages he shows unmistakable signs of becoming a pedant instead of a demonstrator, a compiler instead of an elucidator. The book is almost top-heavy with information and unfortunately the information is mainly given by words. Such an encyclopædia carries its own paradox, of course. Each of the many sections really needs a book to itself, especially the sections on the history of type design and the specimens of type designs.

In such a book, graphic demonstration is a prime necessity, and "The Making of Books" is extremely weak on understandable illustration. For instance, a reader could easily be made to understand the evolution of the design of a title-page in, say, four or six illustrations, whereas to explain that evolution in words is almost impossible, however precise and logical the words, and Mr Jennett uses too many words. Many processes cannot be explained by anybody, and explanations should not be attempted. It is virtually impossible to give any understandable explanation of the collotype process merely by being shown a collotype illustration and by reading a few notes on the process. The whole thing eludes explanation outside a printing office or a printing school. These things can only be demonstrated. A first duty of the instructor is to confine himself to first principles, to what is likely to be understood. Mr Jennett never seems to have stopped to ask himself at what point words fail, a strange failing in a poet.

For the student who is training at an art school or a printing school Mr Jennett's book will prove a useful companion volume for his own notebooks, especially near examination time, but amateurs of book collecting, who would like to know how books are made, may well be daunted by the abundance of Mr Jennett's agglomeration of technology.

Study of Behaviour

The Changing Culture of a Factory. A Study of Authority and Participation in an Industrial Setting. By Elliott Jaques. *Tavistock Publications Limited.* 341 pages. 28s.

This is an important book, but one that may not have a very favourable reception. It is important because it is, so to speak, the log of a pioneering venture. It will be criticised on several grounds. For one thing the activities of a group of human beings are here described in terms which seem unnecessarily obscure. Some of the obscurity is perhaps legitimate since it derives from a particular theoretical framework. Some of it is less so. In addition the purist will find odd jargon of which the participle "scapegoating" is an example. But criticism of this sort may cloak a deeper rejection. In the words of the introduction,

> each one of us, in the course of development, has painfully worked out a set of assumptions as to what is real and what is important in determining our behaviour; . . . these assumptions give meaning to our lives and offer some protection from fear and uncertainty; . . . and even personal attempts to modify such deeply rooted assumptions arouse anxiety and resistance.

The book gives an account of a three-year study carried out by the Tavistock Institute of Human Relations in an engineering works employing some 1,500 people. The study was not merely theoretical but involved at every stage an attempt to modify the behaviour of people within the firm so as to make communication and co-operation more effective. The starting point is stated in these terms.

> Changes in real behaviour do not take place as quickly and as easily as do changes in professed attitude or in administrative arrangement. But these have less effect on what people actually do. People behave as they do for motives and purposes of the utmost importance to them. Though some of these are conscious, others are not; and if some go well together, others conflict. To assist in bringing about rational and planned changes in group relationships that would change real behaviour of those concerned meant, first and last, assisting members of the firm to obtain a clearer understanding of their motives and purposes, and where these were in conflict and where they were not.

We know enough about human behaviour now to realise that this programme represents, at the very least, one important line of approach. Industrial negotiation tends to be undertaken on the naïve assumption that all participants understand what they want and if they do not state their wants are refraining as a matter of deliberate policy. This is just not so. It is legitimate to regard an industrial firm, or a member of that firm, as being in some sense a "case," and one that requires a particular kind of help before a full awareness of difficulties and motives is possible—although some will feel that this view denies to ordinary individuals full responsibility for their actions or that the procedures suggested break the established rules of the social game.

From Appeasement to Preparation

Documents on British Foreign Policy, 1919-1939. Edited by E. L. Woodward and Rohan Butler, assisted by Margaret Lambert. Third Series, Volume IV. *HMSO.* 647 pages. 35s.

The latest volume in the series of documents on British foreign policy covers the first three months of 1939. It deals with the period in which the British Government, while advised that Hitler was resentful of the Munich Agreement which had baulked him of a successful local war, and warned that he would take further action in the spring, was yet uncertain—as was Hitler himself—whether he would first move against the east or against the west. In this state of uncertainty it was compelled to abandon the policy of appeasement and to attempt the formation of a common front against further German aggression.

The effort failed; and this volume, in all its detail, will assist in giving a picture of the enormous difficulties which stood in the way, not the least of which was the indecisiveness of the British Government itself. Even at so late a date as the first quarter of 1939, and even remembering that we now judge after the event, the process of conversion from appeasement to preparation will strike the reader as extraordinarily halting and slow. As late as February 19 the Prime Minister, despite the evidence reaching the Foreign Office and despite—one almost concludes—the evidence of his senses, was writing to the Ambassador in Berlin to the effect that he hoped soon "to begin to talk about disarmament" and that, "if all went well, we should have so improved the atmosphere that we might begin to think of colonial discussions." The problem of a common front was still unsolved when, as a direct result of the German destruction of Czech independence on March 15th, the Government decided to guarantee Poland—and was unsolved because of this earlier lack of realism. That guarantee marked an abrupt revolution in British foreign policy.

Lack of realism was not the only element in the failure, but this collection of documents is less revealing about it than it is about some of the other elements; than it is, for example, about the mutual distrust between Great Britain and Russia and between Russia and Poland. Like its predecessors in the series, the volume is largely confined to telegrams to and from the Foreign Office and at a time when the formulation of foreign policy was less the work of the Foreign Secretary and more that of the Prime Minister than at any time since Lord Salisbury combined both posts, the Foreign Office documents are an inadequate record of the Prime Minister's foreign preoccupations.

But this limitation is imposed by the subdivision of archives over which the editors have no control. In the field over which they have been given full freedom of selection and arrangement they have again done a good job, and one which incidentally reveals, in comparison with the lack of policy at the centre, the marked efficiency of the British diplomatic service.

NICHOLAS MONSARRAT

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Philosophy with Gusto

A History of the Political Philosophers. By George Catlin. *Allen and Unwin.* 802 pages. 30s.

This is an English edition of a book published in the United States twelve years ago. Mr Catlin is a resolute populariser, and this is a work designed not for the scholar or expert, but for the general reader, a volume similar in intention, though not in execution, to Bertrand Russell's "History of Western Philosophy." It attempts to cover the whole field from Plato and Aristotle to Chicago University in the 1930s.

The besetting sin, and almost inevitable criticism, of such a book is superficiality, and more than once Mr Catlin's narrative comes near to a catalogue of names, interspersed with anecdotes. But Mr Catlin also has his virtues as an author. He believes in the importance of what he is doing, and does it with gusto, not in the half-ashamed, self-deprecatory fashion of an Oxford don caught broadcasting on the Light Programme. He writes with passion at times, and the book gains by it; he is never dull, an achievement in a work of this length, and he brings to his judgments a personal quality, so that the reader is conscious of the author at his elbow all the time. If this becomes irritating at times, when Mr Catlin trots out his prejudices, it gives the book the character of an argument and saves it from becoming a text-book.

Mr Catlin pays proper attention to the origins of political thought, but he throws the main emphasis on the more modern period. The American and French Revolutions are reached on page 300, while the last three hundred pages are taken up with Hegel and his successors. There are two fat chapters on Marx and the Marxists, including the Revisionists and Trotsky, as well as Lenin and Stalin. The American origin of the book is reflected in a long chapter on contemporary English political thought, which is the least satisfactory in the book. It consists almost entirely of an account of the intellectual development of Harold Laski and, oddly enough, John Strachey. More than twenty pages for Strachey, only six lines for Tawney, and two pages for the Webbs and the rest of the Fabians gives a lop-sided picture of even Left-wing political thought in this country. It is a pity that this chapter was not rewritten for the English edition.

The last two chapters of all have the hurried, grasshopper characteristics of many last chapters in historical surveys. When so many textbooks of political theory stop short on the threshold of modern sociology, Mr Catlin is prepared to plunge on. But he leaves himself too little space to do justice to what could have been the best section of his survey—the transition from classical political thought to the age of the social services. Mr Catlin's book lacks the balance, solidity and authority of Professor Sabine's "History of Political Theory." But it has two important virtues, enthusiasm and a style which makes it easy to read; this is more than can be said of most introductions to political thought.

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Text and Reference Books

Quin's Metal Handbook. *Metal Information Bureau.* 611 pages. £1.

An annual review of metal statistics is no nightcap. Yet "Quin's Metal Handbook," of which the 1950 edition has recently been published, is not a compilation of figures only. It has useful sections devoted to descriptions of the properties and uses of the principal metals, a large number of minor metals, and the main commercial ores. These sections are in addition to the figures of world production, consumption, imports and exports. One of the main difficulties in any consideration of metals other than tin, which is served by the International Tin Study Group, is to get up-to-date figures of world production and consumption. Quin's handbook has many figures for 1950, although 1949 is the last year for which full figures are available. But apart from the yearbook of the American Bureau of Metal Statistics, also recently published for 1950, there is nothing with better coverage. In Britain the Imperial Institute's yearbook is always a few years behind with its data, and the monthly bulletin of the British Bureau of Non-ferrous Metals gives only British figures. Even for iron and steel, although the Federation's Monthly Bulletin adequately serves the industry, the handbook is a useful source. Thus Quin's handbook, now in its thirty-seventh year, has not only established its reputation, having begun before the British Bureau of Non-ferrous Metals was thought of, but also is one of the essential reference books needed by anyone who deals in or uses metals. Moreover, the previous two editions were divided into two volumes: one for iron and steel and one for non-ferrous metals. The 1950 edition is in one volume which is of pocket size.

The Scope Year Book of Industry, Trade and Finance, 1951. *Scope Books.* 611 pages. 45s.

The second edition of this reference book compiled for business and the professions has been greatly enlarged and improved since its first issue last year and is now a most useful source of information. It is designed to be of general rather than specialised interest and therefore gives comparative as well as the latest information.

Part I reviews the British economy in 1950 with particular reference to controls, legislation and other changes affecting business. A diary of economic events at home and overseas is included. Part II contains essential facts about public and private authorities, institutions and organisations and marketing information on every country. Part III gives economic statistics for the United Kingdom and foreign countries.

The South African Financial Year Book, 1951. *Thomas Skinner.* 1434 pages. 55s.

Information concerning all the companies operating in South Africa and known to the South African and London Stock Exchanges has been brought up to date to April, 1951. General articles deal with taxation and succession duties, South Africa's balance of payments, Government loans and technical and mining terms.

Guide to the Coalfields, 1951. *The Colliery Guardian.* 457 pages. 18s.

The main part of this guide consists of descriptions of the deep mines of Great Britain showing the type of mineral extracted, the numbers of workers and the names of officials. Maps based upon Ordnance Survey maps show the exact position of the collieries.

Other sections relate to the Ministry of Fuel and Power, and other organisations connected with the coal industry.

Building Societies Year Book, 1951. *Franey.* 555 pages. 18s.

The Official Handbook of the Building Societies Association gives a general summary of the operations of the building societies for 1950 and deals in more detail with the members of the Building Societies Association. The latter consists of 407 out of the total of 821 societies but represents £1,203 million of the total of £1,255 million of building society assets.

The International Who's Who, 1951. *Europa Publications.* 1067 pages. £4.

The fifteenth annual edition of the International Who's Who continues to provide short biographies of eminent living personalities in all countries. It incorporates changes up to April, 1951.

The Statesman's Year-Book, 1951. Edited by S. H. Steinberg. *Macmillan.* 1624 pages. 36s.

The familiar pattern which has made this a standard reference book has been maintained in the eighty-eighth annual edition. While most of the statistical information is for 1950 some financial data are available up to April, 1951. For the first time a paragraph on the statistical offices and similar agencies has been included for the countries where they are known.

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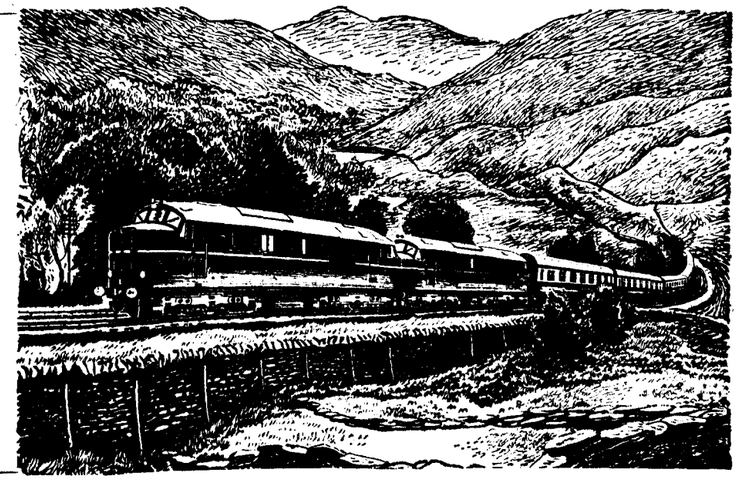

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AMERICAN SURVEY

Presidential Preoccupations

Washington, D.C.

As a lover reads and re-reads the letters of his lady, as a gambler caresses his cards, so Americans are now preoccupied with the prospect that is nearest and dearest to their collective heart. It is the 1952 Presidential election, its potentialities and uncertainties, its perils and promises. The summer of 1951 fades and it is less than a year until the conventions at which the parties will nominate their candidates. General Eisenhower (and not General MacArthur, who is not at this point regarded as a serious contender for the Republican nomination) is the man who is giving next year's prospect its special excitement. The fact that his political views represent *terra incognita* (his family is known to have long been Republican, but he is on record as having voted for Roosevelt in 1944), and the further fact that substantial elements in both the Republican and Democratic parties are anxious to see him nominated in their respective interests open delightful avenues of speculation and prediction. They are not, however, quite as new and as untravelled avenues as most of the current comment suggests.

The American people have elected nine fully-fledged Generals to the Presidency since the Republic was founded—nine Generals, that is, who have actually held active commands in the field; among them have been Generals Washington, Jackson, Grant and Benjamin Harrison. Nine successes out of a possible thirty-three suggests that the Generals have generated more than a normal proportion of the glamour which leads to political power. But any impression that a military hero always wins needs correction. Five other Generals have run for the Presidency and have been defeated.

Another inaccurate notion is that General Eisenhower is the first American General whom the people and the politicians have been prepared to embrace without knowing which party he favours. When, soon after the Civil War, General Grant ran successfully for the highest office in the land, there was considerable doubt about the direction in which his political convictions lay. And earlier, in 1849, General Zachary Taylor, who became the 12th President of the United States, was of such uncertain affiliation that he contemplated nomination by both the Whig and the Democratic parties.

Enough signatures have already been secured to place General Eisenhower's name on the ballot for the primary election at which Democrats in Oregon will express their preference for their party's possible candidates, and it was reported last week that petitions designed to ensure that the General's name would also be on the ballot in the Republican primaries in the same state were now being circulated. It is conceivable that this enthusiasm will wane before either of the two parties meets in Chicago for its nominating convention—the Republicans first, the Democrats about a month later. But it may not. In any case it now seems unlikely, short of some quite unforeseen development, that General Eisenhower himself will be able to control the trend. He may declare himself not to be a candidate: he may repeat and strengthen his earlier protestations that he is a soldier who wants only to be a university president, and not a politician. But all precedent suggests that any such display of reluctance will make him more, rather than less, attractive to the party strategists and to the electorate itself.

The most fruitful topic of discussion is still, therefore, whether General Eisenower will be drafted and nominated and, if so, by which party. Though it can be persuasively argued that the devotion to the work which has taken him back to Europe aligns him closer to Democratic than to Republican policy, a good many judges seem to think that the Republicans have the better chance of snaffling him. If so, the second fruitful topic is at once opened up: will President Truman run again?

★

The recent amendment to the Constitution providing that Presidents in future shall serve for only two terms exempts Mr Truman: he may lawfully run as many more times as he and the Democratic Party may desire. There is no reliable intelligence to show whether any of the considerations which are supposed to be swaying the President—his desire to return to the Senate, Mrs Truman's unwillingness that he should embark upon another four years of stress and strain, his sense of dedication to the struggle for peace and his anxiety to see his policies vindicated—are going to be conclusive.

Senator Douglas of Illinois suggested in a radio programme recently that the President is now "standing under the mistletoe, waiting to be kissed." It may be so: it may be that Mr Truman has decided to run again. (The one apparent certainty is that, whether or not he has made such a decision, he will say nothing between now and convention time to take himself out of the race, since to do that would be to throw away his present authority both in the White House and in the Democratic Party.) Or it may be that he has determined that his final "Yes" or "No" shall depend upon the Republican choice of a candidate. The third fruitful topic for discussion is thus introduced.

Senator Taft of Ohio, the most spectacular victor in last year's mid-term Congressional elections, seems to seasoned observers in Washington to be playing the steady, experienced game of a man who believes that the Republican nomination is nearly in his grasp and, furthermore, that he knows how to close his hand on it. His supporters often claim not even to be afraid of General Eisenhower, and they express the hope that Mr Truman will be nominated by the Democrats, alleging that their man would surely beat him. Mr Truman's supporters, on the other hand, say that they pray for nothing better than that their opponent should be Senator Taft.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

But just as the Republican Party itself, if it is to win, will have to find a way of obliterating in the public mind the idea that it is the party of wealth and economic privilege (an impression which the Gallup Poll has lately shown to be still prevalent), so Senator Taft, if he is to secure the nomination, will have to combat a widespread conviction within the party that he is a bloodless candidate, a man for whom no popular national enthusiasm can be engendered. And when that issue has been decided, there will remain the question whether his record—his wild rides with isolationism, his insistence upon the role of a twentieth-century Canute confronting the new waves of liberal realism—can be reconciled with the mood of the times.

Other names swirl and eddy on the edges of the discussion. In certain circumstances Governor Warren of California might stand an excellent chance of winning the Republican nomination. And does the flame of hope still secretly burn in the breast of Governor Dewey, twice defeated and now an enthusiastic backer, in public, of General Eisenhower? Mr Stassen is considered to have by no means abandoned the struggle. And what will be the effect of Senator Duff of Pennsylvania, a shrewd operator who may well come to the Republican convention with a lot of votes in his pocket?

On the Democratic side—if there is to be no Eisenhower nomination—is it conceivable that there could be no Truman nomination either? And if so, who could it be? Senator Douglas? The Dixiecrat rebellion in the South is thought to offer a much more serious threat for 1952 than it did for 1948; for now Governor Byrnes of South Carolina, Senator Byrd of Virginia, and Senator George of Georgia—mighty men, all of them—are reported to be in league to bring down the Truman leadership. How seriously is Senator Mundt's plan for a formal coalition between the Republicans and the Southern Democrats to be taken? Could Mr Truman make his peace with the Dixiecrats by adopting a Southerner as his running-mate in place of the amiable but aged Vice-President, Mr Barkley? If so, which Southener? And so the fascinating discussion gathers speed as the weeks go by.

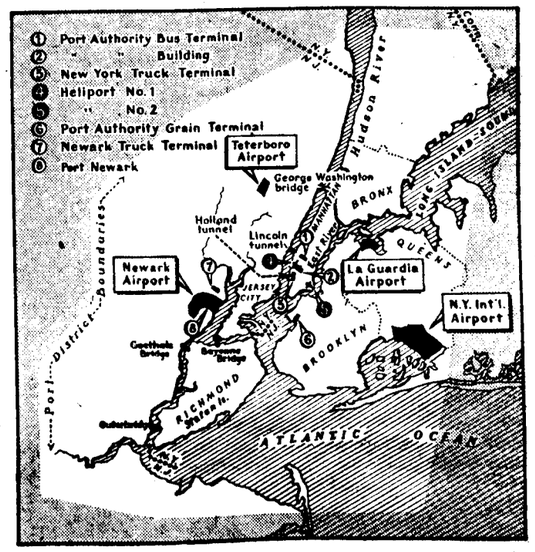
"Let the Port Do It"

[FROM A CORRESPONDENT IN NEW YORK]

The Port of New York Authority, now celebrating its thirtieth birthday, owes its original pattern to the Port of London Authority. In form a public corporation set up by compact between the states of New York and New Jersey, it was meant to rescue the seaport from chaos and obsolescence by reorganising railway terminal facilities, piers and water traffic. Thwarted in this first task by the same interests whose conflicts called it into being, it then turned to the wider task of planning and developing the commerce of the port as a whole. Since 1921 the authority has built, bought or taken over for operation four interstate bridges, two under-river tunnels, four airports, five terminals (for buses, lorries and grain barges) but only one unit, Port Newark, of the seaport itself. Its latest additions are a helicopter, enabling its engineers to hop from office roof to the furthest possible point of trouble in fifteen minutes, and two heliports, one a forty-foot square landing space on top of its own building, the other a hangar on the river.

Given its natural site and its international importance, the port of New York ought to be the most modern and best run of the world's receiving centres. Actually, it is a conglomeration of the up to date and the obsolete, with vested interests holding fast to practices that were old-fashioned in 1900. The glaciers made the harbour a wonderful complex of land and water; Manhattan Island in the middle is flanked by the navigable Hudson River on the west (with New Jersey and the continent behind it and canals linking it to the Great Lakes), on the north by a deepened cut called the Harlem River, on the east by the swift estuary called the East River (with Long Island on the other side). Staten Island—the Borough of Richmond—guards the harbour's southern entry. The largest ships can dock alongside Manhattan's shore in less than an hour from the open sea and within half a mile of the best hotels.

This maritime paradise is split between two sovereign states, a city government technically subject to one of them but commanding more financial power than either, the federal government which controls navigable waters, and



a series of smaller towns. Private interests work through these competing authorities or wage their own private wars: railway companies control a large portion of the Hudson's western shore and give way for no man; lighterage firms, shipping concerns and trade union politicians exert their various influences in various places. As long as New York City's commerce came by boat, the island site was lucrative. Railways added to the city's prosperity, one with a franchise down the middle of Manhattan, another entering by tunnel under the Hudson, the rest sending goods and passengers by ferry from their terminals on the Jersey side. But motor traffic had a contrary effect. As it increased, New York was shocked to find its valuable waters were a handicap. Cars could be ferried across the Hudson, but too slowly. The city began to fear isolation from the continent, the continent clamoured for quick entrance to the city.

Out of this confusion the Port Authority was born in 1921. Its first fruitful attack on the problem was to build bridges on the city's fringe, between Staten Island and New Jersey. The first motor way to enter the city direct from the west was a four-lane tunnel under the Hudson River, built by the two states but taken over by the Port Authority in 1930. A year later it opened its George Washington Bridge, suspended over the Hudson far above the tallest ship, carrying eight lines of motor traffic. It finished a second tunnel in 1945, but now finds it crowded past capacity and is planning

a third tube for it. The combined capacity of the Hudson River crossings (including ferries which still run) is 184,000 vehicles a day. Present traffic is 158,000 and growing fast.

If getting motor traffic into New York was the Port Authority's first engineering problem, deploying it was a second, and harder, one. Huge buses full of suburban dwellers, ten-ton trailer lorries full of goods, were now able to reach Manhattan under their own power; they brought trade, but also they clogged the streets. In the last three years the authority has moved them to the edge of town and speeded their loadings and unloadings by providing consolidated facilities, shunting them into a freight-forwarding terminal for less than carload lots (in the Port Authority's own building), two truck terminals (the less successful one in New Jersey) and a bus terminal.

The authority's success in moving goods and people back and forth between its two parent states landed it with the headache of handling air traffic for them. It took over La Guardia Airport, sinking into Flushing Bay and into bankruptcy, and rescued it from both. It took over Idlewild, the International Airport, another city dream too big for city resources, and is making it the hub of transatlantic and transcontinental plane service. It transformed Newark Airport from La Guardia's limping competitor to its prosperous complement. It then bought Teterboro Airport (also in New Jersey) from a private operator to serve the metropolitan district as a centre for air cargoes and irregular flights. In dealing with air traffic the authority has had a freer hand than in trying to regulate older forms of transportation. It has even been able to base its plans on a general service for the district as a whole rather than on competitive facilities. This has not, however, always been to the liking of the airlines which have hitherto been able to profit by rivalry between airports.

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In its thirty years of life the authority's financial skill has had to keep pace with its engineering accomplishments. Its money came in the beginning from the two states that created it. New York and New Jersey each put up $2,000,000 for the first two bridges, and from time to time they have added special loans, but the project was intended to support itself mainly from its own revenues. A credit structure had to be built which would attract private capital, and the right granted to it to issue tax-free bonds secured by proven earning power has become one of the authority's most valuable assets. Its total investment in structures and facilities had grown to $370,760,000 at the end of 1950 and its income that year was $42,198,000, of which three-fourths came from motor tolls paid at bridges and tunnels. The airports, most of them losing money when the authority took them over, are now making operating profits; the new terminals have done less well financially.

The authority's method of financing public improvement by tax-free revenue bonds is not new, but its success in using the method, and in defending it from federal attempts to eliminate the tax-free element, has inspired a host of imitations by states, towns and counties for all sorts of purposes. Critics in Washington claim that such bonds compete with commercial issues and should be taxable. Critics in Wall Street complain that the financial soundness of these operations is dependent in the beginning on hope and managerial skill; that they make it possible for towns to overstep their legal debt limits and even to finance projects forbidden by their local charters; that they confuse the public which thinks they are backed by taxing power. Thus far these criticisms have had little effect on the popularity of the "authority" as a form of public enterprise. The test will come when some of the more shaky ones capitulate to rising costs and a tighter money market. As for the New York Port Authority, it had the great good luck to meet these handicaps in its early days and overcome them. If, or when, its plans for much-needed pier development are accepted, it may be grateful for having already had experience with hardship.

American Notes

Clouds over the Rising Sun

Americans naturally feel cheated that the Russians have descended on San Francisco to turn what was intended to be an orgy of peace-making into just another round-table wrangle. But even before the shock of the Russian acceptance they had begun to perceive that others among the invited guests were not as enthusiastic as might have been expected about the party that was to celebrate the rising of a reformed Japanese sun, with its spots polished off by the American occupation. That the Philippine Republic and Australia and New Zealand needed the encouragement of a little special treaty-signing before the main affair was understandable, but it was a real affront when India refused to come in spite of the concessions that had been made. Apart from anything else, India's absence, coupled with what to the average American seems an incomprehensible inability to agree on which China should be invited, means that the major Asian powers are not represented.

This in turn reduces the propaganda value of the conference very substantially, and it is for propaganda purposes that the treaty is being signed in public and with ceremony instead of in private and at leisure. (The US Senate is not expected to find it convenient to give its necessary approval until next year.) The idea was to provide the Voice of America and other political warriors with ammunition showing that the "peace-loving" nations are honest in their pacific intentions; that the United States is genuinely anxious to form a partnership of those devoted to peace, now that the universal peace union formed at that same San Francisco in 1945 has collapsed. But with the Russians at the conference and with the managing directors of the new partnership in a hurry to get back to Washington and Ottawa and the practical details of preserving the peace, it will be only too easy for the Communists to argue that what is being celebrated at San Francisco is the establishment of an American dictatorship.

From the point of view of domestic politics, however, the party may be more successful. The uncertainty and the publicity provided by the Russian delegation will hold the attention of the 45 or more million Americans who, it is estimated, will be able to hear and see the proceedings; for the transcontinental television link has been rushed to completion to be inaugurated by the conference. And these viewers will perhaps come away with a better appreciation of the difficulties that go to the making and application of even a bipartisan policy for the Far East. Not even the Republicans can criticise the Japanese treaty, negotiated by their own Mr John Foster Dulles on a groundwork laid by General MacArthur (who has, incidentally, refused the Administration's invitation to address the conference). Before long the Republicans may have the satisfaction of seeing their, and the General's, advice taken in other ways. Already, during the breakdown in the Korean negotiations, Rashin, the base on the Soviet frontier, has been bombed, as General MacArthur long ago urged. And if, as is feared, the final collapse of the truce talks quickly follows the end of the San Francisco conference, it is expected that the Korean war will be intensified along the lines laid down by the General.

Cuts Near the Heart

The Senate has dealt even more drastically than the House with the mutual security programme, reducing President Truman's requested $8.5 billion to $7.3 billion. The major cut was in economic aid, now down to $1.3 billion, while almost $6 billion is still allowed for military assistance. The authorisation which finally comes out of conference with the House may possibly be slightly more generous than this, but then the whole operation must be gone through again, for the money has still to be appropriated. This is the stage when deeper cuts are to be expected, for by the time foreign aid funds come to be voted on Congress—and the country—will have begun to realise how very little flesh has actually been taken off the other parts of the President's budget, in spite of all the talk of paring it to the bone.

The House has admittedly cut a number of minor programmes to the heart: it has allowed the National Science Foundation, only set up last year and intended to foster the basic research so important for the development of new weapons, $300,000 instead of the $14 million requested; it has taken 85 per cent off $535 million needed for civil defence; it has refused any money at all to the Displaced Persons Commission which was given a new lease of life as recently as last June. The illogicality of killing off schemes which are essential supplements to the enormous and inviolate military appropriation that makes up about two-thirds of the budget is so obvious that the Senate is almost certain to patch these programmes up. But it has gone along with the House in reducing funds for political warfare.

So far action has been completed on six appropriation Bills amounting to some $13 billion; a saving of about $1 billion has been made here and the House has saved a further $2.5 billion on the other Bills it has passed. Such estimates are, however, necessarily vague, since no one knows exactly what will be the financial result of the Jensen-Ferguson amendment, now being attached to nearly all appropriation Bills. This amendment broke the deadlock between House and Senate, between Republicans and Democrats, which was one of the reasons why all government agencies were still being financed on an emergency basis in the second month of the new fiscal year. The compromise provides that Mr Jensen's formula, for replacing only one of every four persons who leave government employment, shall be followed until Senator Ferguson's reduction of ten per cent in all government payrolls is effected. It has already faced the Atomic Energy Commission, which is doubling its activities this year, with a dilemma which the agency threatens to solve by reducing its security staff. But other defence agencies are exempted, and these and other exceptions make it impossible to calculate how much will actually be saved by this unjustifiably painful method of fund cutting. Furthermore, even when Congress has finished with all these regular appropriation Bills, as it expects to do by the end of the month, there will be deficiencies to be made up. Already the House has passed its first supplementary appropriation Bill for $1.6 billion.

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Reports on Corruption

The two Congressional investigations that hit the headlines and the television screens last winter have now come quietly to an end. On September 1st the Senate's special Crime Investigating Committee handed over its work to the Interstate Commerce Committee, which is expected to concentrate on getting its predecessor's 22 legislative recommendations through Congress. They deal with such matters as the transmission of gambling information and the prevention of drug addiction, and most of them are designed to assist the local efforts which are the preferred way of dealing with criminal activity. Since there appears to be no hope of getting speedy authorisation for a Federal Crime Commission, the committee recommended the organisation of local commissions, to be helped by a privately financed, and not very happily named, National Crime Co-ordinating Council.

Organised crime, the committee pointed out, could not exist on a large scale without the protection of officials who have been bribed or politicians who want support at the polls. Another aspect of corruption in government, favouritism and improper influence in the lending operations of the Reconstruction Finance Corporation, was the subject of the report issued ten days earlier by Senator Fulbright's investigating committee. This report also concentrated on legislative remedies, although its major interim recommendation had already been carried out, when the RFC's five-man board was replaced by a single administrator, Mr Stuart Symington, who has already won the committee's approval by his stringent reforms of the agency's lending policies. Senator Fulbright has never during this enquiry whitewashed the Administration he supports, but the Republican minority on his committee, less responsible than their colleagues on the crime committee, could not refrain from political mud-slinging in a sarcastic and controversial minority report.

They concentrated in particular on recent allegations that Mr Boyle, chairman of the Democratic National Committee, had been instrumental in obtaining an RFC loan for a Missouri firm at a time when he was its legal adviser. President Truman, as was to be expected, exonerated Mr Boyle completely, but the matter is now being investigated further by another Senate committee. The House of Representatives is doing its bit, too, with enquiries into the Securities and Exchange Commission and into the administration of the internal revenue laws, with special reference to the methods by which gangsters and gamblers have avoided paying taxes. This widespread search for dirty linen to wash in public should satisfy Mr Hoover, for he thinks that such a display is a sign of moral stamina. To others it is a sign that an election is coming.

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Letting Sleeping Taft-Hartleys Lie

The chains of what the trade unions used to call the slave labour, or Taft-Hartley, law have chafed less since a more sympathetic counsel was appointed to the National Labour Relations Board and since the rearmament drive began to promise prolonged prosperity. The unions' great fear was that the law might be used to destroy them in a period of economic crisis. In Congress, the question of repealing the Act is a sleeping, if not a dead, issue. Even the President failed to wave this old battle-flag in his State of the Union message last January, and most of the trade unions probably would be content, as he was, to ask merely for "improvement of the labour laws." One improvement would be to permit closed shops in those industries, such as shipping, where they are favoured by both management and labour; another would do away with what have proved to be pointless elections which must precede the adoption of a union shop, a compromise arrangement under which workers must join, and remain, members of a union.

The sleeping Act came to life with a start in July when the National Labour Relations Board ruled, in a case involving the Ford Company, that a union shop clause was invalid because, at the time the contract was signed, the officers of the Congress of Industrial Organisations (CIO), the local union's parent body, had not signed anti-Communist affidavits. Under the Taft-Hartley Act, no union may use the services of the NLRB unless its officers have signed such affidavits, and it is the NLRB which holds the election which must precede any union shop arrangement.

Early in the life of the Act, the NLRB decided that officers of parent organisations were exempt, but this view was overruled by the Supreme Court in May, and an alarming

prospect opened up of having to hold 4,700 fresh elections to legitimise as many union shops, most of them in CIO territory. The national officers of CIO did not sign their anti-Communist affidavits until late 1949, two years after those of the American Federation of Labor complied.

The NLRB hastily reversed engines, in the Ford case, relying on the unquestioned good faith of labour and management in this instance. But this is no guarantee of safety for all such contracts, and Senator Taft and Senator Humphrey, an oddly assorted pair of knights but impressive for that very reason, have charged to the rescue. The Bill they are sponsoring, which has been approved by the Senate, would legalise all such union shops and in addition would eliminate entirely the requirement for a union shop election.

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Rail Rates Rise

At the end of August railway freight rates for nearly all commodities rose for the ninth time since the end of the war. This rise replaced last April's interim increase, but is not itself permanent, for the Interstate Commerce Commission proposes to review it early in 1953, if not before. The Commission feels that the time has come when railway revenues will lose, rather than gain, on a long-term basis, by further increases in freight rates. It recognised, however, that the case put up by the railway companies was unanswerable in present circumstances. Not only have costs of labour and materials risen so high that adequate profits are unattainable with existing rates, but the companies have been involved in additional expenditure by the needs of the rearmament programme—$760 million for goods wagons and $334 million for diesel engines, for example—which cannot be curtailed without hampering the national defence effort. And if the dispute with the three big railway trade unions, which has kept the army in nominal control of the lines for over a year in order to avoid a strike, is ever settled, it will undoubtedly mean a further, and probably retrospective, increase in wages.

Although the ICC overruled the protests of the Office of Price Administration against the inevitable inflationary effect of the rise in freight rates, it was not prepared to give the railways all they asked. According to their estimates, they need an additional $1 billion in annual revenue, which would have meant a 13 per cent increase in rates. The rises that have been permitted will, it is calculated, give them only $564 million. Railways operating in the west and south were allowed to raise their rates by only 6 per cent, while those in the east went up by 9 per cent. The reason given for this differentiation was that eastern railways have been earning less than those in other areas, but the variation will also further the ICC's long-term objective of equalising freight rates all over the country. A more direct attack has also recently been made on the discriminatory freight charges which penalise southern businessmen who wish to sell in eastern markets, and so, it is alleged, hamper the growing industrialisation of the south. The commission has ordered rail carriers to file, before the end of the year, uniform freight rates for all shipments of manufactured articles. This will mean reductions in the amounts charged firms in the west and south and an end of the old system which made it 20 per cent cheaper to send goods from Chicago, in Illinois, to New York than from Atlanta, in Georgia, although the distance travelled is the same in both cases.

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Canute in the Composing Room

The International Typographical Union, the printing workers' organisation, has at last read the writing on the varitype machines and the teletypesetters, but it is still fighting against, instead of coming to terms with, the future foretold by these mechanical invaders of newspaper composing rooms. Recent printing strikes, particularly the lengthy one against the Chicago dailies that ended two years ago, have proved that processes such as varitype and photo-engraving provide a feasible, even if not an entirely satisfactory, substitute for human typesetters. Other strike-bound newspapers had a better alternative available in teletypesetters. Not many of them, however, had thought it worth while to install these machines, since the union always insisted on a man being employed for each machine, even though one linotypist can take care of a whole group of machines equipped for teletypesetting.

Last April, however, the tide against teletypesetting turned when the Associated Press opened a teletypesetting circuit in North and South Carolina. The other two big news agencies followed its example and already five circuits serving 100 daily papers are working. This means that, for all practical purposes, an operator in one central office actually sets type for all the newspapers on the circuit. The news reaches the publishing office through a machine which produces a readable copy for the editor and a perforated tape which can be fed into the linotype machine. The ITU has evidently realised that such a flood cannot long be stemmed by its old make-work methods, but instead of swimming with the tide it is trying to find a new way of escaping it. That at least seems to be the explanation of its latest venture, a chain of nine tabloid-size daily papers, some of which are already on sale.

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Unlike the *National Reporter*, a daily for labour news only now being planned by another group of trade union officials, the ITU papers will have a general coverage of local, national and international news of all sorts, 15,000 words of "easy to read, honest and responsible" copy, provided by its own Washington bureau and local staffs. The union alleges that these papers can succeed commercially with individual circulations of about 10,000 each, but it will be surprising if they do at a time when smaller newspapers are fighting a losing battle against rising costs all over the United States. The frequent failures of independent papers have of course meant a perturbing increase in the power of newspaper chains and monopolies, just as the news agencies' use of teletypesetting will discourage individuality in news presentation. For these reasons there will be much sympathy for the ITU's desire to "keep the news free" and destroy monopoly. But there can be little doubt that its real purpose is revealed by its second objective, to show that "present printing machines operated by skilled craftsmen are still the best methods of producing a daily newspaper." The impression that the main consideration is to ensure that, whatever happens, there shall be jobs for union members is borne out by the fact that several of the new dailies are being started in towns where teletypesetters are in use and have enabled newspapers to continue publishing in spite of strikes.

Shorter Notes

It is expected that the copper miners will return to work now that an injunction against the strike has been issued under the Taft-Hartley Act. Hopes of a settlement were high last week, when an agreement for a "package" wage and pension increase of 19½ cents an hour was concluded with the Kennecott Copper Corporation, supposed to set a pattern for the industry. But the other major companies refused to accept this agreement, on the grounds that it would put wages above the ceiling set by the government's stabilisation authorities. Already the strike has necessitated drastic reductions in the amount of copper allowed for civilian production in the last quarter of the year.

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THE WORLD OVERSEAS

The Outlook in Japan

(From a Correspondent recently in Japan)

THERE have been remarkable changes in Japan during the past year. But although in some processes and industries mechanical progress has been striking, on the whole the technical level is much below European standards—to say nothing of American. The crudity of many basic processes and the inefficiency of various essential services, obviously lessens, to some extent, the prospect of effective Japanese competition in world markets. Probably there will be at least a timelag, during which the Japanese will painfully have to learn abroad and adjust at home. Opinions differ as to how far the shortcomings are technical, and how far they are organisational; in the nature of the case, the Japanese are "out of touch" in matters of management, marketing and leadership, far more than in those of workshop practice.

Japanese expectations of increasing partnership with, and direct investment and personal collaboration by, American entrepreneurs in Japan have been disappointed. Accordingly, Communist propaganda, depicting a "hand-in-glove" relation between Japanese and American capitalist interests, is wide of the mark. Another of its current miscalculations, as far as the Japanese are concerned, is its insistence on a "controlled" economy; for bureaucracy is at the moment a bogy or a scapegoat. Practically all controllable functions of public administration have now been transferred from Occupation officials into Japanese hands; this process has been going on, with increasing zest and rapidity, over the past year.

In this hand-over every item must be transferred to some specific and equivalent Japanese organisation. Japanese officials are out of touch with much that is normal or general in the postwar world. Local precedents are largely those of a complicated totalitarianism. Yet there is a psychological compulsion, which is understandable enough, for the incoming Japanese controllers to change the names, titles and signboards especially associated with the Occupation, and to reallocate the various duties. So there is already a whole new crop of initials and abbreviations, and a new labyrinth of departmentalisation. Already the simplest tourist, coming for a holiday, must fill up forms in triplicate, and be interrogated before landing, in a manner only too reminiscent of prewar days in Japan. The procedural complexities facing the business man are irksome and varied; his burdens of taxation and paper work are heavy; and it is feared that in this respect the worst has still to come.

A Sense of Strain

In this and other ways, there is a sense of strain which is immediately noticeable among all classes and in all occupations. The Korean war gave the Japanese economy a headlong impetus. Japan has served very actively and profitably as the forward supply base of the United Nations. This boom, however, has not gone on for a year without showing great distortions within the Japanese economy, as well as some diversion or thwarting of its long-term development.

It is noticeable that different answers are given in Tokyo and in Osaka to the question of what should have been done about these distortions which were widely foreseen by many Japanese. The two cities stand, in various practical matters, in a certain antithesis. Tokyo is the metropolis and the seat of the Occupation; it sees everything in terms primarily administrative, political and diplomatic. But Osaka is the foyer of the manufacturing interest and the trading viewpoint. From its windows, the view is not mainly eastward across the Pacific to the Americas, but southward and westward, to Asia, Europe and Africa. The tendency of Tokyo (with Yokohama) is to propound "politicalised" analyses and to prescribe "administrative" solutions; whereas Osaka (with other southern centres) deals in factual and economic considerations, calling for "business" handling. Commercially and financially, the Kwanto (Tokyo area) now looks significantly towards the United States; whereas the Kwansai (Osaka and its region) looks, in what are fashionably called "ideology" and "orientation," rather to East Asia, the sterling area and the rest of the world.

The Dulles *versus* the Dodge "Line"

In up-to-date Japanese parlance, this may be expressed by saying that the "Dulles line" finds support in Tokyo, whereas Osaka people would generally prefer to have remained on the "Dodge line." The name of Dodge stands, of course, in Japan for the policy of rationalisation, retrenchment and internal reform prescribed by the Dodge Mission and applied in Japan with great effect, during the first half of 1950; while the name of Dulles stands for the present "geopolitical" basis, the grand design of the impending peace treaty. Japanese commentators have pithily stated that the "Dodge line" placed first the economic and material rehabilitation of Japan as a precondition of external security; whereas the "Dulles line" now imposes, conversely, an external pattern of world security, within which Japan must shape its efforts to earn its livelihood.

More bluntly speaking, the peace treaty faces Japan with some deep and painful paradoxes. Is an iron curtain to be drawn between Japan and China, whose economy is so greatly and logically complementary to that of Japan? Is there a proper realisation of the part Japan could, and presumably should, play in the economic development of South-east Asia, particularly of the underdeveloped areas? Or has the development conception itself been jettisoned, since, over the last two years, the once grandiose publicity about "Point Four" has died away to silence? If the answers to such questions are in the affirmative, how far and in what manner is the corollary to be faced, that the United States (or United Nations) must make some alternative provision for supporting and financing Japan, to the extent that it is deprived for political reasons of its normal economic opportunities?

These are the major questions which now confront the Japanese. The dangers of error are vividly realised and much feared. Too many people are canvassing merely political issues and solutions, and too few are warning or preparing the people for the shocks and toils that must come in the future; but this state of affairs is, of course, no novelty, in Japan or any other country. In no other country, however (except perhaps Spain), is local attention so disproportionately drawn to the field of foreign affairs, with hopes mainly centred on an extrinsic solution, at the expense of attention to internal efforts and improvements, which must eventually be no less decisive. The Japanese people await the peace treaty as a prisoner awaits the expiry of his parole period; with a great longing, tempered with nervousness about the problems of getting a living, and of getting back into ordinary society.

Uncertain Future in Greece

[BY A CORRESPONDENT]

EVERY Greek election is a minor tragedy; not only because people usually vote in dislike of a personality or cause rather than in hope for a programme; and not only because the government that appears a few months after the polling often bears so little relation to the actual votes. But chiefly because each election reveals the bankruptcy of Greek politics, while even if a new party or new figure comes forward to raise a flicker of hope, that hope is soon dashed in the morass of Athenian political practice. The last election, a year and a half ago, produced a new centre party under General Plastiras on which many pinned their hopes. But in a few months his coalition government had foundered and the election might never have been. It was succeeded by a series of ineffective coalitions typical of postwar Greece, often consisting of a minority government dependent on the qualified support of the opposition.

This time, when Greece goes to the polls on Sunday, there is an entirely new figure on the political scene—Field-Marshal Papagos, former Commander-in-Chief and hero of two successful campaigns. His entry into politics was a shock to the old professional politicians (except to those who managed to attach themselves to his following), and already his formation of a new party—the Greek Rally—has effected a radical redistribution of party strengths. The Right-wing Populist Party and Papandreou's Democratic Socialists (a centre party and Socialist only in name) have suffered most from defections to Papagos. Kanellopoulos has dissolved his small centre party and joined the former Commander-in-Chief, while Markezinis, who has long tried in vain to use Papagos as a vehicle to attain his own political success, at last seems nearer to his objective as a leading member of the newly-created party.

The Parties at the Polls

Seventeen parties are contesting the election, but of these only seven are of any size; the remainder—although the new "reinforced proportional" electoral system has discouraged the usual profusion of one-man parties—include such ecceatricities as the Socialist Palaeo-Marxist Party and the National Rally against Political Parties with the self-denying symbol "Down with parties." Some parties have disappeared. That led by Maniadhakis, for example, former minister of the Metaxas regime, has joined the Populists, thus pushing a party already unpopular through political incompetence and implication in public scandals still further into the Right-wing wilderness. The Liberals have been strengthened by the adhesion of Tsoudheros, one of the former joint leaders of EPEK. But all these parties differ little in their outlook except the United Democratic Left (EDA) and the Svolos Socialists (ELD).

The appearance of EDA is an indication of where potential Communist and extreme Left-wing votes may go. The party has the full support of the Communist Free Greece Radio and many of its candidates (including General Saraphis, the former Commander-in-Chief of ELAS) are at present in prison or in detention on Greek islands for their actual or suspected implication in the guerrilla war. It is possible that many of these candidates will be returned, especially in Piraeus, Athens and Kavalla, where wretched working conditions combine with strong Left-wing traditions. For the chances of the rest of the parties, Papagos is expected to win a large proportion of votes, although insufficient to gain an absolute majority in the parliament of 250 deputies, while the Liberals and EPEK may prove strong rivals.

This election, more than any other since the war, has given rise to alarmist rumours of all kinds which have gained wide currency in sections of the Athenian and European press. It is natural for speculation to surround the entry of so outstandingly successful a soldier into politics, especially in Greece, where the use of the *coup d'état* as a political weapon is a memory fresh in many minds. Reports of a military league in the Army and the publication of a memorandum from the Chief of Staff to the King advising that the Army should not be allowed to vote, have helped rumour's tongue. Much of this can probably be discounted, but there are undoubtedly disturbing factors in the Greek scene today; one of the most serious is the jeopardising of the crown's reputation by King Paul's openly expressed distaste for Papagos as a politician.

Meanwhile the fundamental economic problems of the country are ignored by the politicians. These remain unchanged:—continued distrust of the drachma and popular trust only in gold; and an adverse balance of payments aggravated by the increasing difficulty of finding a market for the most vital export, tobacco, and by Western Germany's failure to honour its agreement to take a proportion of the crop.

No party has any economic programme, other than generalisations which differ little from each other. Papagos at least has had the courage to stress the need for hard work. In entering politics, however, he may suffer the fate of so many politicians of high ideals and fall gradually but inevitably into the political web. That would be a personal tragedy and his character may save him from it. If he could transform Greek politics into something other than an Athenian parlour game it would be admirable. But if his military experience is too strong for him to endure the ways of politicians, then this election could prove a major tragedy. Yet looked at in the perspective of Greek political history, this Sunday may perhaps be regarded, as one Greek observer put it (with no intended cynicism), as "the first normal election since the war."

The Dutch Economic Scene—I

Holland Tackles Inflation

[FROM A CORRESPONDENT]

THE Netherlands, like Germany nine months ago, has been concerned over its mounting deficit with the European Payments Union. Its present economic difficulties spring from the same basic factors which are troubling the governments of nearly all the countries in Western Europe: the terms of trade which have deteriorated sharply since Korea, have aggravated an already serious unbalance in overseas payments; American aid for civilian purposes has been reduced; and defence expenditure must be increased. In one important respect, Holland's position is more vulnerable than that of the other members of Nato; by virtue of its overwhelming dependence on overseas trade (which comprises 36 per cent of its total production), the Dutch economy is particularly exposed to the impact of international events on world prices and availabilities. This has come increasingly into conflict with the principles of government policy, which, since the first postwar period of reconstruction, has aimed at returning to a free economy through the abolition of price-control and rationing, and the progressive lowering of subsidies.

Even before Korea, external influences were working against a smooth transition along these lines. The devaluation of September, 1949, immediately upset the delicate equilibrium between wages and prices; internal prices had already been freed, and the impact of the rising costs of imported goods was such that as early as January, 1950, the government felt compelled to relax the general wage freeze in favour of a 5 per cent "compensation" all round. Simultaneously the subsidies, which before September, 1949,

were running at only 50 million guilders a year, had to be raised to a new rate of something over 200 million guilders. This was a serious blow to the government's hopes that it would soon be in a position to abolish subsidies altogether.

Thus, up to the outbreak of the Korean war, there was already in progress a gradual but steady rise in the price-level. With the advent of the post-Korean boom, all hopes of ending this movement disappeared. By September, 1950, wages were once again so far in arrears of prices that another compensation of 5 per cent had to be granted. At the same time, the government decided, come what may, to keep the subsidies down to 200 million guilders.

The subsequent developments in world markets meant that by the beginning of 1951, the situation cried out for a new economic plan, which attempted to restore stability at a higher level. Owing to a prolonged political crisis, it was not until the beginning of March that the government could agree on any plan which could be presented to the public. When it came, the plan was broadly on the following lines: an additional 2 billion guilders was to be spent on armaments in the coming four years, bringing the existing rate of 1 billion guilders up to 1½ billion guilders a year. Half this additional 500 million guilders a year was to be met by new taxation; the other half by government loans. An attack on the balance of payments deficit was to be made by reducing consumption by 5 per cent and the rate of investment by 25 per cent; in the absence of rationing, consumption was to be tackled through manipulation of the income tax, higher purchase taxes and cuts in the subsidies; the level of private investment was to be influenced indirectly through higher taxes, and by restricting credit and government loans; public investment was to suffer a direct cut of 150 million guilders during the year 1951. At the same time, rationing and price control were not to be reinstated; liberalisation of trade would continue, and there would be no tightening up on import restrictions.

Decrease in Economic Tension

These plans undoubtedly made a valiant attack on the wage-price spiral which had been at work since devaluation; but there were some major obstacles to carrying them out. Since September, 1950, prices had risen 10 per cent more than wages; even if the 5 per cent cut in consumption was accepted in principle, the trade unions had grounds for claiming a further 5 per cent compensation in wages. This was duly granted, with a ceiling of 200 million guilders a year, but simultaneously the subsidies, as prescribed in the plan, were cut back to 175 million guilders a year. With this immediate stimulus to the prices of essential goods, and in an atmosphere where uncontrolled prices looked as though they were going to continue to outstrip the rise in wages, the trade unions showed every sign of insisting on considerably more than the proffered compensation of 5 per cent. This rather critical situation has been at least temporarily relieved by the weakening in world prices during the summer. By August, the immediate economic tension in Holland had certainly decreased. The cost of living, after reaching its peak in May, has since remained more or less stable.

For the future, much will depend on developments in the international scene. It must, however, be recognised that, even with the present lull in world markets, there are still factors at work in the domestic situation which by themselves could precipitate a further inflationary movement of wages and prices.

On the other hand, there are also some encouraging symptoms in the domestic scene, which suggest that a genuine shortage of money contributed to the present economic *détente* and may continue to do so. In the period of buyers' mania, during last winter and spring, it was not only industry and trade which had been building up stocks; unhampered by rationing, the public had been doing exactly the same. But when subsidies were lowered in March, it began to emerge that there were more goods than money available to the consuming public. In some sectors—especially textiles—buyers went on strike; while the retail trade and industry also began to suffer from large inventories and a shortage of ready cash. Some weeks before the normal summer clearance sales, some sort of price war broke out, and, again mainly in textiles, prices were slashed by 50 per cent or more. It is significant of the temper of the whole economy that price cuts have to be, or appear to be, sensational before the public will respond to any great extent.

Thus, while it is perhaps too early to prophesy, there is some chance that the government's attack on the inflationary situation by indirect methods may succeed. It may, indeed, be argued that the position remains explosive so long as there is no direct control over prices. But where the national price level is so largely determined by international price movements, the effect of price control at home would be somewhat dubious; at best, it would do little more than disguise and delay genuine increases in production costs. On the other hand, an important factor in Holland's postwar recovery has been the existence, since 1945, of a wages control—indeed, practically a wages freeze; and it may become psychologically impossible to maintain this control in future in the teeth of an uncontrolled rise in prices. Up till now, wage increases have only been granted after very careful consideration, after a lot of political pressure, especially by the socialists, and after more pressure from the trade unions. Up till now, also, the trade unions have shown considerable restraint; but the difficulties in March made it clear that their patience is now stretched to breaking point.

A further increase in wages would obviously set the inflationary spiral once more in motion. The government may, therefore, have to be prepared to face the alternatives of imposing price control or abandoning wages control. Apart from its immediate economic disadvantages, the end

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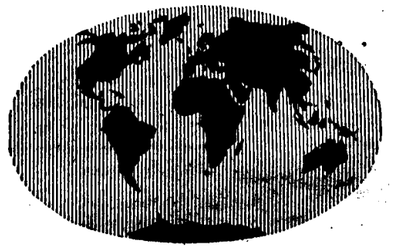

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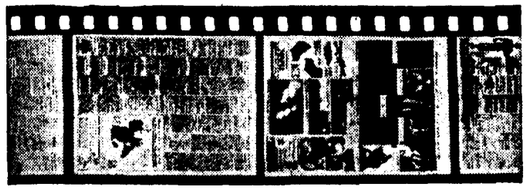

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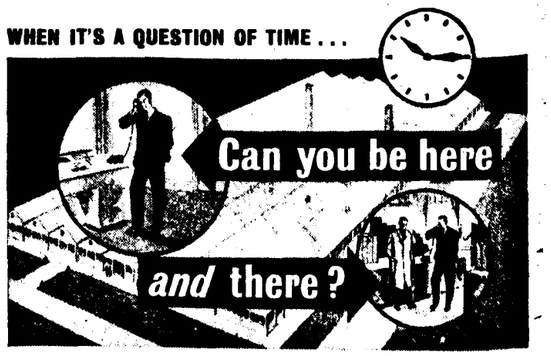

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of all control over wages would have serious consequences for the bona fide trade unions themselves, for it would oblige them to compete with the vociferous and destructive demands of their Communist counterparts and might land them in extremely deep waters. There remains price control, for which there is virtually no economic justification, but which may prove to have unanswerable psychological arguments in its favour.

In the attitude of labour towards the government's anti-inflationary policy, there is one major consideration which has so far been overlooked; the trade unions have only accepted the principle of a cut in consumption, provided that investment would really be cut by the 25 per cent specified in the government's plan. How far this has been, or is likely to be, achieved will be the subject of a further article.

(To be continued)

Protecting the Colonial Worker

ONE of the criticisms which used commonly to be levelled against the colonial system was that it was based on the exploitation of cheap labour. Workers in their thousands were required for the mines, plantations and farms established by overseas enterprise; the wages offered were sufficient to attract them away from their lands, and to disintegrate the traditional ways of life, but insufficient to assure them tolerable living conditions. This fostered a deepening sense of resentment as the colonial worker gained opportunity to make comparisons between his own lot and the higher standards of the Europeans with whom he was now coming into contact. Until the last war, trade unions, or any other device for protecting the rights of workers, were all but unknown in the Colonies. Pioneering protective work was done by the ILO conventions, but they could do little more than set certain standards, depending on the good will of administrations and employers to implement them. Thus, growing racial consciousness and depressed economic conditions combined, during the nineteen-thirties, to foment a widespread labour unrest, culminating in the West Indian disturbances with their heavy toll of life and property, and lasting legacy of bitterness.

During the war years, the neutral attitude of colonial governments towards the problems of labour underwent a radical change—induced partly by the need for industrial peace under war conditions, and partly by an awakening of the British conscience after the West Indian troubles. A positive policy of protecting labour, encouraging trade unionism, and introducing effective labour legislation was embarked upon, until today a most impressive administrative framework has been created to handle every aspect of labour problems. This framework is described in a recent White Paper issued by the Colonial Office.*

The first step in this work was to set up a labour department in every Colony, except the very smallest. These are staffed by nearly 400 officers, of whom about 180 are recruited locally: some of these men were former district officers, but many had learned labour administration in the British Ministry of Labour; others came from the British trade union movement. The appointment of British trade unionists as labour officers was a special experiment started in 1942, when six men were sent out to different Colonies. The experiment succeeded, and ten more have since been recruited. Some later became labour commissioners, and one is now assistant labour adviser to the Secretary of State. There is, in fact, a labour advisory staff of three in the Colonial Office, and a lively labour advisory committee composed of British employers and trade union representatives. The advisers spend part of each year travelling around, so that supervision from the centre is quite effective. Training courses for labour officers are organised regularly by the Ministry of Labour.

The labour departments in the Colonies have had a mass of labour legislation to handle in these years, with the object of bringing colonial labour legislation as close as possible to the British model. They have had to establish machinery for conciliation and arbitration in trade disputes, and machinery for minimum wage fixing; to prepare cost of living statistics; to make provisions for the prevention of industrial accidents, and for the regulation of young persons' and women's employment; to introduce workmen's compensation laws and to supervise the implementation of ILO conventions. In the meantime, the trade union movement has taken root; today there are something like a thousand trade unions in the Colonies, with a membership of about 600,000—in Nigeria there are as many as 115 unions; in Malaya and Singapore 251; in Cyprus 108, and in the Gold Coast 48. The training of trade unionists in the principles of unionism has been a specially complex task—summer schools and lecture courses have been held; scholarships given for study in Britain; pamphlets distributed, and correspondence courses offered by Ruskin College in Oxford.

But all this excellent work has thrown up a host of unanticipated problems. The labour officer, particularly if he is himself a trade unionist, has not had an easy row to hoe. His desire may be to help and advise the workers and to secure orderly industrial relationships, but his very position as a government official imposes on him an impartiality which draws abuse from every side. Colonial employers have at times been unsparing in their criticism of the activities of labour officers, and workers have seen in them either "imperialist agents" or "employers' stooges," and have fiercely demanded non-interference.

Chequered History of Unions

In spite of some degree of government supervision over trade union finances and organisation, many of the unions have had a chequered history. There have been unscrupulous leaders, funds have been mishandled, a multiplicity of unions has wrecked the strength of each. Confusion has reigned as to the very purpose of trade unionism, which has proved, in some places, a powerful political weapon in the nationalist struggle, rather than an industrial organisation for the betterment of workers' conditions. Employers have, at times, been unwilling to recognise the unions, and, with neither side in a conciliatory mood, conciliation machinery has proved a tender plant. What is more, trade union effectiveness was bound to be limited in countries where only a fraction of the people are regular wage-earners. In Nigeria, for example, there are no more than a quarter of a million regular wage-earners in a population of 25 million. Collective bargaining cannot possibly cover the needs of the great majority. Even where there is good soil for trade unionism the difficulties of inducing the loyalty which will ensure regular payment of dues are overwhelming. Workers drift in and out of unions according as wage increases are secured them, and in some cases the leaders have appealed for dues to be subtracted from wages by the employer—a practice sternly frowned upon by British trade unionism. Under such conditions, how are good trade union officials even to be paid?

A recognition of all these difficulties is now opening a new phase of thought on colonial labour problems. The trade unions have come to stay, and are today receiving yet further encouragement from the international trade union movement. They are, in any case, a most important factor in the development of civic responsibility, which is a fundamental of the democratic society which official policy is

* Labour Administration in the Colonial Territories, 1944-50. Colonial No. 275. HMSO. 1s.

fostering in the Colonies. But it is now recognised that British institutions cannot be transplanted overseas, without many modifications—and that, in any event, collective bargaining alone cannot meet the real needs of the Colonies. New forms of organisation and new machinery must be evolved to suit the different conditions, and ways have to be found to bring both employers and workers into a reasonable relationship, with more give and take on both sides. It is a challenging problem, which the Colonial Office is trying to tackle in many ways—one move is the convening of a conference in London this month, where the labour commissioners of all the Colonies will be posed with some of these fundamental questions.

Spurring on the Czech Worker

THE Czechoslovak Prime Minister, Mr Zapotocky, recently went to the microphone to exhort workers and management alike to co-operate willingly in carrying out the government's measures to transfer 77,500 administrative workers to industry. The redundant clerical workers have been told that if they volunteer to move before September 30th they will be able to choose which of the factories requiring more labour they go to. They have also been assured that their transference is not in any sense a punishment and that they will not have to undertake work which requires any special physical strain. All the same, it is hardly surprising that they have not shown much alacrity in transferring themselves from their desks to a work-bench.

But Mr Zapotocky's broadcast made it clear that many managers are also proving obstructive. Those called upon to get rid of redundant workers have been dismissing only the old and the unfit. Those at the receiving end have been refusing to take on untrained workers or those over forty—in spite of the government's appeal to retired people and pensioners to go back to work if they could. Even some labour offices have been delaying matters by attempting new definitions of the term "administrative workers" and maintaining that commissionaires and drivers could not be included in it.

This drive to cut down the number of administrative workers, which is supposed to be completed by the end of the year, is only the latest of a series of measures to increase Czech industrial production. The Communist leaders are obviously afraid that the five-year plan, now in its third year, which was stepped up last February, may break down, either totally or in part. Although Czechoslovakia is the most industrialised of the Soviet satellites, the attempt to reach the new targets has led to an acute manpower shortage in industry. It is true that the Czech manpower reserve was considerably depleted by the expulsion of the Sudeten Germans. In 1948 there were 1,350,000 industrial workers. The original five-year plan envisaged an additional 250,000; but the revised plan demands that as many as 550,000 new workers should be found.

Last April, in an effort to reach this target, the government issued a decree which made practically all physically fit persons liable for industrial employment. At the same time it undertook a far-reaching reshuffle of those already in industry which was designed to shift the younger and fitter workers into the heavy industries from which the most drastic increases in production are being demanded. These changes are said to be voluntary; but in practice the individual is generally at the mercy of the planners. Only key workers and "necessary politically progressive cadres" have a chance of staying put.

In July, the government announced that the measures taken to make the best possible use of the available manpower were not in themselves enough. It was also necessary to reduce the actual costs of production, and the official statement gave details of the extent of the economies to be achieved in the various sectors of industry. It went on to make a comparison between the capitalist and socialist ways of reducing production costs. Under capitalism the economies always affected the workers' pockets, but under socialism they were directed towards savings in materials, fuel and power. In fact, however, it hardly seems possible that wage packets can emerge undiminished from the present production drive. In the first place, almost all overtime pay has been abolished. Communist leaders have been frequently complaining that overtime was not the result of any extra keenness on the part of the workers; it had simply been turned into a device to get more pay.

Confusion in Wage System

In the second place, the government has ordered yet another upward revision of norms, while at the same time insisting that the measures introduced last April to limit and regulate the wage bills of individual enterprises are more strictly and comprehensively enforced. At present the wage system in many industries is, on the Communists' own admission, in a state of confusion. If and when it is sorted out the workers may not find their wages actually cut, but they will certainly have to work harder to maintain their present income. According to Mr Kliment, the Minister of Heavy Industry, most of the present norms must be regarded as too "soft"; and although the object of the new revision is said to be to stabilise norms until the end of 1952, the workers, judging from their past experience, can hardly fail to suspect that in a few months the new ones may in their turn be considered too "soft."

Certainly the output of the Czech worker seems to be extremely uneven. The official Communist newspaper, *Rude Pravo*, for instance, has reported that while the Skoda works at Pilsen took 221 minutes to finish a comb-knife, another factory at Celakovice took 650 minutes, and a third factory at Brno took as many as 1,101 minutes. There has also been a notable reluctance to go over to shift work; the revised five-year plan reckons on having two shifts fully manned by 1954 and the third shift half manned. The Czech worker, moreover, is frequently accused by his rulers of bad discipline while on the job; and from the evidence available it seems probable that these accusations are justified. For he is frequently outraged by the technically incompetent party stooges who are put in authority over him; he has little incentive, in the way of material reward, to work harder; and he must be aware of the destination of most of the goods he helps to make. Mr Kliment let the cat unusually far out of the bag the other day when he said:—

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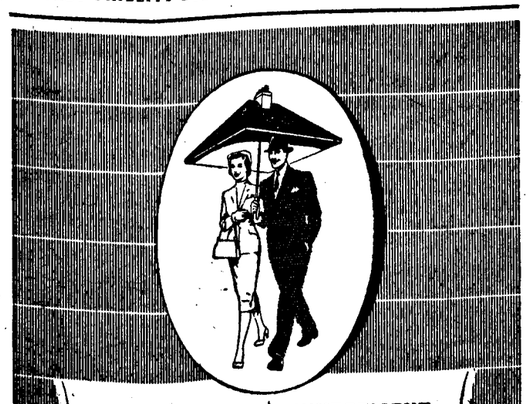

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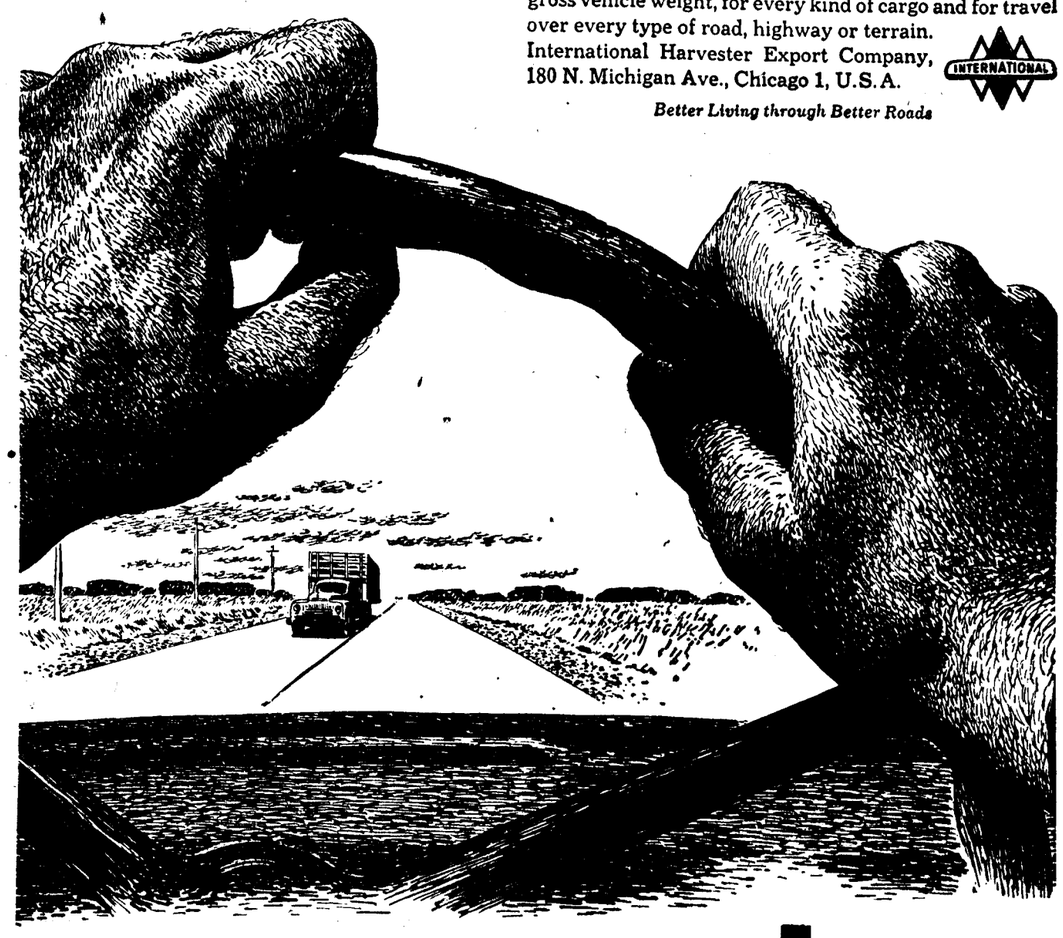

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Payments Agreement with Japan

IT is fitting that on the eve of the San Francisco Conference, which is to admit Japan to the comity of free and independent nations, a sterling payments agreement should have been signed in Tokyo between representatives of the British and Japanese governments. The previous payments arrangements between sterling countries and Japan had been negotiated solely with the Supreme Commander Allied Powers, Japan (SCAP), and had been operated under his authority. On this occasion, too, an agreement has been concluded with SCAP, and will for the present be operated under the same authority ; but as soon as the peace treaty comes into force between Britain and Japan, this procedure will lapse and will be superseded by the identical agreement reached with Japan's own representatives. The arrangements are, therefore, a symbol of the imminent return of Japan to financial and commercial autonomy. They come at a time when Japan's postwar recovery is making the country again an important force in world commerce, and they prepare the way for closer relations with the sterling area.

The sterling payments agreement is significant also for a more technical reason. Previous payments arrangements with Japan were dominated by a dollar clause. SCAP's Japan was in effect a monetary extension of the dollar area, and the yen had therefore to be treated by sterling countries as a hard currency. It is true that trade between Japan and the sterling area was transacted in sterling—but only on the understanding that SCAP on behalf of Japan would not be expected to hold any larger amount of sterling than that required as a necessary working balance. This provision, admittedly, was fairly liberally interpreted—a balance of £17 million was allowed before the dollar or gold convertibility clause came into operation. It is reported, indeed, that on the date of the agreement SCAP held on behalf of Japan a sterling balance of about £40 million ; more than half of this sum was, however, committed for future payments, so that the net balance was probably not far from the £17 million "working" balance. The main feature of the new agreement is that it drops the dollar clause. This does not imply that there will be unlimited "swings" in the payments arrangements between the yen and sterling areas ; they will not be expected to give each other unlimited credit facilities. Measures will be taken to keep the "swings" within reasonable bounds ; but these measures will have none of the harshness and restrictive rigidity that are often induced by gold or dollar conversion clauses.

The new agreement will run for twelve months from September 1, 1951, replacing the agreement of May 31, 1948. It provides that all payments between residents of Japan and those of the sterling area shall normally be settled in sterling, though, needless to say, certain disbursements of a personal and kindred character will necessarily have to be made in yen. The agreement is of the bilateral type that is familiar in some of Britain's payments arrangements ; but this bilateralism is softened and liberalised in the usual way, by the fact that the sterling party to it is not merely the United Kingdom but the whole sterling area. That is to say, any sterling accruing to Japan is available for expenditure within the whole sterling area, but is not automatically expendable outside.

The bilateralism will also be very considerably softened by the wide measure of "administrative" transferability of sterling that Japan is being promised. In an exchange of letters that accompanies the full text of the agreement, Japan is promised that, subject to authorisation by the appropriate sterling exchange control authorities in each instance, facilities will be afforded for transfers of Japanese sterling to countries outside the sterling area in settlement of direct current transactions with them. This provision, which seems to imply that prior permission will have to be given by the Bank of England for innumerable individual transactions, may appear somewhat restrictive. This impression should, however, be largely removed by the further announcement that Bank of England approval will be given for any sterling payments by Japan in settlement of direct current transactions with any country in the "transferable account" system or with the group of countries with which Britain operates bilateral agreements tempered with administrative transferability. In effect Japan is promised many of the advantages of membership of the transferable account system without any of its obligations. It is given blanket authorisation to meet in sterling its current debts to transferable account as well as to "other" countries. At the same time no corresponding obligation is put on Japan to accept sterling from these countries. It is true that transferable account countries will not be compelled to accept sterling from Japan as they are from one another ; even so, it can be claimed that the facilities offered to Japan go far to remove fears held by that country that its holdings of inconvertible sterling may grow to inconvenient proportions.

The exchange of letters makes it clear that all parties to the agreement recognise that, to ensure its smooth working, Japan's sterling balances will have to be maintained within reasonable limits. In order that Japan may hold sufficient sterling to meet its requirements without, however, accumulating an excessive amount, the two parties to the agreement have agreed to meet at short notice, which may be given by either party, "in order to discuss any aspect of the development of the payments relationship between the two countries which may appear to call for special consideration."

The corrective machinery is deliberately left vague, but this does not suggest that it will not work. By the appropriate tightening or relaxation of control by "administrative" transferability, by contracting or

increasing the right of Japan to use sterling to make payments to other countries—or, conversely, to receive sterling from other non-sterling countries—a wide range of discretionary measures should be available to keep Japan's sterling resources within desirable margins. Failing an effective functioning of this machinery of administrative transferability, it should be possible to correct any disequilibrium by appropriate adjustments in import or export licensing.

The payments agreement provides a monetary framework within which trade between Japan and the sterling area may satisfactorily expand. Whether, however, the commercial relations between the two monetary areas do develop satisfactorily in fact will depend on future commercial negotiations between Japan and the various members of that area. At present their trade is regulated by an agreement signed in Tokyo last November between Japan and the sterling area countries, other than Burma, Hong Kong and Pakistan. This agreement specified the types of goods that the governments concerned would use their best endeavours to thrust into commercial circulation between Japan and the sterling area. It set a target of £185 million for aggregate trade (imports and exports combined) between Japan and the sterling area countries, in the twelve months to June 30th last. This figure compared with a total of £130 million for the preceding twelve months. The direct trade between Japan and the United Kingdom alone has grown considerably more than these aggregate figures would suggest, as may be seen from the accompanying table, showing the trade in the first six months of this year and the two previous years. The expansion of British exports to Japan over the past two years, it will be seen, has been steeper than the corresponding movement in imports from Japan. The bogy of Japanese competition in the home market is still no more than a bogy.

UNITED KINGDOM TRADE WITH JAPAN
(In £'000's)

	1949	1950		1951
		1st Half	2nd Half	1st Half
Imports	10,796·6	2,721·6	5,154·7	6,701·8
Exports	1,170·8	1,092·3	1,628·4	5,627·6
Re-exports	27·5	32·7	120·0	312·2

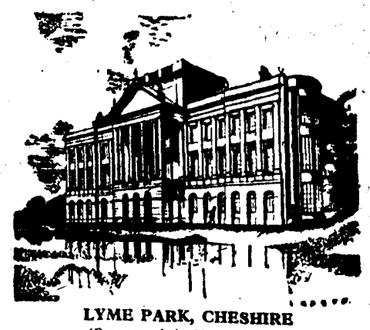
It is not intended that new commercial agreements shall be negotiated between Japan and the sterling area countries in the immediate future. The agreement covering the twelve months that expired on June 30th last has been renewed, with the intention of letting it run for a few months, so that it can be seen how trade develops under the new monetary arrangements, and then to proceed, in the light of that evidence, to the negotiation of more permanent commercial agreements.

The main obstacles to trade between the sterling area and Japan will not have to be faced until those commercial agreements come to be negotiated. These obstacles are the vested interests, not only in Britain but throughout the sterling area, that have already begun to raise loud voices against the possibility of "unfair" Japanese competition. When these agreements come to be discussed the British government will have to declare its hand about the reservations it recently made about granting Japan most-favoured-nation treatment. That will also be the occasion for reconsidering the "Congo Basin" treaty of the early part of this century, a treaty that gives Japanese goods non-discriminatory right of entry to the African territories concerned, some of which lie within the Commonwealth. It is interesting, though not altogether surprising, that some of the loudest voices urging the exclusion of Japanese goods have come from the very countries within the Commonwealth that have also shown the greatest resentment at the absence of reparation clauses from the Japanese Peace Treaty. Spokesmen for the Australian secondary industries have been particularly vocal in their expressed fears of Japanese competition, while it is also from Australia that some of the most vehement criticism has been heard of the intention to make the Treaty with Japan one of reconciliation. These various hurdles need not be jumped in the near future; but, now that trade between Japan and the sterling area is being freed from some of the exchange restrictions by which it was previously impeded, it is well to recognise the barriers that will eventually have to be surmounted or removed if this commerce is to develop fully.

Australia, prime producers of the world's wealth in opals, and home of the rare Black Opal, looks toward other countries for part of the infinite variety of goods demanded by its people — a demand which presents considerable trading opportunities for British business houses . . . But a sound move when planning any Australian business project is to consult the Commonwealth Bank of Australia. The Commonwealth Bank *knows* Australia — and its closely integrated branches throughout Australia and New Guinea can supply, through its Financial Information Service at Australia House, information on any facet of Australian life and industry. British business houses are invited to make full use of this service.

COMMONWEALTH BANK OF AUSTRALIA
COMMONWEALTH SAVINGS BANK OF AUSTRALIA
8 Old Jewry, London, E.C.2. And at Australia House, Strand, W.C.2.

In 1346, Sir Thomas Danyers was rewarded by the King for rescuing the Standard of the Black Prince at Caen and capturing the Constable of France at the Battle of Crecy, with the grant of land called Lyme Hanley.
The first building, which was used until 1550, was subsequently replaced with a house. In 1720, the Italian artist Giacomo Leoni was commissioned to transform the house into the style which it bears to-day. It was occupied by the Legh family continuously from the fourteenth century until 1946, when it was conveyed to the National Trust.



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Meanwhile, there is no doubt about the vigour of the recovery of Japanese industry and commerce during the past year. The index of industrial production, which was no more than one-fifth of the 1937 volume in 1946 and had grown gradually to an average of nearly two-thirds in 1950, has this year just about recovered the prewar level. Japanese exports, which totalled $509 million in 1949 and rose to $820 million in 1950, have this year been running at a rate of $1,200 million. Under the impact of hostilities in Korea, prices have been rising fast in Japan, but wages have been held well back and there can be no doubt that Japanese industry is in good competitive trim for the battle of world markets.

The payments agreement with Japan, synchronising, as it does, almost exactly with the admission of Germany to the sterling transferable account system, provides welcome evidence that the recovery of sterling as a currency used for international trade, not only by the sterling area but among third parties, has not altogether lost its momentum. With Germany in the transferable account system and with Japan half in it, the range of international transactions invoiced and paid for in sterling should undergo a further welcome extension.

Chemicals from Oil—II

Gauging the Market

THE first of these two articles showed that leading oil and chemical companies in this country have invested large sums of capital in cracking and gas separation plants from which are obtained the large tonnages of hydrocarbon gases that form the basis of the new petroleum chemical industry. This first stage is now within sight of completion, and it is possible for provisional judgments to be made about it. There is an important element of flexibility in each of these plants in that they can be set to produce one or a number of particular products according to need. What has now to be put to the test is the size of the market, at home and for export, that these products can attract and hold. The scale of the new plants and the range of their products had to be decided largely on estimates of demand without the benefit of market experience. At the time when several of the schemes were being drawn up there was a severe slump in the American chemical market and it is to the credit of those concerned that discouragements of this kind did not affect their decisions to go ahead. Nor is the fact to be held against them that they appear at this early stage to have underestimated the potential size of some markets and perhaps to have overestimated others.

It is difficult to talk in standard terms about the size of the new plants or the markets they supply because the final products are not fairly measurable either in tonnage or in value. At a rough estimate, the Shell Chemicals plant at Stanlow was originally designed to turn out between 20,000 and 24,000 tons of solvents, of which a quarter would be acetone, but now that ethylene products will be made there, as well as those from propylene and butylene, this is probably an underestimate. The capacity of the ICI oil plants at Wilton should be about 25,000 tons of ethylene products and possibly a similar quantity of acetone. The Petrochemicals plant has a nominal capacity of about 75,000 tons of chemicals a year, more than half of which will be based on benzene, toluene and xylene, chemicals usually obtained from coal tar, leaving a smaller proportion of chemicals based on ethylene, propylene and butylene, the three principal gases used by the other companies. British Petroleum Chemicals will produce about 35,000 tons of ethyl and about 25,000 tons of isopropyl alcohol, most of which can be converted to acetone.

Present prospects suggest that the production of bulk chemicals by these new methods will not be a highly profitable operation. Prices of the final products have risen, but perhaps not as rapidly as construction and other costs; in some cases, margins of profit may be even more limited than were assumed in the original estimates. But the schemes cannot be judged by the bulk chemicals business alone, because each project allows for further processing of these basic materials into the more profitable chemical intermediates. Provision has been made at Stanlow, for example, for the production and sale of isopropyl alcohol, a bulk chemical; of acetone produced from isopropyl alcohol; and also of acetone derivatives such as methyl isobutyl ketone. The value of each product increases with each stage that it travels from the original propylene gas. The economics of the Petrochemicals plant are based on the same principles, which makes the achievement of the full range of products from this complicated plant of particular importance. Petrochemicals sells "aromatic" products such as benzene or naphthalene and their derivatives in competition with the same chemicals made from coal tar, and it relies on the high purity of the oil-based product to cover the more expensive method of production.

The economics of the Wilton and Grangemouth plants are also complex. These projects were undertaken to supply raw materials for processing plants of the ICI and Distillers groups respectively, and their output is to con-

ɛist almost wholly of bulk chemicals. Most of the basic products produced from the chemicals plant at Wilton are expected to be consumed within ICI, and although British Petroleum Chemicals will have some outside sale of the ethyl alcohol it produces, in practice the greater part of the plant's output of chemicals is expected to go to factories in the Distillers' group making solvents or plastics. There is thus a growing tendency towards vertical integration in this branch of chemicals, and the reasons are not difficult to find. Capital investment in chemical plants is extremely heavy—and as some would hold, too heavy to be undertaken without an assured market. When it came to build the Stanlow plant, Shell was in a good position to judge the British market for solvents because it had already built up an important trade in products obtained from the United States. The Distillers Company no doubt had access to information of the same kind through British Industrial Solvents. But when it is a case of putting up a new and expensive chemical plant to produce raw materials for a completely new product, the commercial risks are very great—often too great to be undertaken without a partner unless the company decides, as ICI has done, to process the chemical into the finished product.

Thus it happens that Monsanto Limited has a half interest with British Petroleum Chemicals in a third company, Forth Chemicals Limited, that is due to start producing styrene monomer next year. Ethylene from the British Petroleum Chemicals "cracker" is an essential material for the production of styrene. No styrene has yet been produced in Britain, and for years it was not easy to persuade anyone that there would be any need for a plant to produce it. Rapid progress in the use of the plastic, polystyrene, has reversed these views. Monsanto started making polystyrene last year at a new factory in Monmouth, using imported styrene monomer. The original capacity of Forth Chemicals' plant was put at about 8,000 tons, the whole of which is earmarked for delivery to Monsanto. But the latter company's plastic-making capacity already exceeds this figure; before the styrene plant is completed, therefore, demand already exceeds its rated capacity, leaving nothing to spare for further expansion of polystyrene from home produced materials and nothing for new uses, of which synthetic rubber might one day be one. Styrene is also to be produced by Petrochemicals, but the building of this unit has yet to be started. Two factories on the Partington estate near Petrochemicals' plant have already been built to use styrene monomer from this plant to make polystyrene and styrene paints; Petrochemicals has a half interest in them jointly with Erinoid and Lewis Berger. Until the styrene monomer plant is built, these factories, too, are working on imported styrene.

By way of contrast, the impending shortage of acetone is likely to prove temporary. It is caused by a falling off in imports before the British plants come into full production. Exports of acetone have been stopped in order to maintain deliveries to the home market, but even so acetone is likely to be scarce in the next few months. By next year, however, home-production is expected to be so high that there is some doubt whether home and export markets together will be able to absorb it; conceivably, however, a reduction in the price of acetone could easily stimulate interest in some of its less-developed applications.

It is arguable whether the under-estimation of the demand for styrene—as it now turns out—is a sign that sights have been set too low in the petroleum chemicals scheme as a whole; perhaps it is not an isolated example. Shortages of chemicals occur so far from the consumer's eye that he often does not notice them as such. A number of such shortages can be discerned that unquestionably arise from a lack of chemical capacity. One is the shortage of nylon and the lack of production of any other new synthetic fibre on a significant scale. Another is the slowness with which a number of developments in plastics and surface coating techniques have been put into general use. As for the future, the comparatively modest capacity of the Wilton terylene plant—5,000 tons a year—may prove when it starts operating just as incapable of meeting demand as the £10 million nylon plant proved to be when that came into production.

*

Once the cracking plants exist, it would in theory be possible to use more ethylene to make ethylene glycol for terylene, and to use less for products such as ethylene oxide. But this degree of flexibility is unlikely to be seen in practice. Developments in the United States, and the limited evidence so far acquired in this country, strongly suggest that the increased consumption of chemicals is general; it is not a matter of expansion in one direction that is offset by a fall in consumption in another. The plastics industry provides an obvious lesson. Many new and improved plastics materials have gone into production since the beginning of the century, yet the sales of the first plastic material of all, celluloid, have never fallen. As each new plastic has appeared, the market has absorbed its output without any contraction of the sales of materials already established. Indeed, in many cases these sales have continued to expand. There is no indication that the synthetic fibre industry will develop in any different way.

It is highly probable that immediate steps will be taken to expand the styrene plant at Forth Chemicals and that the company will no longer be relying on a guaranteed outlet for the entire tonnage of styrene that will be produced there. It has also only recently been decided to work up the ethylene stream at Stanlow, in addition to the propylene and butylene of the original project. Expansion of the basic chemical plants has been under discussion, but decisions will be influenced by the fact that total cracking capacity, and therefore the output of the spectrum of bulk chemicals, has itself to be increased to make possible expansion in the output of one specified end-product. The industry is not at this moment convinced that the British home and export market could absorb this extra tonnage, although it is willing enough to admit that sales of one or two specified products could be increased many times over. The future policy of the industry must be influenced by the knowledge that the opening of the new petroleum-chemical plants has meant the appearance of a large extra tonnage of chemicals on the British market, many of which have not been available in quantity before. Time must elapse before the effect of so big an increase in supplies can be assessed. On the other hand, not all the schemes for petroleum chemical plants on the Continent have materialised; although various plans are still under serious consideration, there is the opportunity for the new British industry, if it chooses, to assume responsibility for supplying part of the Continental as well as the British market. Some experts profess to believe that the consumption of chemicals cannot expand at its present rate, but if their views are tenable, they fly in the face of all the known evidence.

This point raises another aspect of petroleum chemicals. Oil is becoming the starting point not only for those chemicals that can most economically be produced from it, but also for chemicals that are more economically produced by other means. Ethyl alcohol is now being produced from oil because supplies—as well as prices—of molasses fluctuate too violently to provide an assured basis for the extra quantities required. But at certain price levels, molasses is the cheaper route. In the United States, large tonnages of benzene are now being produced from oil because there is not enough coal tar to meet the demand. Yet only a few years ago, when it was proposed to produce benzene and other tar products from oil at the Petrochemicals plant, the project met with some scepticism because a shortage of coal tar then seemed inconceivable. It is not so scarce here as in the United States, but commercial development of organic chemicals here is also some years behind the American development.

Provision has been made at each of the big chemical plants for some increase in capacity without the need for building new cracking plant, but the time does not seem far off when all available capacity will be fully employed. It is not suggested that a new programme of capital expansion should be undertaken before the new plants of the first programme have even been run in. But the new industry in this country did not start building its cracking plants until it was certain of a cut-and-dried market for the bulk of its products and even then it seems in some cases to have erred on the side of caution. Several years are needed to build a chemical plant and bring it into operation; this fact suggests that if British developments run true to form, there may be another shortage of organic chemicals in a few years' time, followed by a year or so of plenty as a further batch of projects materialise more or less simultaneously. Because heavy capital investments are involved, the chemical companies will obviously wish to keep in step; there is no reason why they should march abreast.

Business Notes

Home-truths about Dividends

In his address to the TUC this week Mr Gaitskell seemed at first glance to be trying to make some slight amends for the unconscionable tone of his now notorious speech at end-July in which he launched the dividend freeze. That, at least, seemed to be the general impression in the City and also, apparently, among the audience at Blackpool—where Party enthusiasms were obviously damped down by the Chancellor's demolition of the last vestiges of the Socialist case for further income re-distribution. Mr Gaitskell pointed out again that no scope is left for raising the general standard of living by "soak the rich" policies or by raiding profits. If all dividends paid in 1950, he estimated, had been "fairly savagely" cut by one-quarter (which, of course, would have meant a much more savage cut in equity payments if they alone had borne this hypothetical burden) the sum released would have been equivalent to a mere 3d. in the £ on the national wage bill —before allowing for the Treasury's resultant loss of surtax. Again, if all incomes in excess of £2,000 a year were confiscated, the net sum secured would be no more than £53 million—which, if applied in reduction of tobacco duty, for instance, would reduce the price of a packet of cigarettes by a mere 2½d. As for profits, Mr Gaitskell is satisfied that their rise has not been "an important cause" of the rise in the cost of living.

These home truths not only demonstrated the futility and virtual impossibility of the further drive against profits and large incomes that many trade unionists would like to see; they also indicate the pointlessness, from the standpoint of countering inflation, of the dividend freeze. The quantitative implications here, of course, are measured, not by the total sum paid in dividends, but by the extent of their rise. To round off the Chancellor's figures, it is worth quoting some data assembled in the current issue of *The Banker*, which estimates, on the basis of official statistics, that if the gross incomes of ordinary shareholders had been completely frozen since the dividend limitation policy was introduced in early 1948, "the funds withheld might theoretically have been sufficient to relieve the cost-of-living by rather less than 0.04 per cent—say, ¼d. per person per week"—before allowing for the consequential loss of tax revenue by the Treasury.

Such figures as these—not to mention the fact that trade unionists have been quite unimpressed by the Chancellor's "psychological" gesture—make nonsense of the dividend freeze project; in the circumstances it is scarcely surprising that Mr Gaitskell refrained from quoting them. But, in any case, on closer scrutiny his latest speech appears a good deal less reassuring than it seemed to many people at first sight. Although recognising the impossibility of further income redistribution, he was definitely inciting his Blackpool audience to devise new schemes for further redistribution of property. In particular, he refused to admit that there is any symmetry between his plan to freeze dividends and the notion that wages should so far as possible be frozen for the same period. Not content with rejecting the idea of any firm wage-stabilisation, he seems to be toying with the idea that workers should get a share in the increases in undistributed profits resulting from the dividend freeze. At all events, he threw out the suggestion that trade unionists should study the possibility of schemes for bonus issues of shares to workers. This is a particularly odd suggestion, for it comes only a little while after the collapse of a project on precisely these lines put forward by the board of Associated Electrical Industries. This scheme had to be dropped because the Inland Revenue ruled that the employees to whom shares were allotted would have had to pay tax on the "bonus element" conferred upon them.

* * *

Control of Bonus Issues

The Chancellor's suggestion looks even more odd when set beside this week's injunction from the Treasury to the Capital Issues Committee on the subject of bonus issues. Sir Wilfrid Eady, in a letter to the chairman of the Committee, observes that, under statutory control of dividends, companies that raise funds through issues involving a "substantial bonus element" may thereby get an advantage over those that make an issue to the market—"a consequence which we would clearly wish to avoid." This consequence was implicit in the terms of the White Paper, and emerged specifically as the Treasury's intention when, a few weeks ago, Sir Wilfrid confirmed to the Issuing Houses Association that any calculations to allow for additional capital would

"not have regard to the price at which shares are sold to the public." The natural conclusion to be drawn was that, in this one particular, the Treasury was anxious—or at least was prepared—to allow a little flexibility within the general rigidities of the strait-jacket it hopes to impose on company finance. Nothing, it now appears, was further from its thoughts. It has instructed the Capital Issues Committee (although that Committee "has, of course, no responsibilities in the matter of control of dividends") to examine all applications to ensure "that the price proposed is fair and reasonable having regard on the one hand to the current value of existing shares and on the other the need for making the offer sufficiently attractive to investors if it is to be a success."

In other words, the Treasury puts the clock back five years, to the chaos of Daltonian efforts to regulate the "bonus element" in new issues; even the obstinate Dr Dalton eventually had to admit this policy to be harmful and impracticable—whereupon he compromised with his own principle and imposed the equally unreasonable bonus issues tax, which his successor abandoned. If the Treasury's object were to complete the paralysis of the capital market for venture capital, and to block up any tiny crack through which such funds may flow to industry, it could scarcely have devised a more ominously effective method than this.

But even that is not the worst of this sorry behaviour. The CIC is now to be put to purposes for which it was never intended; its task is to reinforce other controls over investment outlay, not to act as policeman for soak-the-rich policies by concerning itself with the prospective return to shareholders and by interfering with the business judgments of those who have to take the risk of market operations. It is, in fact, being required to carry a share of the very responsibilities that the Treasury declares it not "of course" to have. Worse still, there is no suggestion that this new control is contingent upon, and will not take effect until, the passing of the dividend freeze into law. The CIC is obviously expected to act upon Sir Wilfrid's injunction forthwith. Any company that is prejudiced should challenge the Treasury to state by what powers it imposes a control to deal now with a situation that cannot arise until a Government project becomes law.

* * *

Rank Organisation Out of the Red

Whatever the plight of the British film industry in general, the business of the major cinema groups has evidently improved slightly during the past year. Signs of this were apparent in the recent report of the Associated British group. Now come the preliminary figures of the Rank Organisation, with their record of continued recovery from the group's bitter trading experience in 1948-49. Odeon Theatres trading profits have risen from £3,293,426 in 1949-50 to £5,125,230 in the year ended June 23, 1951, and there is a net profit of £138,227 to set against a net loss of £1,095,626 in the previous year. Gaumont-British trading profits are up from £1,794,720 to £2,852,264, and a net loss of £71,232 has been replaced by a net profit of £426,920. During the year under review, it may be noted, cinema attendances were probably slightly more stable than in the previous year, when they declined sharply; and a rise in admission prices last September will also have been of some advantage to the exhibitors. This summer's increase in prices is also calculated to increase the earnings of cinema exhibition; though there has been some fear in the trade that this might cause patrons to stay away or transfer to cheaper seats, the cinemas should surely benefit from higher earnings and shortages of consumer goods in the coming rearmament period. Odeon, at any rate, shows some confidence in these prospects by its decision to reduce arrears of preference dividends; it is paying a year's dividend on these 6 per cent shares up to June 30, 1950, out of the profits of the current year, ending June 28, 1952. Investors will welcome the return of Gaumont-British to the list of dividend payers; after a year's suspension of payment on equity capital, the directors recommend a dividend of 5 per cent.

Economies within the group, of course, have centred in the curtailment of its film production activity. A year ago Mr Rank said:

> I am satisfied that we now have the worst of our own problems arising out of our large-scale production programme behind us.

The preliminary figures would appear to justify his confidence, though shareholders—and the film industry in general—will await his speech at the annual meeting for a fuller explanation. Film production commitments tend to be reflected in a film company's indebtedness to the banks; it is especially significant, therefore, that the Odeon statement records that the consolidated balance sheet will show a further reduction of bank loans, by £3,736,290, so that within the two years of economy these have been reduced by £7,072,835 to £9,213,746. The more modest production programmes of the group should be assisted in the coming year, moreover, by the distribution of the "Eady levy" to film producers and by the continued operation of the "group system" of production in conjunction with the National Film Finance Corporation.

* * *

Bumper Profits from Rhodesian Copper

The quarterly revenue statements of Roan Antelope and Mufulira had prepared the way for publication of bumper profits for the full year to June 30, 1951. Even so, the year's revenue statements, summarised in the accompanying table, show that forecasts thus framed have fallen short of the mark. Mufulira's estimated profits (before tax) are nearly twice and those of Roan Antelope more than twice their level of 1949-50. An appreciable increase in production of blister copper by both companies has contributed to this striking advance, but it has been chiefly brought about by the rise in copper prices. Devaluation brought an automatic increase in price, so that by June, 1950, the Ministry of Supply's selling price for electrolytic copper, which is based on the American price, had risen to £186 a ton; in September the price was stepped up to £202 a ton. At the beginning of April, 1951, the Ministry raised the price to £210, although the American price had not altered. A month later, when the American export price was raised 3 cents to 27½ cents a lb. (equivalent to £220 a ton) the Ministry raised its selling price by a corresponding amount of £24 to £234 a ton; but this steepening of the trend came too late to have any effect upon producers' earnings in the latest financial year, as the companies sell their output forward.

ESTIMATED REVENUE AND EXPENDITURE
(In £'000s)

Years to June 30:—	Roan Antelope		Mufulira	
	1950	1951	1950	1951
Sales revenue	7,895	13,138	8,761	14,646
Operating expenditure	4,553	5,954	4,149	6,049
Added to stocks value	98	115	345	381
Operating surplus	3,440	7,299	4,957	8,978
Estimated profit	2,432	6,275	4,185	8,198
	In Long Tons			
Blister copper production	62,059	74,520	69,350	83,681

The companies' costs in the same period lagged well behind these price increases, so that while revenue per long ton of blister copper sold rose by some 38 per cent, from approximately £127 to £176, Mufulira's operating costs

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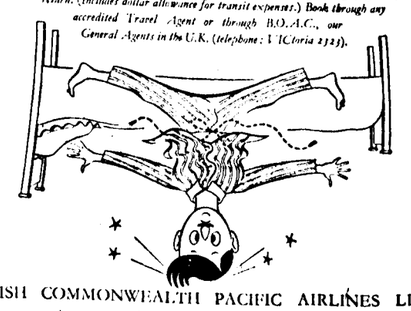

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rose by 20 per cent from £60 to £72 a ton and Roan's costs by only 9 per cent from £73 to £80 a ton. The companies' estimates of profits are made after providing the same amounts for replacement and obsolescence as in the previous year, when Mufulira set aside £700,000 and Roan £900,000. In view of the general inflation of values, it will be surprising if the directors do not decide to increase these allowances. But if the increase in profits is startling in this year of booming prices and lagging costs, so will be the claims of the British tax collector—for Roan Antelope and Rhodesian Selection Trust, which owns 64 per cent of Mufulira's issued capital, each decided against a change in domicile to Rhodesia. In normal circumstances, equity shareholders would confidently anticipate higher dividends from the considerable surplus available for distribution. But if the proposals to control dividends become law and if the Treasury refuses a plea of "exceptional circumstances," equity shareholders in Roan Antelope can expect to receive a dividend of 13.2 per cent which, after allowing for the bonus issue, means that the amount distributed will actually be reduced; the sum distributed to RST's shareholders will be unchanged.

* * *

Manpower for Rearmament

As early as July, with rearmament in most sections of industry only just beginning to mesh into gear, shortages of labour were already beginning to delay defence production. That is the most important news given by the Select Committee on Estimates in its second report on rearmament. In its interim report, published in May, the Committee expected manpower shortage to affect only localised areas and particular trades in the first year of the programme. But the onset has been faster than anyone expected. According to the Ministry of Supply, even the initial demand from defence contractors for a small number of skilled and unskilled workers has proved hard to satisfy; this affects almost all the industries as yet concerned with defence, including aircraft, the ordnance factories, machine tools, and the radio industry. The Society of British Aircraft Constructors in evidence to the Committee was particularly gloomy about manpower prospects:—

> No solution of the labour problem can be seen within the present limits of Government policy. The labour market is for all practical purposes saturated. Recruitment into the aircraft industry is sluggish and some factories are scarcely holding their numbers against wastage

As yet, the industries concerned and the Ministry agreed there is no sign that restriction of supplies or raw materials to less essential firms has squeezed out any labour for defence work. There is plenty of evidence of under-employment in certain industries whose material supplies have been cut, such as the motor industry, but there and in smaller sections of engineering a tendency to hold labour in the hope of improved supplies or eventual defence contracts has continued.

Some transfer of labour to rearmament may admittedly have been only delayed. Shortages of materials, eked out by drawing upon stocks, take some time to seep through to the level where an employer finally decides to let labour go: but eventually some of them will. Certain shortages, and the consequent allocation schemes, have yet to take their real effect: steel is the obvious example. Nevertheless, this single lever in the hands of the Government is a slow-acting and inevitably clumsy one: and the first result is that six weeks ago the Ministry of Supply was ready to report that delivery dates for aircraft, certain types of vehicles, weapons and electronic equipment were beginning to fall short of the programme. Machine tool deliveries (more than half come from abroad) are also slightly behind-hand: but so far as tools made in Britain are concerned, the Ministry is able to avoid the effect of these delays by diverting tools from existing home and export customers.

Manpower for rearmament—and for the basic industries such as fuel and transport that are essential to it—therefore seems likely to be the most serious and lasting difficulty of the programme. The special shortages of skilled workers, such as draughtsmen, can to some extent be dealt with slowly by upgrading workers within industry and in the Ministry's training centres; at a higher level, though the existing supply of graduates seems adequate to supply the majority of scientific staff, some special steps may have to be taken to acquire the essential leavening of exceptionally high-grade men. But the general labour situation, with some 500,000 vacancies in industry as a whole and 200,000 unemployed, is due to be worsened by the fact that roughly 25 per cent fewer young people will be available to enter industry or the services this year than in 1939.

* * *

Progress with Contracts

The Ministry of Supply reported to the Select Committee that orders had been placed for some 45 to 50 per cent of its share of the production required under the £4,700 million defence programme. The Admiralty also stated that the bulk of its major orders—generally involving long-term production—had been placed. Of the total Ministry of Supply orders, about 10 per cent are being handled by the ordnance factories and the remainder by private industry. In addition to the orders placed, demands in process of being cleared within the Ministry cover about 17 per cent of its production requirements, so that industry is aware of detailed requirements to a greater extent than actual contracts indicate. The evidence of industry in this second report appears to confirm that, on the whole, the placing of orders is no longer lagging; the radio industry commented that little in the way of quantity production orders seemed to have come to the electronic assembly manufacturers, but surmised that the main demand might be for specialised types and small quantities.

One type of defence stores for which orders are behind-hand comprises textile requirements, in particular canvas equipment. These needs had been re-examined during the first half of the year by the Ministry of Defence and the Board of Trade; during this period no orders were placed. It has since been ascertained that production capacity will be available for all the battledress needed by the War Office and most of the cotton clothing; but supplies are not likely to be satisfactory until the end of 1952. It did not seem likely, upon investigation, that over the three years sufficient canvas to meet service requirements would become available. But this question, said the War Office, "was being attacked again." Such evidence as the Committee obtained from certain trade associations showed that prices had increased since February, in some cases steeply: in its inquiries concerning production of the .280 calibre semi-automatic rifle, the Select Committee gathered that this would cost roughly £34, compared with £17 10s. for the existing .303 rifle. Arrangements for re-tooling, they were told, had been set in train for the .280 ammunition, but not, at that time, for the new rifle.

* * *

More Dividend Freeze Anomalies

Hardly a day passes now without bringing to light new anomalies or injustices that will be perpetrated if the dividend freeze becomes law. The suspicion that British companies that have shifted their seat of control overseas would not on that account escape the Chancellor's net has

now been confirmed—by a Treasury response to an inquiry by Tanganyika Concessions. The White Paper affirmed that the control would extend to "every company registered under the Companies Act, 1948, or its predecessors, and to any company incorporated by Act of Parliament or Royal Charter." The "Tanks" company, which comes within this definition, has now been informed that its status for dividend control is not affected by the fact that last November it removed its seat of management and control to Southern Rhodesia. That, at least, is the Chancellor's design; it should be emphasised that, even though it be assumed that the control will become law, neither he nor any Treasury official can give a "ruling" about the form it will take—the most that can be said is what the Government Bill will contain. Meanwhile, the board of Tanks, which had hoped to distribute 25 per cent, estimates that the controlled maximum would be "in the region of 10¾ per cent"; a further announcement is promised.

Many other companies have been more forthright in their response, and are declaring dividends beyond the hypothetical maximum—either because they hope that the whole unreasonable plan will be still-born or because they think they may bring themselves within the privileged category that the Treasury, in its wisdom, may declare to be governed by "exceptional circumstances." If it could be supposed that an unreasonable plan would, none the less, be administered reasonably, the already long list of candidates for special consideration would be entitled to their optimism. As it is, one can scarcely hope that some of the reasons put forward, such as "jubilee celebrations" (advanced by Whitworth and Mitchell this week), will soften the Treasury heart. The case of the rubber producers (discussed in these columns a fortnight ago) and of the tin companies (instanced by the plea to the Treasury from Beralt Tin and Wolfram) rests on an entirely different footing. So, too, perhaps, does that of insurance companies that have the misfortune to make up their 1950 accounts after the Chancellor's zero hour, while some of their fellows, who reported earlier, had already declared increased distributions. Mr H. K. Goschen, of the Mercantile and General Reinsurance, has seized this particular bull by the horns: the company is declaring a tax-free dividend of 10 per cent, although the controlled tax-free maximum would be a little under 5 per cent, and this action will, if necessary, be supported by a strong plea for exemption. It can be argued that harsh treatment of insurance companies would do particular damage to Britain's international credit; but, this consideration apart, the company's arguments are very widely applicable—too widely, perhaps, to encourage hopes that the Treasury would give way. But what will it say to the tail-twisting argument of the Triplex board, which this week has justified a modest increase in distribution by the fact that its employees' wages are kept in step with the rise in the cost of living? There can hardly be any "psychological" dangers here. Or would Mr Gaitskell like to see the sliding wage-scale dropped as well?

Winter Transport Dangers

Industry, as represented by the Federation of British Industries and the Association of British Chambers of Commerce, has for some weeks been discussing with the Railway Executive the dangers of transport dislocation this winter. The two industrial organisations have now circularised their members with a plain statement of the potential difficulties, avoiding recriminations and setting out soberly some measures that industrialists can take to ensure that, from their side at least, railway operation will be unhampered.

The danger of rail dislocation arises mainly from one factor—shortage of staff. The railways are short of 5,000 footplate workers, 1,200 guards, 1,600 signallers, and some 4,500 permanent way staff: this staff largely governs the number of trains that can be run each day, and it is continuing to be drained away by more attractive conditions in other industries. The Executive's physical resources—locomotives and wagons—should be adequate for winter movement demands. Whether the human resources will be sufficient is much more doubtful. The Executive is asking the Government to defer railwaymen due for military service; attempting to recruit labour from Northern Ireland and Italy; discussing with the trade unions temporary restoration of a 48-hour working week; considering further cuts in passenger services (having already decided to stop summer passenger services a fortnight earlier than usual); and improving lodging allowances to encourage staff to transfer. The effect of such emergency measures upon the operating grades of staff in areas such as London and the Midlands may be the decisive factor in avoiding—or failing to avoid—a crisis.

Industrialists are being asked by their organisations to co-operate with the railways in co-ordinating freight movement. Use of wagons to maximum capacity, correct timing of the flow and loading of traffic, and planning to avoid the delay of wagons awaiting loading or discharge are suggested as arrangements that may avoid dislocation. This sensible co-operation from transport users in face of the dangers of winter breakdown is welcome; it is to be hoped, however piously, that the Executive's approach to the problem, which it claims is "being tackled resolutely and with foresight," may succeed in removing transport from the list of nationalised industrial crises promised for a hard winter.

* * *

Belgium and EPU

Now that Germany's chronic deficit with the European Payments Union has been effectively conjured away Belgium's even more chronic surplus has become problem Number One for the EPU. Belgium's initial EPU quota of $331 million, or $360 million if account is taken of the initial debit position of $29 million, was exhausted by the end of August. By now the additional $40 million that

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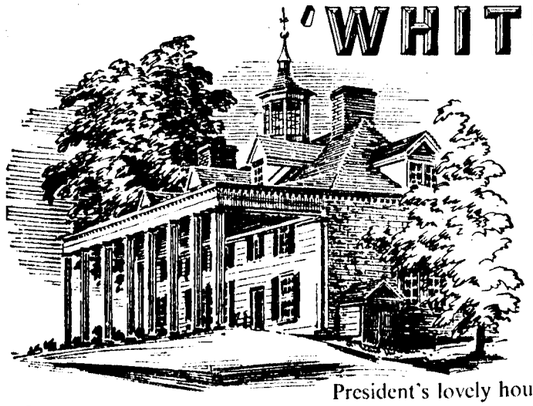

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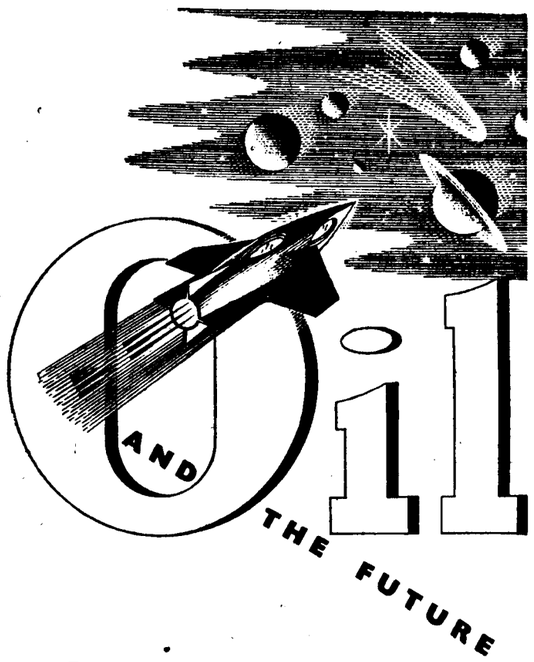

Oil that is in a laboratory test tube today will fly the jet aircraft of tomorrow. Work in progress at Anglo-Iranian Oil Company's research stations includes the preparation of new aviation fuels and lubricants. New processes and plant are being designed to improve the output of Anglo-Iranian's many refineries. Looking even further ahead, Anglo-Iranian is prospecting for new oil-bearing strata beneath the surface of four continents.

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Belgium agreed to make available a month ago, on the basis of fifty-fifty finance by gold payments and by new credits, is being drawn upon. The position is about to be reached at which further credits accumulated by Belgium with EPU will have to be settled by 100 per cent payments in gold. The managing board of EPU has already held a preliminary meeting in Paris to examine Belgium's position and to advise on measures to be taken to correct this excessive creditor position vis-à-vis the rest of EPU membership. The first of these measures is the setting of a definite limit upon the export of certain types of consumer goods from Belgium to the Netherlands. This will hit certain Belgian industries, notably textiles, but it will affect the balance of payments position at its most critical point—for it is the boom in Belgium exports to the Netherlands, made possible by the Benelux dismantling of customs barriers between the two countries, that provides the main explanation of Belgium's net surplus with EPU as a whole. Belgium will also consider easing the quotas that still hamper Belgian imports of agricultural produce from the Netherlands. Finally, Belgium has also undertaken to divert a wide range of its imports of consumer goods from the dollar area to EPU countries.

These events reveal how difficult it is for divergent import policies to be maintained within a group of countries that "enjoy" the benefits of multilateral payments. Belgium has in recent years prided itself on a policy of nondiscrimination in imports, buying where goods were cheapest, irrespective of the hardness or softness of the currencies concerned. That orthodoxy must now be sacrificed by reason of the contagion of difficulties experienced by other members of EPU. It is difficult to walk straight when in the serried ranks of a company of limping cripples.

* * *

Germany in Transferable Account Area

After many months of striving on Britain's part, and of doubtful hesitation on the part of Western Germany, an agreement has finally been made that draws Germany within the "Transferable Account" system of sterling payments. As in the case of all other transferable account countries, payments to and from the new German transferable accounts from and to other transferable account countries, can be made only in respect of direct current transactions between them. These new arrangements should have little direct effect on Anglo-German trade, since payments between Germany and the whole sterling area are now operating under the smoothly working machinery of the European Payments Union. In fact, the now successful British attempt to draw Germany within the sterling transferable account system was made mainly in pursuit of consistency and logic—which require that Germany should be given the same rights to use sterling as other members of EPU, many of which have long been in the transferable account system. It should be realised, however, that the new arrangements may work distinctly well for Germany. Germany is now well set as a creditor country on current account and, in so far as non-European and non-sterling countries pay Germany in sterling, those payments will be brought into the EPU reckoning and will ultimately be settled in favour of Germany, partly in EPU credits and partly in gold. These new transferable account arrangements came into operation on August 31st. British banks have been advised by the Bank of England of the amendments involved.

* * *

Wool Weakens Further

Wool prices have continued their fall this week, but the rate of decline appears to be slackening. In Australia on Monday, prices fell by 2½-5 per cent, showed no change on Tuesday, but by Thursday had fallen another 5 per cent. At least the rate of decline is slowing down. Merino

64's are now about 118d. a lb compared with 148d. at the opening of the season and about 206d. a year ago. The South African season opened this week and the market started off on a better tone than in Australia. Prices were 45 per cent below the closing rates of the last South African sales in May, but slightly above current Australian prices. On the second day, however, the market became noticeably weaker and finished below the Australian level. This same cautiousness in buying was experienced in New Zealand, and prices this week dropped back to the level of August 15th when the postponed sales were resumed. In the intervening period they had risen by 10 per cent.

There is little doubt that manufacturers are concerned about the trend of retail sales. The declining trend in sales of wool textiles is not peculiar to Britain. It is also happening in both the United States and Canada, and in these two markets British exporters are beginning to feel the effect of consumer resistance. In Western Europe, too, retail sales have fallen, chiefly because of the sharp rise in the cost of foodstuffs and other essential goods. When incomes have had a chance to catch up with the rise in cost of living, the public might indulge in another buying spree. But they might prefer to buy television and washing machines until they have begun to wear out some of this spring's new clothes.

* * *

Films and the Duty

During the past eighteen months the Board of Trade has been publishing the first authoritative statistics of the British film industry ever gathered, thus inserting a framework of fact into the somewhat inchoate controversy concerning the industry's economic health and future. In its latest and sixth quarterly report, published last week, the Board's Statistics Division searches back beyond its own verified data to provide a valuable comparison between postwar and present financial rewards of the industry. Inevitably, the figures are estimates only—but they are independent estimates derived from the best available figures; earlier comparisons quoted in the recent discussion of Entertainments

ESTIMATES OF CINEMA ADMISSIONS AND TAKINGS
1936-1950

Year	Number of Admissions	Gross Box-Office Takings	Net Takings
	Million	£ Million	£ Million
1936	917	38·6	33·4
1937	946	39·9	34·5
1938	987	41·5	36·0
1939	990	41·7	36·1
1940	1,027	44·9	38·2
1941	1,309	65·0	52·2
1942	1,494	87·2	64·0
1943	1,541	103·5	68·8
1944	1,575	111·8	72·1
1945	1,585	114·2	73·4
1946	1,635	118·3	75·9
1947	1,462	105·4	67·7
1948	1,514	108·8	70·0
1949	1,430	103·3	66·8
1950*a*	1,396	105·2	68·0

(*a*) Actual figures taken from quarterly enquiries.
Source: Statistics Division, Board of Trade.

Duty, such as those made by the exhibitors or those hazarded in these columns three months ago, derive wholly from estimates made at different times within the trade that may be liable to accusations of bias.

The Statistics Division is to be congratulated upon a piece of research that will be of considerable value in the impending discussions upon the whole form and incidence of full-rate Entertainments Duty. Its estimates are based upon prewar and wartime estimates of the prices paid for admission to cinemas in the thirties, Excise returns of Entertainments Duty, and postwar estimates preceding the collection of its own full-scale statistics. The most uncertain item in these figures is the number of cheap seats paid for that fall outside the scope of Entertainments Duty and are not recorded in its returns; but the resultant error is not likely to affect the estimates of total box-office receipts very much.

It is perhaps worth noting that the Division's estimates, while greatly modifying the comparisons put forward on behalf of the trade this summer, do not wholly vitiate the argument it had based upon them. The exhibitors were claiming in May that their net box-office takings had risen since before the war by only 40 per cent, whereas many of their expenses had risen by 100 per cent or more. The Board of Trade estimates suggest that in fact net box-office takings may have risen by nearly 100 per cent between 1940 and 1946, but that since then they have fallen by 10 per cent. With 1950 net takings some 88 per cent greater than those of 1939, it still seems likely that they have risen considerably less than costs, the increases in some of which may even have been underestimated by the trade. In the same period, incidentally, Entertainments Duty has grown sevenfold; it now represents 35 per cent of the cinemas' total gross takings, in contrast with 13 per cent in 1939.

* * *

India and Sterling

The Annual Survey of the Reserve Bank of India, cabled extracts from which reached London last week, gives interesting information about the extent to which the financing of India's external trade is being divorced from sterling and from the traditional method of the bill on London. During the year to June 30, 1951, the proportion of India's export trade proceeds received directly in hard

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currencies rose to a little over 40 per cent, compared with 20 per cent for the previous year. Over the same period the use of sterling in financing external trade dropped from 62 per cent to 40 per cent. These are at first sight somewhat startling figures in their indication of the extent to which Indian external trade is now by-passing the London markets and the channels of sterling finance. It should be realised, however, that the percentages of non-sterling finance include the substantial Indian-Pakistan trade that is invoiced and transacted in rupees and involves sterling payments only so far as ultimate net balances are settled by transfers between the respective "No. 1" sterling accounts of the two Dominions. India has also been negotiating bilateral payments agreements with such countries as Germany and Austria. If these figures of the use of non-sterling currencies in Indian external trade have any menacing significance for the future hegemony of the sterling system, that must lie in their reflection of the direct trade now done by India in terms of dollars. The growth of such direct dollar trade will have no seriously unfavourable implications for the sterling area if India continues the practice of holding in dollars no more than working balances and adheres to the principle of pooling its net earnings of hard currencies.

The report of the Reserve Bank underlines the substantial improvement that has occurred in the country's balance of payments since the devaluation of the rupee. On June 30th last the foreign exchange reserve amounted to Rs.8,560 million, compared with Rs.8,070 million at the end of September, 1949. The improvement in the balance of external payments has been such as to obviate the need for any draft on the "agreed releases" portion of India's sterling balances under the agreement governing those balances. These releases will, however, have to be drawn upon as India's part of the Colombo Plan gets under way.

* * *

Cheaper Knitting

Retail drapers have had hardly any alternative this week but to accept the loss upon their stocks of knitting wool that has been imposed upon them by the sharp price cuts announced by the largest producer, Paton and Baldwins, and followed by other manufacturers. Attempts to dispose of present stocks at the old prices would seem impracticable. Even without the promise of wools 25-30 per cent cheaper elsewhere or in a few days, knitting customers have needed no prompting to hold off buying in recent weeks. "Customer resistance," indeed, may well be the primary reason for the cuts, which follow smaller reductions at the beginning of June: the fall in raw wool prices has simply made it possible for the manufacturers to take heroic measures to revive dormant sales.

Price cuts in knitting wools, of course, do not necessarily presage any early falls in the prices of other drapery goods. From the production side, knitting wool has naturally a far shorter processing period than materials or made-up garments; and the effect of changes in the price of raw wool is therefore passed on to the consumer much faster. Many other textile goods, as the chairman of the Wholesale Textile Association emphasised last week, take up to twelve months from wool purchase to counter sale—and in their prices, it follows, the proportion of raw material cost is in any case considerably smaller. From the marketing side also, it might be that demand for knitting wools would respond to price changes more sensitively than demand for other textile items. This is impossible to test from published figures: the WTA's monthly indices of textile sales and stocks, for example, do not separate knitting wool as a particular item—partly, perhaps, because a smaller proportion of this item passes through wholesalers' hands. But the comments of individual retailers upon this week's price cuts suggest that stocks of knitting wools had been accumulating on shop shelves for some months. The rebates offered by manufacturers to retailers on account of purchases made during the past month, for that reason, will do little to mitigate the cost of the price cuts to shopkeepers: there had been little buying of knitting wool during August.

Whether equally strong customer resistance will build up for other textile products is not easy to judge. The WTA's latest figures of sales and stocks show that June sales were lower than in May by more than the usual seasonal decline. At the same time the stocks index rose by 12 per cent (it remained level between the same two months of last year). Stocks of garments, fancy goods and miscellaneous items rose, and those of furnishings nearly doubled. There is some feeling in the trade that customers ought soon to be spurred by further price rises into renewed anticipatory buying before the "peak in prices" that may or may not arrive by the end of the year. But at the moment the public is not behaving according to the trade's prognostications.

* * *

How the Zinc Cuts were Felt

Industrial statistics are now beginning to make clear the actual results of the shortages and reduced allocations of certain raw materials that began to take effect early this year. As was to be expected, the first fears and protests were somewhat exaggerated—though not often as much as in the expectations about the rayon industry, which has achieved record output despite the sulphur shortage. The Zinc Development Association last week reviewed the effects upon the zinc-using industries of the rationing scheme introduced in January. The effects have been uneven, as indeed were the permitted supplies of different grades of zinc; galvanising was more seriously affected than any other industry concerned, while the brass trade, despite cuts in its virgin metal supplies, managed to consume more zinc than in the first half of last year, by running down stocks.

The galvanisers were considerably less affected by the varied prohibitions of end-uses for their wares than by the sharp cut in their total supplies—at first to 50 per cent of their average consumption in the first nine months of 1950, and later to 55 per cent. For some specialist galvanisers concentrating on particular products, the ration was even less. By using up stocks of metal at the works, and by emptying baths that could no longer be kept working, the general galvanising trade kept its activity in the first six months of this year up to about 65 per cent of that in the same period of 1950; but by the end of June its stocks of zinc had fallen to 3,996 tons compared with 7,634 tons at the end of October, 1950.

Galvanisers use ordinary grade zinc, which was cut the most sharply of any. The other trades suffered less

UK Consumption of Zinc by Main Trades
(Monthly Average, '000 Tons)

Year	Virgin Zinc	Secondary Metal (Zinc Content)	Total	Consumption by Trades: Brass	Galvanising	Rolled Zinc	Zinc Oxide	Alloy Die-Casting
1946	18·0	6·1	24·1	7·9	6·1	2·2	4·6	1·8
1947	18·6	7·8	26·4	9·0	6·3	2·2	4·4	3·1
1948	18·8	7·3	25·9	8·1	6·9	2·3	4·5	2·4
1949	16·6	7·3	23·8	7·0	7·4	2·1	3·5	2·2
1950	19·7	7·6	27·3	8·2	8·3	2·3	3·9	2·8
1951:—								
January	15·8	9·1	24·9	9·4	6·4	2·0	3·1	2·1
February	15·1	9·7	24·8	9·1	6·4	2·2	3·7	2·5
March	14·7	8·7	23·4	9·3	5·6	1·8	2·9	2·6
April	14·9	8·3	23·2	9·2	5·0	1·7	2·8	2·6
May	15·2	7·6	22·7	8·8	5·4	1·8	2·4	2·4
June	15·7	7·6	23·3	9·1	4·9	2·0	2·5	2·9

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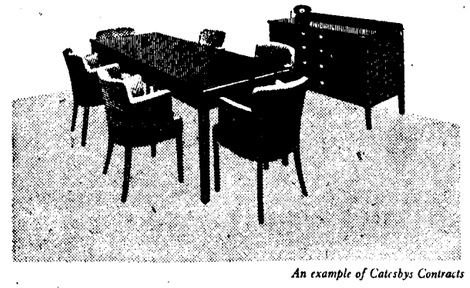

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heavily. Use of zinc for die-casting alloys (in which form the metal is of considerable importance in motor components) was less than 5 per cent lower than in the first half of 1950, and that for rolled zinc products about 17 per cent lower. Consumption of zinc for zinc oxide in the first half of 1951 fell to 17,607 tons, compared with 23,287 tons in the first half of 1950: but for brass it rose to 55,361 tons compared with 49,204 tons in 1950. How long activity in these trades can be bolstered by running down stocks is uncertain, since the stocks in most sections except brass foundries are already lower than they have been at any time in the last eighteen months. There seems no immediate prospect of an improvement in zinc supplies, and the present restrictions upon industrial consumption are likely to be maintained at least until the end of the year.

* * *

Improvement in Raw Materials

The raw material crisis that threatened Britain and the world ten months ago has not materialised. There is no era of plenty just round the corner. But the prompt and resolute action taken by the United States and Britain in controlling civilian consumption, and the sharing of supplies of certain materials through the mechanism of the International Materials Conference in Washington, has permitted a high level of industrial activity to be maintained. The danger, as seen towards the end of last year, was not that supplies of all raw materials would be inadequate to cover demand, but rather that a few vital raw materials, such as sulphur and zinc, would be really scarce, and might through their ubiquity curtail total production quite seriously. International action in this field, although somewhat limited, has certainly been successful in preventing one country expanding its industrial output very rapidly at the expense of others.

A survey of the present raw material position in Britain, published in last week's issue of the *Board of Trade Journal*, gives a quite encouraging picture. There has been no deterioration in prospects for any commodity compared with six months ago and an improvement has been recorded in 70 per cent of them. Britain has been able to get much larger supplies of sulphur, tungsten and molybdenum than it expected, thanks to the IMC, which is allocating all three materials. Owing to increased world production, the prospective scarcity of jute, cotton, cotton linters and chemical pulp has been forestalled. The improvement in softwood, aluminium and magnesium, as far as Britain is concerned, has been due to larger purchases; Britain bought large quantities of timber from North America and signed another large contract with Russia. The long-term contract with Canada for aluminium has begun to prove its worth, and allocations to fabricators have been increased by 2,000 tons a month and are now at a higher monthly rate than last year. As for magnesium, Britain has entered into long-term contracts with overseas suppliers and has reopened its wartime plants.

The improvement in rubber, tin, wool and sisal has come more from a reduction in demand than from an increase in output. Civilian consumption of rubber and tin is controlled by governmental decree in the United States; it is much smaller than twelve months ago. Stockpile purchases have also been reduced. The decline in the consumption of wool and sisal is in part a reaction to the large-scale buying, twelve months ago, by both manufacturers and final consumers. Copper and lead have shown little change during the past six months and are not expected to raise any new difficulties, but the supply of zinc, nickel, mechanical pulp and kraft paper is still uncertain, and may yet provide a headache for the Government and manufacturers. All these latter materials are still under discussion at the IMC in Washington, though so far no agreement has been reached about their allocation.

Rubber and the Stockpile

The rubber market has still not learnt to treat with complete disdain the alternate blasts of hot and cold air from across the Atlantic. A few months ago the United States Government announced that stockpiling of rubber would be reduced and that the programme would be completed by the early months of the next year. This week the Senate Armed Services subcommittee reported that less than one-fifth of the total amount of rubber to be stockpiled was bought in the twelve months ending last June, and went on to state that the United States "must stockpile and conserve rubber as though our very lives depended on it, because that may be a reality." At first the price of rubber in London hardly reacted; it rose by only ½d. to 3s. 8½d. a lb. on Tuesday. But on Wednesday it jumped to 3s. 11d., and closed on Thursday at 4s. 1d. a lb.

The United States, having burnt its fingers in the scramble for commodities last year, has recently become much more concerned with prices than supplies. It would be surprising, to say the least, if its stockpiling authorities rushed into the rubber market just because of a Senate subcommittee report. Civilian consumption of rubber in the United States is still drastically curtailed, despite some minor relaxations five months ago, and if large quantities are needed for the stockpile they are more likely to be found by reducing home consumption than by increasing purchases. American authorities feel that the present price of rubber is reasonable both for producers and consumers and are consequently reluctant to start a new rise.

World production of rubber in the first half of this year amounted to 957,500 tons, compared with consumption at 797,500 tons, while total stocks declined by 20,000 tons, indicating a disappearance of some 180,000 tons into government stocks during the period. Government buying is clearly still an important factor in the market. Supplies to China have been greatly reduced and sales to the Soviet bloc are controlled. Rubber producers will, of course, prefer to see the United States increase civilian consumption rather than put more natural rubber into the stockpile, since that must always be considered a potential threat to them. And recent reports have suggested that government control on the use of natural rubber may be relaxed in the first quarter of 1952. American production of synthetic rubber is being expanded to the limit of existing capacity; immediate postwar experience showed how difficult it is to get the American Government to relax compulsory use of synthetic rubber. But if the American economy expands each year—helped by the rearmament programme—a higher level of consumption of natural rubber seems inevitable, unless new synthetic rubber plants are to be built.

Shorter Notes

Industrial production in June, according to the official interim index, showed a rise of six points over the (revised) figure for May, during which production was affected by the Whitsun holidays. The June provisional index figure, 149, compares with 143 in June, 1950: the manufacturing component of the index reached 157, compared with 149 in May this year and 138 in June last year. The index as revised, therefore, continues to support the estimate of a rise of 4 per cent in industrial production this year made in the Economic Survey.

*

On July 1st this year there were only 15 ships with a gross tonnage of 48,910 tons laid up in United Kingdom ports, apart from those awaiting or undergoing repair. This is the lowest quantity of idle cargo space recorded since the war; the amount of shipping laid up has fallen steadily since the Korean war began. The swollen demand for shipping of the last year—also reflected to some extent in the lower tonnage of shipping taken out of service for repair—reflects the other abnormal requirements of last winter and spring; and it shows that there is practically no reserve of British shipping to meet any further calls of that nature.

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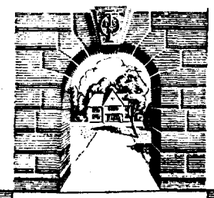

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Company Notes

Triplex Safety Class.—It is unlikely that the Triplex decision to raise the ordinary dividend from 12½ to 15 per cent will rank as a privileged special case, as Mr Gaitskell would define it. But if the avowed object of dividend control is to avoid the "psychological" effect of dividend increases upon workers and their claims for higher wages, Triplex can retort that its employees' wages have been raised to keep pace with the increases in the cost of living. The extra payment by Triplex amounts to £6,500 net, to be shared among 8,000 to 9,000 stockholders.

On financial grounds, the year's results amply justify the increase. Footage sales have risen, and group trading profits have advanced from £278,849 to £389,783. The year has also seen the acquisition by the company of three general engineering concerns; this is reflected in the rise in the gross book value of fixed assets from £582,022 to £821,257 and in a reduction in the portfolio of government securities from £493,748 to £194,000. Undoubtedly, these engineering concerns will ultimately make their contribution to earnings, but future profits will still largely depend upon the production schedules of motor manufacturers. If the Treasury rejects the company's plea of "exceptional circumstances" in raising the dividend, shareholders will have to resign themselves to the prospect of a 7½ per cent. dividend next year—if the government's proposals are carried through.

	Years to June 30, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	278,849	389,783
Total income	312,508	423,589
Depreciation	36,501	83,774
Taxation	104,210	153,406
Group earnings for ordinary stock	*76,340*	*74,969*
Ordinary dividends	44,490	50,961
Ordinary dividends (per cent)	12½	15
Retained by subsidiaries	6,983	12,575
Added to general reserves and carry forward	29,367	24,419
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	216,067	368,134
Net current assets	937,027	786,605
Stocks	259,899	456,029
Cash	73,322	111,671
Reserves	514,226	507,596
Ordinary capital	647,127	647,127

10s. ordinary stock at 26s. 9d. yields £5 12s. per cent.

Whitworth and Mitchell.—The list of claimants to increase ordinary dividends beyond the "standard" rate on the grounds of "exceptional circumstances" grows rapidly. Whitworth and Mitchell was among the first, but, in compliance with the government's proposals it has maintained its ordinary dividend at 12½ per cent. The company had intended to celebrate its jubilee by paying a bonus of 5 per cent; a sum necessary to cover this bonus has been placed in reserve—in the hope that the Treasury will permit its distribution.

	Years to June 30, 1950	1951
Earnings :—	£	£
Trading profit	363,978	406,698
Total income	364,468	407,180
Taxation	142,962	189,000
Earnings for ordinary stock	*119,788*	*92,930*
Ordinary dividends	34,375	33,458
Ordinary dividends (per cent)	12½	12½
Dividend reserve	...	13,125
Added to general reserve and carry forward	85,413	46,367
Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	94,867	97,355
Net current assets	1,235,890	1,356,889
Stocks	963,745	1,225,276
Cash	155,041	319
Reserves	649,698	429,385
Ordinary capital	500,000	500,000

£1 ordinary stock at 38s. 9d. yields £6 9s. per cent.

The accounts themselves repeat a familiar story of higher profits, up from £363,978 to £406,698, bigger claims by the tax collector and an increase in stock values. Inflated values of current assets have made further calls on liquid resources, and cash holdings of £165,041 have been converted into an overdraft of £41,443.

Both the volume of business and monetary turnover have increased, but gross profit margins have fallen slightly and the increase in turnover has been obtained exclusively in export markets. At home, trade has declined, for the company largely manufactures non-utility goods, the sales of which "are very seriously affected by the high rate of purchase tax they have to bear." The rise in raw material prices, particularly of cotton, and hence in the company's costs and selling prices, which has led to "strong consumer resistance," is giving rise to considerable anxiety. Moreover in estimating future prospects, equity shareholders will wonder if a fresh appeal for capital funds is foreshadowed—however faintly—by the chairman's remark that "it will become increasingly difficult, in view of high taxation, to finance extra business of any magnitude without obtaining further liquid resources."

★

Watney, Combe Reid.—The effect of the fall in beer consumption upon the trading fortunes of such leading brewers as Watney, Combe Reid was discussed in a note on the company's preliminary profit statement in *The Economist* on August 25th. The company's chairman, Mr S. H. Combe, now anticipates a further decline in consumption and argues that as the biggest cost of beer is attributable to the high level of duty the only way to reverse the downward trend is by a sharp reduction in duty. The recent increases in beer prices were inevitable because of the alarming rise in costs; hops and barley, for example, now cost some 300 per cent more than in 1939 and at the same time beer duty per barrel has risen from 104s. to 321s. In these circumstances the chairman considers the small fall in group trading profits, from £1,546,012 to £1,528,369, as "not unsatisfactory."

	Years to June 30, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	1,546,012	1,528,369
Total income	2,152,801	2,093,561
Depreciation	161,187	205,407
Taxation	745,200	788,966
Group earnings for deferred stock	*253,172*	*204,475*
Deferred dividends	214,362	204,618
Deferred dividends (per cent)	17	17
Added to group general reserves and carry forward	44,290	*Dr.143*
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	16,583,052	16,907,374
Net current assets	2,566,637	2,666,309
Stocks	2,185,484	2,429,054
Cash	1,124,438	948,742
Reserves	5,919,907	6,173,477
Deferred capital	3,247,910	3,247,910

£1 deferred stock at 59s. 0d. yields £5 15s. per cent.

The cash requirements of the group are "enormous and increasing"; to provide for the upkeep of the company's properties, for the eventual replacement of its plant, and for the purchase of Charles Hammerton an issue of £2,000,000 debenture stock was made last year. Of the issue proceeds, £1,103,937 had been received by the end of the financial year; but despite this reinforcement, cash holdings are down from £1,124,438 to £948,742.

A few factors can be set against the dismal trend of rising costs and falling consumption. First, the company by purchasing Charles Hammerton, the stout brewers, has broadened its interests in the more popular bottled trade. Secondly, arrangements have been made to sell the company's output of yeast to a concern that is to produce a new cereal food in the profits of which Watney will have a share.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Aug. 29, 1951	Price, Sep. 5, 1951	Net Yield, Sept. 5, 1951 (n)	Gross Yield, Sept. 5, 1951
			£ s. d.	£ s. d.
War Bonds 2½%	101¼	101⅜	...	...
Mar. 1, 1951-53			0 8 8	1 12 6
War Bonds 2½%	101⅛	101⅛	...	...
Mar. 1, 1952-54			0 13 5	1 17 1
Exchequer Stk. 2½%	101⅛	101⅛	0 12 11	1 14 5
Feb. 15, 1955				
War Bonds 2½%	102¼	102⅛	0 6 6	1 10 4
Aug. 15, 1954-56			0 14 4	1 18 0
Funding 2½%	102¼	102⅛	...	0 9 7
June 15, 1952-57			1 1 7	2 8 6
Nat. Defence 3%	102⅛	103¼	0 10 2	1 19 7
July 15, 1954-58			1 2 4	2 11 0
War Loan 3%	103⅜	104⅛	0 13 10	2 4 7
Oct. 15, 1955-59			1 2 3	2 11 9
Savings Bonds 3%	97⅛	97⅛	2 3 0	3 12 3
Aug. 15, 1955-65			1*15 0	3 4 0
Funding 2½%	97⅛	97⅛	1 18 4	3 4 0
April 15, 1956-61			1 12 3	2 17 6
Funding 3%	94½	94½	2 10 0	4 1 0
April 15, 1959-69			2 0 2	3 10 0
Funding 3%	94⅞	94⅞	2 0 5	3 10 0
Aug. 1, 1966-68			1 19 6	3 9 0
Funding 4%	103⅛	103⅛	1 14 0	3 13 0
May 1, 1960-90			1 19 7	3 17 0
Savings Bonds 3%	92½*	92⅛	2 9 10	3 19 0
Sept. 1, 1960-70			2 0 11	3 19 0
Savings Bonds 2½%	90⅛	90⅛	2 3 7	3 9 0
May 1, 1964-67			2 0 6	3 6 0
Victory Bonds 4%	103⅛*	103⅛	1 15 7	3 12 0
Sept. 1, 1920-76				
Savings Bonds 3%	89⅛	89⅛	2 9 0	3 19 0
Aug. 15, 1965-75			2 2 6	3 13 0
Consols 4%	98	98	2 2 11	4 2 0
(after Feb. 1, 1957)				
Conversion 3½%	87⅞*	87⅛*	2 1 10	3 19 0
(after Apr. 1, 1961)				
Treasury Stk. 2½%	64⅜*	64⅛*	2 0 8	3 17 5
(after Apr. 1, 1975)				
Treasury Stk. 3%	77⅛	75⅜*	2 1 5	3 18 10
(after Apr. 5, 1966)				
Treasury Stk. 3½%	95⅛	95⅛	2 1 5	3 16 2
June 15, 1977-80			2 1 1	3 15 10
Redemp. Stk. 3%	83*	82⅛*	2 2 8	3 17 9
Oct., 1986-96			2 3 5	3 15 9
War Loan 3½%	87⅛	87⅛	2 2 4	4 1 0
(after Dec. 1, 1952)				
Consols 2½%	66⅛	65⅛*	2 0 0	3 16 1
Brit. Elect. 3% Gtd.	90⅛*	90½*	2 2 5	3 15 6
April 1, 1968-73			2 2 9	3 12 10
Brit. Elect. 3% Gtd.	89⅜*	89⅜*	2 2 3	3 13 10
Mar. 15, 1974-77			2 2 3	3 12 8
Brit. Elect. 3½% Gtd.	96½	96½	2 2 0	3 15 0
Nov. 15, 1976-79			2 2 0	3 15 0
Brit. Tpt. 3% Gtd.	84⅜	83⅜	2 2 8	4 0 0
July 1, 1978-88			2 2 4	3 16 11
Brit. Tpt. 3% Gtd.	90½*	90⅜*	2 2 5	3 15 9
April 1, 1968-73			2 2 9	3 15 9
Brit. Gas Gtd. 3%	83⅜	83⅜	2 2 4	3 17 6
May 1, 1990-95			2 2 3	3 16 5
Brit. Gas Gtd. 3½%	98⅜	98⅜	2 2 6	3 13 0
Sept. 10, 1969-71			1 19 4	3 15 0
Brit. Iron & Steel 3½%	94⅜	94⅛	1 19 2	3 12 11
Feb. 15, 1979-81			2 1 11	3 16 8
			2 1 8	3 16 2

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 5 months.
* Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 3 Years to 26/7/51	Ordinary Stocks	Price, Aug. 29, 1951	Price, Sep. 5, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	60	Anglo-Am. 10/-	7⅜	7⅜	3 15 7
30	30	Anglo-Iran £1	5⅞	5⅞	5 10 4
20	17½	Assoc. Elec. £1	86/6	86/6	4 12 6
27½	25	Assoc. P. Cem. £1	107/6	107/6	5 2 4
35	30‡	Austin 5/-	31/10½	31/10½	5 9 9
25†	23·4†	Bass £1	150/-	150/-	6 11 1
40	20 *m*	Boots 5/-	26/-	26/- *	3 16 11
10	9	Br. Celanese 10/-	29/9	30/9	3 5 4
20	20	Br. Oxygen £1	96/-	96/-*	4 3 9
12½	12½	Coats £1	59/4½	59/-	4 4 9
11½	9‡	Courtaulds £1	47/3	48/6	4 12 10
22½	21‡	Distillers 4/-	22/3*	22/3	4 0 11
17½	16‡	Dunlop £1	65/-	66/3	5 5 8
12½	11‡	Ford £1	57/6	57/6	4 6 11
22½	20	Gen. Elect. £1	92/6	92/6*	4 17 4
32	30‡	Guinness £1	143/9	143/9	4 9 0
32½	8‡ *m*	Hawker Sid. 5/-	38/-	38/-	5 5 1
12	11	Imp. Chem. £1	50/-	51/-	4 14 1
32	32	Imp. Tobacco £1	102/3	103/9	6 3 4
12½	11‡	Lancs. Cotton £1	45/9	45/7½	5 9 7
13½	11‡	Lever £1	53/1½	53/1½	5 1 0
15	15	Lon. Brick £1	60/-	60/-	5 0 0
75	65½ *m*	Marks & Sp. A 5/-	93/-	95/-	3 18 12
16	14	P. & O. Def. £1	67/6*	67/-	4 15 6
25	25	P. Johnson 10/-	46/-	46/-	5 8 6
12½†	9·7†	"Shell" Stk. £1	88/9	90/-	5 5 9
25	25	Tube Invst. £1	6‡	6‡	3 17 6
20	17‡	T. & Newall £1	95/7½	96/3	4 3 1
10	9	Union Castle £1	37/6	37/6	5 6 8
50	33‡	U. Sua Betong £1	60/7½	63/9	15 13 9
12½	9‡	Vickers £1	47/6	48/6	5 3 1
42½	38‡	Woolworth 5/-	47/-	47/3	4 8 12

(k) Yield basis 20% after capital bonus. (k) Yield basis 10%. (m) Allowing for capital bonus.
* Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 1, 1951, total ordinary revenue was £88,224,000, against ordinary expenditure of £112,150,000 and issues to sinking funds 3,032,000, including sinking fund allocations of £8,010,000, the surplus accrued since April 1, 1951, is £15,462,000 compared with a surplus of £88,398,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand): April 1, 1950 to Sept. 2, 1950	April 1, 1951 to Sept. 1, 1951	Week ended Sept. 2, 1950	Week ended Sept. 1, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	344,240	394,000	23,668	30,709
Sur-tax	128,000	31,400	32,000	600	700
Estate, etc., Duties	180,000	78,050	84,800	2,600	3,800
Stamps	55,000	21,000	27,200	1,000	1,100
Profits Tax	312,650	92,820	128,700	8,006	7,800
E.P.T.		6,500	...	...	...
Other Inland Rev.	500	50	65	...	...
Special Contributn.	1,500	2,480	1,440	100	60
Total Inland Rev.	2302400	576,540	668,205	35,968	44,169
Customs	930,500	364,451	406,927	23,762	22,494
Excise	720,500	310,210	339,005	14,963	20,599
Total Customs and Excise	1651000	674,661	745,932	38,725	43,093
Motor Duties	62,000	9,602	11,203	...	...
Surplus War Stores	20,000	10,488	9,230	...	432
Surpl's from Trading	50,000	30,974	57,500	...	...
P.O. (Net Receipts)	5,400	5,000	6,200	*Dr1000*	*Dr1500*
Wireless Licences	13,600	3,750	4,000	650	600
Sundry Loans	27,000	7,766	10,285	1,547	1,312
Miscell. Receipts	105,000	26,710	18,604	4,068	118
Total Ord. Rev.	4236400	1345490	1531159	79,958	88,224
SELF-BALANCING					
Post Office	179,431	66,400	74,300	2,500	4,600
Income Tax on E.P.T. Refunds	4,900	4,174	2,184	156	57
Total	4420731	1416064	1607643	82,614	92,881

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand): April 1, 1950 to Sept. 2, 1950	April 1, 1951 to Sept. 1, 1951	Week ended Sept. 2, 1950	Week ended Sept. 1, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	228,256	228,185	36,781	35,610
Payments to N. Ireland	38,000	14,668	14,729	...	...
Other Cons. Funds	11,000	4,168	4,423	56	26
Total	584,000	247,092	247,336	36,837	35,636
Supply Services	*3425640	1002268	1260351	39,943	76,514
Total Ord. Expd.	*4009640	1249360	1507687	76,780	112150
Sinking Funds	...	7,733	8,010	2,915	3,032
Total (excl. Self-Bal. Expd.)	4009640	1257093	1515697	79,695	115182
SELF-BALANCING					
Post Office	179,431	66,400	74,300	2,500	4,600
Income Tax on E.P.T. Refunds	4,900	4,174	2,184	156	57
Total	4193971	1327667	1592181	82,351	119839

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £177,380 to £3,191,996, the other operations for the week increased the National Debt by £40,867,273 to £26,379 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, s. 26	57
NET ISSUES (£ thousand)	
Post Office and Telegraph (Money) Act, 1950	400
E.P.T. Refunds	69
Export Guarantees Act, 1949, s. 3(2)	15
Local Authorities Loans Act, 1945, s. 3(2)	10,000
Miscellaneous Financial Provisions Act, 1942, s. 2(1) War Damage: Board of Trade	3,000
Finance Acts, 1946 and 1947: Postwar Credits	305
	13,789

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	31,865	Nat. Savings Certs.	200
3% Def. Bonds	740	2½% Def. Bonds	1,615
Tax Reserve Certs.	7,803	Other Debt :—	
Other Debt :—		External	100
Internal	1,835	Treasury Deposits by Banks	35,000
Ways & Means Advances	35,540		
	77,783		36,915

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Sept. 2	3120·0	1897·8	423·1	8·8	450·0	5899·7
1951						
June 2	3230·0	2046·0	427·7	8·25	319·5	6031·4
,, 9	3220·0	2114·4	370·4	...	320·0	6024·8
,, 16	3220·0	2090·9	385·4	...	345·0	6041·2
,, 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
,, 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
,, 14	3230·0	2129·1	373·2	...	344·5	6076·8
,, 21	3230·0	2161·9	335·4	...	344·5	6071·9
,, 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
,, 11	3220·0	2164·2	280·2	...	379·5	6043·9
,, 18	3230·0	2212·0	296·6	...	355·0	6093·6
,, 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3230·0	2287·7	326·7	...	290·0	6134·4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Sept. 1	240·0	333·5	240·0	10 2·90	62
1951					
June 1	250·0	349·5	250·0	10 2·78	60
,, 8	260·0	355·2	260·0	10 2·80	62
,, 15	250·0	344·0	250·0	10 2·88	62
,, 22	250·0	344·0	250·0	10 2·81	62
,, 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
,, 13	250·0	345·2	250·0	10 2·81	61
,, 20	230·0	323·8	230·0	10 2·84	60
,, 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
,, 10	260·0	354·1	260·0	10 2·78	62
,, 17	260·0	341·4	260·0	10 3·02	68
,, 24	260·0	318·7	260·0	10 3·36	77
,, 31	250·0	342·8	250·0	10 2·87	63

On August 31st applications for 91 day bills to be paid from September 3 to September 8, 1951, were accepted dated Monday to Saturday as to about 63 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for September 7th. For the week ending September 8th the banks were asked for Treasury deposits to a maximum of £40 million at 1½ days.

NATIONAL SAVINGS

(£ thousand)

	Totals 21 Weeks ended: Sept. 2, 1950	Totals 21 Weeks ended: Sept. 1, 1951	Week ended Sept. 1, 1951
Savings Certificates :—			
Receipts	34,900	75,700	2,000
Repayments	54,500	59,700	2,700
Net Savings	*Dr19,600*	16,000	*Dr* 700
Defence Bonds :—			
Receipts	7,300	20,214	1,565
Repayments	21,824	25,991	2,060
Net Savings	*Dr14,524*	*Dr* 5,777	*Dr* 495
P.O. and Trustee Savings Banks :—			
Receipts	260,327	273,597	11,961
Repayments	289,260	348,501	14,632
Net Savings	*Dr28,933*	*Dr74,904*	*Dr* 2,671
Total Net Savings	*Dr*63,057	*Dr*64,681	*Dr* 3,866
Interest on certificates repaid	11,838	14,518	675
Interest accrued	50,420	50,769	2,404
Change in total invested	24,475	28,430	2,137

BANK OF ENGLAND RETURNS

SEPTEMBER 5, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1353,520,444	Other Govt. Securities	1385,311,724
In Bankg. Department	46,836,379	Other Secs.	658,799
		Coin (other than gold)	3,014,377
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	318,612,853
Rest	3,919,108	Other Secs.	47,359,205
Public Deps.:—	20,521,764	*Discounts and*	
*Public Accts.**	*17,344,645*	*Advances*	*23,015,297*
H.M. Treas.		*Securities*	*24,343,908*
Special Acct.	*3,177,119*		
Other Deps.:—	374,090,398		
Bankers	*278,955,951*	Notes	46,836,379
Other Accts.	*95,134,447*	Coin	275,833
	413,084,270		413,084,270

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Sept. 6	1951 Aug. 22	1951 Aug. 29	1951 Sept. 5
Issue Dept. :—				
Notes in circulation	1299·0	1367·8	1358·0	1353·2
Notes in banking department	51·4	32·6	42·4	46·8
Government debt and securities*	1347·1	1396·3	1396·2	1396·3
Other securities	0·7	0·7	0·8	0·7
Gold and Coin	2·5	3·4	3·4	3·4
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·4	14·5	18·5	17·3
Treasury Special Account	246·5	0·9	0·9	3·2
Bankers	279·1	289·9	273·6	279·0
Others	95·2	90·2	98·9	95·1
Total	634·2	395·5	391·9	394·6
Securities :—				
Government	549·6	344·5	302·0	318·6
Discounts, etc.	22·2	13·7	29·7	23·0
Other	24·6	22·6	35·8	24·3
Total	596·4	380·8	367·5	365·9
Banking dept. res.	56·2	33·2	42·9	47·1
	%	%	%	%
"Proportion"	8·8	8·4	10·9	11·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

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

	Sept. 5, 1950	August 21, 1951	Sept. 4, 1951
Cereals and meat	150·8	168·4	169·1
Other foods	162·5	182·9	182·9
Textiles	259·8	274·3	256·8
Minerals	290·3	367·4	363·2
Miscellaneous	175·6	194·8	198·2
Complete Index	**198·8**	**224·7**	**222·6**
1913=100	*273·5*	*309·2*	*306·3*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Aug. 30	78·5	90·16	187 9	113 11
,, 31	78·5	90·16	187 13	113 11
Sept. 1	Markets Closed		187 6	113 1
,, 3	78·5	Closed	187 10	112 11
,, 4	78·5	90·16	188 1	112 11
,, 5	78·5	90·16	Market Closed	

COMPANY MEETINGS

MERCANTILE AND GENERAL REINSURANCE

ACCOUNTS REVEAL CONTINUED EXPANSION

IMPORTANT DOLLAR CONTRIBUTION

MR H. K. GOSCHEN'S VIEWS ON DIVIDEND LIMITATION

The annual general meeting of The Mercantile and General Reinsurance Company, Limited, will be held on September 25th, at the company's chief office, 25-31, Moorgate, London, E.C.

The following is a statement by the Chairman, Hugh Kenneth Goschen, which has been circulated with the report and accounts for the year ended December 31, 1950:

My first duty is to record with deep regret the death, on May 23, 1951, of our colleague, Sir William M. Goodenough, Bt., LL.D. We benefited immeasurably from his wisdom and great fund of common sense. His advice, whether on general policy or on matters connected with the staff in which he took such a kindly interest, was invariably founded on those high principles which characterised his whole life.

I have also to record with great sadness the death, on August 26, 1951, of Mr C. M. Woodbridge, a director for 25 years. He took the keenest interest in our affairs and attended our committee meetings to the end. His cautious but always sympathetic approach to the problems of a rapidly expanding business has been of very great benefit to the company and we shall all miss his wise counsels.

It will be my pleasure at the general meeting once again to propose a vote of thanks to the management and staff. They have worked loyally and efficiently throughout the year and under the able guidance of Mr Calburn, our general manager, have well maintained their high standard. I must here mention that Mr Carlton Hall, a manager of the company, retires on August 31, 1951. We started our accident department when he joined us 30 years ago and he has been responsible for this department ever since. With his profound understanding of the business, and his ability in devising means of fulfilling accident reinsurance needs, combined with great gifts, in the fostering of personal relationships, which are so important a part of our business, he has succeeded in building up a strong and well-balanced accident account. We wish him many years of health to enjoy his retirement.

RECORD NET PREMIUM INCOME

The accounts for 1950, now submitted for your approval, show continued expansion. The net premium income amounts to the record figure of £5,445,251, against £4,283,916 in 1949—an increase of 27.11 per cent. To some extent this increase is due to the devaluation of sterling and consequent rise in the sterling equivalent of foreign currency premiums; the full effect of this change was not apparent in the 1949 accounts as the devaluation had only taken place in September of that year. The establishment of new business connections at home and abroad has also contributed very considerably. Compared with the previous year the exchange fluctuations in the many currencies in which we do business have been relatively small and, in consequence, our accounts show practically no net difference under this heading. I am also glad to be able to note that our authorities are now showing a more sympathetic understanding of our need to hold our technical reserves in the currencies in which we have liabilities.

DEPARTMENTAL RESULTS

The departmental results have, on the whole, been satisfactory. In the fire department, the general experience in almost all the territories where we do business was good. The year was characterised, however, by large losses, some due to natural phenomena, the extent of which is even now not fully known. We have, therefore, deemed it prudent to reinforce the reserve for outstanding losses in appropriate measure. High prices for commodities have resulted in a continuing demand for increased coverage. It has been a source of satisfaction to us to be able to be of assistance to our friends in this direction.

The results of the accident department show an improvement, although the motor and general third party business is not yet on a satisfactory basis; it is, of course, particularly vulnerable in this era of general inflation. Motor premium rates at home have been revised and steps are being taken in many places abroad to adjust the rates to current experience. It will be some years, however, before the rates catch up. The third party business is the cause of some anxiety, for many of the awards made by the courts have assumed proportions quite out of line with the existing rates of premiums. The aviation business continues to improve, although there is still a small loss.

In our Marine account the underwriting year 1948 is running off satisfactorily, but in view of the delays in settlements the account will not be closed until the end of 1952. In the meantime our marine fund is building up and now stands at 130.06 per cent. of the premiums. In spite of certain adverse features in the future prospects of both hull and cargo business, there are no signs of an abatement in the considerable competition for marine treaties in the international market. Our own acquisition policy remains very conservative and we were spared serious marine casualties in 1950.

The life department again shows great vitality with another record of £6,503,600 for net new business written in 1950, against £5,485,000 in 1949. Whilst the overseas business has continued to increase, this year it is the home side which shows the greatest expansion. It is satisfactory to note the continued growth of our transactions with the larger British companies. We have organised our department so that we are able to act as a clearing house for the large lines which are now being insured in the market, and this service has already been used on a number of occasions.

The investment department, with a portfolio of £5,427,922 at market prices, has expanded by over £1,100,000. There was a general rise in the market values of Government stocks, and this has enabled us to regain some of the losses sustained in the previous year. I have referred before to the small margin which inevitably exists between the cost and market values of our investments; I can report, however, a small increase in the margin of appreciation against the previous year. The company has continued to follow the traditional policy of holding a large proportion of its investments in British Government securities; at December 31, 1950, these accounted for 52.30 per cent. of the portfolio. But during the year the opportunity was taken of increasing the holding of first-class equity shares where this could be done without sacrifice of the prime requirements of liquidity and security. As you will see we have also increased our investment in mortgages.

You will notice that there appears in our balance sheet for the first time an item for "fixed assets." During the year we made arrangements to buy 48-54, Moorgate, a freehold site near our present offices, which we hope will one day become our permanent home. Unfortunately, we are precluded for the moment from undertaking the necessary rebuilding.

MISSIONS ABROAD

During 1950 our officials travelled far and wide in their efforts to foster and extend our business connections in the world's insurance markets. I would like to take this opportunity of saying thank you to our friends both at home and abroad for the warm welcome and great hospitality with which our representatives are greeted wherever their missions take them.

In an endeavour to make our contribution towards the solving of the country's dollar problem we have made great efforts since the war to build up our business in North America; in the United States we have friends of long standing who favour us with a share of their large and important business, and in Canada we now have many and valuable connections in the fire and casualty business. Our business with Canada has, in fact, grown to such an extent that we have found it necessary to become a licensed reinsurer in that company. With this end in view we formulated plans during 1950 to set up a subsidiary company in Toronto, and the necessary Bill granting to our subsidiary a Dominion Charter successfully passed through the Canadian Houses of Parliament early this year and received the Royal Assent on May 31, 1951. The new company, which is a wholly owned subsidiary, is called "The Mercantile and General Reinsurance Company of Canada, Limited," and is located at 304, Bay Street, Toronto, Ontario. Mr D. G. Barnard has been appointed manager, and the company is starting operations forthwith in all branches except life and marine.

DIVIDEND LIMITATION

As will be seen from the figures and explanations which I have given, the results for the year have been satisfactory. The directors feel that it is only right that the shareholders should participate in those results now that the company has built up a strong reserve position. They have accordingly had it in mind for some months to follow the example of many of the leading British insurance companies by declaring a moderate increase in dividend for 1950. Unfortunately, however, our accounts are issued late in the year and we are, therefore, faced by a dilemma as a result of the Chancellor of the Exchequer's proposal to introduce legislation for the limitation of dividends. The White Paper explaining the Chancellor's proposals says, broadly speaking, that during a period of three years the gross amount which may be distributed in dividends will be the average of the amount distributed in the last two years; this is to be applied retrospectively to July 27, 1951. On a strict interpretation of these proposals, we should require to reduce our dividend for 1950, since it is paid tax free and income tax has risen this year. But we do not know whether these proposals will ever become law. They have naturally been severely criticised. They can have virtually no effect on the inflationary situation; the Chancellor himself sought to justify them on psychological grounds. They would react most unfairly as between the shareholders of one company and another, and they must inevitably induce a sense of grave uncertainty in the minds of foreign investors.

For these reasons and many others, there is much doubt whether these proposals will ever become law. If they do reach the Statute Book, it is laid down in the White Paper that in exceptional circumstances the Treasury may decide that the amount of dividend permissible may be increased. We have a very strong case for special treatment and will make application for such permission, should it become necessary. In all the circumstances, we have decided that it is right to recommend a dividend for 1950 of 10 per cent., free of tax. In doing so, we are satisfied that we are not going beyond the moderation and restraint which we recognise to be desirable in the national interest.

IRRESPONSIBLE ATTITUDE

I am devoting more space to these proposals for dividend limitation than is perhaps justified by our own particular case, because there is a principle involved which strikes at the very root of our business. Were the proposals to nationalise parts of the British insurance industry, which now, let us hope, are for ever muzzled, to be taken at their face value by our friends abroad, they could do untold harm in the international insurance market in which this country has so large a stake. The proposals for dividend limitation to be applied by retrospective legislation—coming, as they do, only three months after the Chancellor had specifically recognised the need for moderate increases—are just another manifestation of the same irresponsible attitude towards the international business which forms such an important part of this country's life. How can people abroad be expected to continue to invest in our industry and commerce when they are liable to be thus restricted for "psychological reasons"? Penal taxation and exchange control restrictions to which they are subjected are already serious considerations. If they put their money here at risk, they must be allowed to reap their rewards. If foreign investors are to be frightened away, will not the future of British insurance also be threatened, based as this is on the belief that our traditions of common sense, fairness, and integrity will prevail? No company is more anxious than we are to co-operate with the Government in its fight against inflation, but we cannot subscribe to measures, temporary expedients though they may be, which strike so hard at the very basis of British credit, built up over many years and to such advantage to the economic prosperity of the country. We are told that the late Lord Keynes wrote a memorandum in the last few days of his life, in which he reminded ministers and officials that "the springs of national policy must be sought in national honour." Would that that text could now be disinterred, re-read and digested!

LONDON TIN CORPORATION

CHAIRMAN'S SPEECH

The twenty-fifth annual general meeting of London Tin Corporation, Limited, was held on September 3, 1951, at The Chartered Insurance Institute, Aldermanbury, London, E.C.

Mr. J. Ivan Spens, chairman of the Corporation, who presided, said: The accounts of the Corporation and the consolidated accounts have now been in your hands for the usual period, and there is little on which I have to comment. The results show a further strengthening of the financial position and are, I hope, considered by shareholders as satisfactory.

I should point out to shareholders that in the profit and loss account the figures of taxation have been set out in a different form. In previous years the *net* figure has been shown after deduction of the amount of United Kingdom income tax recovered against losses incurred in the past. This year the full charge for taxation on the Corporation's profits has been set out and "U.K. income tax recovered" for the year to April 30, 1950, shown as a separate item. The Corporation's income tax "losses forward" are to all *intents* and purposes exhausted; accordingly the substantial recoveries of the last few years will not be repeated and the method now adopted makes clear the taxation on the results of the current year's trading only.

Shareholders will appreciate that the backbone of our income is dividends from tin mining companies and I shall have more to say on this subject later. With regard to tin mining companies, these are operating with equipment purchased in the years prior to the second world war and in ground acquired over the years since their inauguration. Equipment of this nature, while it can be and is reconstructed and modernised from time to time, cannot last indefinitely and replacements cost now probably not less than four times as much as *in the* period 1937-41. Reconstruction and modernisation costs would be on a similar basis.

Actually in the period 1937-41 seventeen dredges were reconstructed and modernised and five 18-cubic foot dredges, four of which can dig to a depth of 130 ft., were installed for companies under the management of Anglo-Oriental (Malaya), Limited. During the same period the companies in Nigeria under our management were equipped with a new dredge and several draglines and additional equipment was obtained following the occupation of the tin-producing countries in the Far East. Orders for additional earth-moving equipment of a new type to deal with harder ground have been placed and deliveries are expected to start before the end of 1951.

New alluvial areas, especially in Malaya, are difficult to obtain.

I am fully aware that in mining companies shareholders expect increased dividends when conditions are favourable to compensate for lower dividends when times are bad, and that many tin companies paid no dividend at all during the war years and the subsequent period while rehabilitation was under way. It would be imprudent, however, if directors were to adopt a dividend policy which took no thought of expenditure to be incurred in future to maintain the position and output of their respective companies. In certain cases provision has to be made in advance for road and river deviations, as well as the removal of dredges to new areas.

As the Corporation's accounts show, the general level of dividends from tin producing companies has shown a substantial increase, and I am confident that shareholders will regard as a source of strength the fact that at the same time reserves against the future have been accumulating.

INVESTMENTS

From what I have said already you will appreciate that wherever our influence can be brought to bear the policy is to build requisite reserve positions within the operating companies. In addition the Corporation continues to build up its own reserves. It is the intention of your board, when favourable opportunities occur, to invest some of the Corporation's surplus funds in investments other than in gilt-edged or in tin-mining projects. By so doing it is hoped that the basis of your Corporation's portfolio will be widened and its revenue increased. The *Memorandum* of Association provides the necessary power.

PRICE OF TIN

During the year under review the price of tin has fluctuated violently. The price in the early part of the year was much lower than the comparable price of other strategic materials. But with the opening of the war in Korea a scramble for tin took place which forced the price temporarily in 1951 to levels in excess of anything which could have been foreseen. As the report of the "Preparedness Sub-Committee of the Committee on Armed Services, United States Senate," issued in early 1951, indicated price increases resulted from a frantic and almost hysterical scramble for tin by domestic consumers and U.S.A. Government agencies.

Tin is, of course, sold on the open market in Singapore and London. Producers do not control the price, and there is no cartel whatsoever in existence. The price of tin depends on and responds to the common formula of supply and demand. In Malaya, especially, a high level of production has been maintained in conditions which obviously cannot be realised by those who disparage what has been achieved.

I do not propose to comment further on the Senate Sub-Committee's report or on certain statements which have appeared in the Press attributed to Mr Stuart Symington, Administrator of the Reconstruction Finance Corporation, Washington, USA, except to state that a large part of the report and the said statements are inaccurate and misleading. I would, however, refer shareholders to the comprehensive statement made by the chairman of the Malayan Chamber of Mines in London at its annual general meeting on July 11th, which dealt with these matters and which was published in the Press.

In October, 1950, the United Nations Organisation called an international meeting to consider a draft international agreement prepared by the Tin Study Group. This draft agreement set out to minimise the fluctuations in the price of tin and to produce a scheme for the future which would deal with conditions which would arise after stockpiling had been completed when the supply of tin exceeded commercial consumption. The conference, which I attended as an adviser, was adjourned as the views of the various countries differed to an extent which could not then be reconciled. Had it been possible to come to some such agreement as had been suggested, which was based on the principles of the Havana Charter, the result would have been beneficial both to consumers and producers.

Referring back to my earlier remarks and in regard to the question as to what is a fair price for tin, I must point out not only that operating costs have risen considerably but that present published figures do not yet reflect the full increases in costs. The costs of stores and supplies of steel nearly all of which have to be bought outside the countries where tin is produced are not reflected in the accounts until many months, probably up to two years, after the orders are placed. Stores are charged out to "operating" at the prices at which they were purchased, so that this time-lag on a rising market masks the full effect of the increases.

Moreover, it is obviously desirable that producers, especially in Malaya, Indonesia, Siam and Burma, should be in a position to place to reserve sufficient amounts to ensure

that the finance is available for the various purposes that I have already indicated.

MALAYA

Conditions in Malaya have undergone no appreciable change since I last addressed you. The resettlement of squatters and regrouping of labour have been going forward steadily but it is yet too early to judge how far, and when, this is going to affect the issue with the terrorists. Schemes such as these must take time and it is earnestly to be hoped that an improvement in conditions will take place in the not too distant future. The emergency has now continued for over three years and the staff, both European and Asiatic, deserve our gratitude and appreciation for the way in which they have discharged their duties throughout this trying period.

Three more dredges under the management of Anglo-Oriental (Malaya), Limited, came into production during the twelve months under review and three more are in course of rehabilitation. One dredge, which after rehabilitation operated on its old area for four years, has been moved to a new area and is now again operating.

Prospecting remains almost at a standstill and the need for its resumption on a large scale becomes more urgent as time passes.

Some war damage compensation claims have already been assessed and it can be hoped that the remainder will be dealt with at an early date.

BURMA

Conditions in the tin-mining district of Lower Burma have brought mining to a standstill. European staff are, by Government order, confined to Tavoy town, and are not allowed on to the mines for security reasons. The Government of Burma has sent troops to the district, but these so far have not been sufficient to do more than protect the townships. Conditions in other parts of Burma have improved and it is confidently hoped that more troops will become available to subdue the Communists who now terrorise the district.

It was with deep regret that we heard that Mr H. G. End, who was acting district superintendent at Tavoy, was murdered by Communists while inspecting a bridge some 12 miles out of Tavoy town.

SIAM

Conditions in Siam have changed little during the year and the working of the mines there has been uninterrupted.

I am glad to say that a third dredge (the Tongkah Harbour dredge) started production in June, 1950.

A lump sum agreement for war damage compensation was arrived at between His Majesty's Government and the Siamese Government and war damage awards have now been paid. I would like to express our appreciation to H.M. Foreign Office here and to H.M. Ambassador and his staff in Bangkok for their great assistance in co-operation with the Association of British Commonwealth Mining Interests in Siam in getting this matter settled.

NIGERIA

Conditions in Nigeria showed no marked change. Production was adversely affected by the lack of rain and the curtailment of electric power supplies. The Government of Nigeria have increased the scale of royalties both on tin and columbite but seem oblivious of the fact that costs have increased and the increased price of tin in itself yields additional revenue. The position has been reached where the scale of royalties now payable to the Government is unrealistic with existing working costs. Protests have been made and figures provided and the Government asked to deal with the matter realistically, but so far without response. With the price of tin at its present level and with these heavy royalties areas of lower grade ground become uneconomical.

DIRECTORATE

It was with great regret that we received from Mr T. E. Baring his resignation from the Board of this Corporation. Mr Baring joined the Board in 1935 when the affairs of the Corporation were being reconstructed and his advice throughout has been of great value.

STAFF

The Corporation has again been ably served in Malaya, Siam, Burma, Nigeria, Australia and London by the management and staff of its subsidiary companies. Anglo-Oriental (Malaya), Limited, are responsible for some 40 per cent. of the production of tin from dredging operations in Malaya, and 24 per cent. of the whole of Malay's output. A. O. Nigeria Limited are responsible for 40 per cent. of the production in Nigeria. Of the total tin production of the world the share of the companies under our management is 11 per cent., the mines managed by Anglo-Oriental (Malaya), Limited, alone accounting for about 8 per cent.

I would like to pay tribute to all the staff and employees for the work they have done and continue to do, and especially to Mr Warren, chairman of Anglo-Oriental (Malaya), Limited, and to Mr Wilson, chairman of A. O. Nigeria, Limited.

In Australia we have lost the services of an old and valued friend in Mr H. A. Coates, who was chairman of A. O. (Australia) Pty., Limited. Mr Coates was a prisoner of war in Malaya throughout the Japanese occupation and the strain of those years has had its effect on his health. He has our best wishes for a long and happy retirement.

The report and accounts for the year ended April 30, 1951, were adopted and the retiring directors re-elected.

GOLD MINES OF KALGOORLIE LIMITED

The Annual General Meeting of Gold Mines of Kalgoorlie Limited, was held on September 5th, in Melbourne (the figures quoted are in sterling).

Sir Walter Massy-Greene (the chairman), in the course of his speech, said: The tonnage treated was 163,115 tons of which 163,108 tons came from the Company's leases and returned 42,670 ounces of fine gold, equivalent to a yield of 5.23 dwt. per ton. The gold realisation, after meeting realisation charges, averaged 65.05s. per ton of ore treated, an increase of 9.75s. Operating costs increased by 6.34s., or 16.76 per cent., to 44.16s. per ton.

The net result was that the profit before appropriation amounted to £163,848, being £23,986 more than in the previous year. The interim dividend of 1s. 3d. per unit paid on April 9, 1951, took £76,844, and the proposed final dividend of 9d. per unit will absorb £46,106, leaving a carry forward of £37,979.

Since the close of the period 3,281 feet of development have been completed, of which 721 feet have been in ore assaying 17.1 dwt. over 59 inches.

There will shortly be sent to Stockholders a letter giving full details of a proposal to place this Company in voluntary liquidation and to dispose of the whole of our undertaking for fully paid shares in a company to be formed and registered in Victoria, Australia. Subject to the necessary approval to the proposal by Members of the Company they will receive five shares of 10s. each (Aust.) in the new company for each four shares of 10s. each (English) held in the liquidating company.

The report was adopted.

THE MORGAN CRUCIBLE COMPANY, LIMITED

LARGE INCREASE IN PRODUCTIVITY

MR P. LINDSAY'S REVIEW

The seventeenth annual general meeting of The Morgan Crucible Company, Limited, will be held on September 26th at Battersea Works, Battersea Church Road, London, S.W.11.

The following are extracts from the statement by the chairman, Mr P. Lindsay, O.B.E., M.C., which has been circulated with the report and accounts for the year ended March 31, 1951:

At our annual general meeting in 1946 I drew attention to our urgent need to effect a substantial improvement in productivity, and I suggested that our future depended primarily on the success of our efforts in that direction.

This year the fruits of five years' effort are revealed in the accounts. The measures of reform adopted affected many sections: costing, progressing, job grading, shop layout and management.

Having regard to the wide range and diversity of our products, a yardstick of productivity (so essential to any improvement) was not easily established—but that difficulty has been overcome. On the comparative basis established our productivity in the year under review is 16 per cent. above the average of the past three years.

DIVIDEND

The directors' report recommends a final dividend of 1s. 9d., making, with the interim, a total distribution of 12½ per cent., less tax, for the year—which is the same as for the previous year, and is equivalent to under 7 per cent. on the capital employed in the business.

This decision will disappoint many stockholders, and I share their feelings.

The profit and loss statement reveals an increase of profit of nearly £400,000 before taxation, but I must again remind stockholders that as the statutes by which profits are determined for purposes of tax assessment do not allow adequately for wear and tear, we suffer assessment of tax on illusory profits in addition to a penal rate of tax.

In consequence, after making a tax provision of £902,956 (against £591,298 in the previous year), the surplus available after payment of the modest dividend proposed is sufficient only to place £200,000 to reserve and slightly increase the carry forward.

It may be felt that the appropriation to reserve and carry forward is a considerable sum in comparison to the share of profit set aside for stockholders; that is so in terms of money, but not when related to our needs. This will be better appreciated if I remind you that £1,500,000 appropriated out of profits and placed to general reserve in the last ten years (after providing over £4,500,000 in taxation as against £1,400,000 in net equity dividend) is entirely employed in the business.

PROSPECTS

In these days it would be presumptuous to indulge in prophecy; I may say, however, that we have every confidence in the competitive quality and price of our unique range of products, which, moreover, being essential and consumable, have a lower than average susceptibility to serious fluctuations in demand.

Against this it is true that rapid development, high cost of building and plant—coupled with high taxation—are laying up for us future problems of finance, but I see no reason to be unduly perturbed on that score.

You may conclude, then, that, judged on factors within our control, prospects are favourable

BOOKER BROTHERS, McCONNELL AND COMPANY, LIMITED

(West India, African and general import and export merchants, sugar estate owners, rum blenders and importers, shipowners and shipping agents, and store owners)

TAXATION AND COLONIAL DEVELOPMENT

REVIEW OF WIDESPREAD INTERESTS

The fifty-first annual general meeting of Booker Brothers, McConnell and Company, Limited, will be held on September 26th at the registered office of the company, 37-41, Gracechurch Street, London, E.C.3.

The following is the chairman's statement, circulated with the report and accounts for the year ended December 31, 1950.

FINANCE

We have again dealt in the directors' report with the main features of the accounts, but I would call your attention to the further improvement in the company's liquid position. Last year I said that a new bout of inflation was full of financial problems for us. It is, indeed, as is the case with all businesses. In Bookers, however, the nature of our undertakings and of the economy of the Colonial territories where we operate tends to some extent to insulate us from the most exaggerated features of inflation, or, at any rate, to postpone their impact. In their report your directors foreshadow a dividend policy primarily designed further to improve our liquid position and to conserve our cash resources against such elements of inflation as come upon us. Furthermore, in a business of the size and sweep of Bookers, there are bound to present themselves from time to time new projects for which we feel we must find finance. We cannot afford to pass by new investment which we regard as essential to the well-being of our existing business and of the Colonies where we trade.

TAXATION

The present high level of taxation adds immeasurably to our problems. Certain Colonial Governments, recognising its deterrent effect upon enterprise and development, have recently adopted the enlightened policy of granting substantial tax relief to new industrial concerns. In so far, however, as investment in new Colonial industries comes from the United Kingdom—as it is largely bound to—the taxation system of H.M. Government entirely nullifies these Colonial tax concessions. The West India Committee have submitted to the Royal Commission on the taxation of profits and income a memorandum calling attention to this anomaly. It will not be out of place to quote a letter on this subject from your vice-chairman which was published in *The Times* on May 12, 1951.

"It is remarkable that, while it is the stated intention of His Majesty's Government to encourage Colonial development, much of their recent financial planning seems designed actively to discourage it.

"To give three examples: First, the proposed bar to transferring abroad the management and control of United Kingdom companies. This will effectively prevent that partnership between United Kingdom capital and Colonial control and management which can alone create the proper climate for Colonial development.

"Secondly, the omission of Colonial development from the Chancellor's 'priorities' in his latest memorandum of guidance to the Capital Issues Committee. This omission, coupled with the Chancellor's emphasis on projects designed to improve the supply of raw materials and to save dollars, will confirm Colonial suspicions that the interest of the United Kingdom in Colonial development lies rather in the potential value of Colonial resources to the United Kingdom than in the benefits which such development brings to Colonial peoples themselves.

"Thirdly, several Colonial Governments have recently enacted legislation granting substantial tax concessions to developmental enterprises; in particular relieving dividends paid in early years from taxation in the hands of their recipients. United Kingdom legislation, far from complementing this constructive arrangement, entirely ignores it, with the result that the United Kingdom takes advantage of tax revenue specifically sacrificed by the Colonial Governments in question. This largely nullifies Colonial attempts to attract United Kingdom capital."

Since that letter was written, H.M. Government have conceived the limitation of dividends. It is alleged that this measure, which is really nothing but a perpetration of political expediency, is to protect the standard of living in the United Kingdom. It seems most improbable that it will have this or any other beneficial result. One result, however, that it certainly will have is gravely to jeopardise the standard of living of British Colonial peoples. It is difficult to imagine any more effective way of drying up the main source from which money for Colonial development must still come—British private enterprise. How can any company here raise money for Colonial development if this measure comes into force—and it is only by continued development of their resources that increasing colonial populations can maintain, let alone improve, their present low living standards.

REORGANISATION

Last year I told you that we had reached the final stages of preparing a comprehensive scheme for the internal reorganisation of the group, and that we aimed to put the scheme into operation on January 1st this year. This has been done and we are fully satisfied that our administrative and financial organisation is now appropriate to our diverse businesses. The supplement which we are circulating with the 1950 accounts illustrates this new organisation. It will also, I hope, give you a new impression of the fascinating diversity of Bookers.

SUGAR

Our sugar undertakings in 1950 were more profitable than in 1949 and prospects for the current year are satisfactory so far. In the field our managerial and scientific staffs are ever seeking ways and means of improving yields while maintaining a healthy agriculture. Despite their sterling work diseases and pests will inevitably fall upon us from time to time and, towards the end of the year, a leaf disease new to British Guiana was discovered there. It is being energetically dealt with and the experts tell us that there is no reason for undue alarm. Encouraging progress is being made with experiments in mechanical field cultivation. Work on modernising our factories goes forward well.

The group of estates for which Bookers are responsible either as owners or agents, produced 138,772 tons of sugar in 1950, as against 120,755 tons in 1949. Even higher output had been confidently expected, but abnormally heavy rainfall in the first two months of the year and consequent flooding of large areas of cultivation upset calculations badly and did considerable damage to some of the canefields. Weather is one of the great hazards of tropical agriculture and we provide against it as far as is economically possible. Present estimates are that the 1951 output will exceed that of 1950.

Labour—It is never safe to prophesy about the labour situation, for unfortunately political agitators and self-seekers are always with us. They aim for their own ends and directly contrary to the interests of the workers, to inflame opinion against the industry and bring about major stoppages of work. Happily, in 1950, their attempts were largely abortive; thanks to the good sense of our workpeople, and thanks to the fact that normal labour negotiations with the recognised trades unions were conducted in that atmosphere of mutual understanding and goodwill which can alone inspire successful human relationships.

We attach much importance to welfare and the personal touch. As an indication of what is being done, I cannot do better than quote from the annual report of the social welfare organiser of the British Guiana Sugar Producers' Association: "The managers on the sugar estates of this Colony are giving welfare a real place in their annual programmes and a marked advance can be noted."

Markets—I told you last year that an agreement had been reached which, "while it by no means affords the security which West Indian circumstances justify, at least affords a minimum measure of security against which we can plan for the next eight years." In recent months you will have learned that H.M. Government, before this Commonwealth Sugar Agreement could be signed, and without consulting the Commonwealth Governments and producers with whom they had negotiated it, chose to open separate negotiations for the contractual purchase of Cuban sugar. These, which culminated in the signing on August 10th of a trade agreement between the United Kingdom and Cuba, have, not unnaturally, complicated and delayed the signing of the Commonwealth agreement. The present position is, therefore, clouded and uncertain, and Commonwealth producers are most perturbed by the lack of co-ordination between H.M. Government departments which has brought about this new uncertainty.

Perturbed as we are, I must, nevertheless, express our sincere appreciation of the help and understanding which we can always be sure of receiving from the Colonial Office. The British West Indian—and other colonial—people are fortunate in the constructive way in which this department fulfil their most complex responsibilities.

The future of the Canadian market is also

causing us much anxiety because currency control and other interference in traditional Canada/West Indies trade relations are leading Canada to turn to non-Commonwealth sources for her sugar. It would be disastrous for the British West Indies, from much more than the sugar point of view, were this tendency to bring about permanent estrangement—estrangement for which the British West Indies themselves could in no way be held responsible.

SHOPKEEPING

The concentration of the group's trading and shopkeeping activities under Campbell Booker Carter, Limited (late Campbell Brothers Carter and Company, Limited), has proceeded smoothly.

In Central Africa our trading interests have been split into three sections, each of which has been given a financial structure which should be adequate for the expanding environment in which they trade. In 1950 they had a deservedly good year.

In British Guiana 1950 results were about the same as 1949; given reasonable general trading conditions we hope to do better in future, despite price control and increased competition. In Trinidad, Stephens, Limited, improved upon last year's results and current returns show continued expansion.

Price controls operate with varying degrees of severity in British Guiana, Northern Rhodesia and Nyasaland. Their departmental effects are particularly noticeable in the retail trade in British Guiana and in the wholesale trade in Northern Rhodesia. In Northern Rhodesia negotiations have been opened with Government upon which will depend whether or not we shall be able to continue to extend our wholesale trade in that territory. We cannot believe that measures of price control (and taxation) which make it impossible for the trader to find the money to replace stocks at unavoidably higher prices, can possibly be in the interests of the community as a whole. Indeed, in colonial territories, whose developing economy depends upon the ready supply of consumer goods, ill-conceived measures of price control may well impede development and thus reduce the standard of living.

There is a fine spirit of co-operation and goodwill between, and throughout, our various trading enterprises, and the pooling of experience of trading conditions in Central Africa and the British West Indies must be beneficial. Facing pages 1 and 20 of these accounts we show interior photographs of two of our shops—one in British Guiana and one in Northern Rhodesia. In the supplement to these accounts we show other photographs which I hope you will find interesting.

The problem of suitable housing for overseas staff is always pressing and causes us considerable concern—particularly in British Guiana where building costs are excessively high. This is not a problem impinging upon our shopkeeping undertakings alone. The easy solution is, of course, to abandon the high standards which we have established, but it is one that we will not lightly accept in this—or any other—aspect of our responsibilities.

Shareholders may not, perhaps, be aware of the extent of Campbell Booker Carter's business as an export, shipping and confirming house for clients throughout the Union of South Africa, the Rhodesias, East and West Africa, Ceylon and Hong Kong. Their current figures of turnover are the highest we have known.

SHIPPING

On January 1, 1951, the company's Liverpool office was formed into a separate company, under the name of Booker Brothers (Liverpool), Limited. This is now the parent company of the group's shipping and allied interests. It holds the shares in Booker Line, Limited (formerly The Arakaka Steamship Company, Limited), Bookers Shipping and Trading Company, Limited, and Bookers Shipping Transport and Wharves, Limited, the last being a company registered in British Guiana and responsible for the operation there of the group's coastal shipping services, shipping and air line agencies, stevedoring, warehousing and wharfingers businesses and road transport.

Because this new organisation did not come into operation until January 1st this year, 1950 was not affected by it. It will, however, be convenient to refer briefly to the 1950 results under the new grouping.

Booker Line, Limited.—Arakaka and Amakura operated successfully in spite of the formidable task of completing twelve voyages in the year between them. Towards the end of the year, in order to improve our service, it was decided to charter a third vessel.

The Line is always faced with the possibility of having to contend with adverse factors beyond their control, notably bad weather which can affect not only the steamers' sailings but also loading and discharging. Only once during the year were sailing schedules upset through labour disputes—a waterfront strike in Georgetown. The outstanding morale and loyalty of our sea-going personnel do much to help us overcome difficulties.

It is not surprising that operating costs continued to increase, but this was largely offset by higher rates of freight.

Apart from our own shipments, it is satisfactory that we are able to rely upon the valuable support of so many shippers from this country to British Guiana.

In common with other shipping companies, the Line is faced with the problem of providing, out of current revenue, funds required in due course to replace ships at prices which at present can be calculated only by guesswork; but which guesswork suggests will be incomparably above their original cost.

Bookers Shipping and Trading Company, Limited.—Results were encouraging. Shipping and forwarding work undertaken for outside shippers continues to increase and progress made by the department responsible for booking sea and air passages is particularly pleasing. We are sending shareholders with these accounts a booklet describing the services which the travel department of this company has to offer.

Demerara Shipping Interests.—Difficulties have been experienced in restoring coastal craft to first-class condition after the war. In particular motor coasters have been laid up owing to slow delivery of spare parts. The results of all departments were, generally speaking, worse than in 1949, the main factor responsible being rapid increases in operating expenses not balanced at the time by corresponding increases in revenue. The prospects for the current year are rather more reassuring.

RUM

It is with deep regret that I have to record the death in February, 1951, of Mr R. P. Gray, a senior director of United Rum Merchants, Limited, and one of the past owners of the business. For over 20 years he had done a great deal towards its success.

United Rum Merchants, Limited, had another good year in 1950 with an outstanding increase in sales on the home market of their principal brands, Lemon Hart and Lamb's Navy. This increase was all the more encouraging because total rum consumption in the United Kingdom declined during the year. It gives us ground for believing that the company's advertising, with which most of you will be familiar, is proving effective in bringing before the public brands which they like. I am glad to be able to say that this favourable trend has extended into 1951 and indicates continued public confidence in the names Lemon Hart and Lamb.

As in other parts of the group, returns from satisfactory sales are being offset by sharply rising costs of production and distribution. We are most anxious to avoid raising the price to the consumer and can only hope that further increased sales will make this step unnecessary.

United Rum Merchants' peak trading period coincides with the end of Bookers' financial year. As may be inferred from your directors' report, United Rum Merchants' short-term borrowings were, on December 31st, very high. This borrowed money, being required to finance duty recoverable from customers, is a reflection of the high volume of branded sales.

PROPERTIES HOLDINGS AND SERVICES

Of the smaller companies in British Guiana (now subsidiary to Bookers Properties Holdings and Services, Limited, formed on January 1, 1951), the R. D. Balata Company, Limited, had a satisfactory year, and Bookers Manufacturing Drug Company, Limited, improved on its 1949 results. The B.G. Lithographic Company, Limited, did well and shows considerable promise for the future. We look to Bookers Properties Holdings and Services, Limited, to foster any new projects which we may decide to undertake in British Guiana.

MANAGEMENT AND STAFF

Apart from the many problems of these troubled times, the process of reorganisation has thrown a great deal of extra work and worry upon our management and staff. I am sure, however, that the company's employees—as well as its shareholders—will benefit from the greater efficiency of our new administrative machinery working, as it is, more smoothly every day.

Our finest asset is the team of men and women who operate our businesses and because we know that they are good and bear the responsibility and do the work allotted to them, we can face with confidence whatever the future may have in store for us.

CHARRINGTON, GARDNER, LOCKET & CO., LIMITED

WIDESPREAD PROGRESS

The forty-eighth annual general meeting of Charrington, Gardner, Locket & Co., Limited, was held on September 6th, in London, Sir John Charrington, chairman, presiding.

The following is an extract from his circulated statement: I am glad to be able to report further progress in the affairs of your company. Profits have improved satisfactorily and this improvement is evidenced in almost all sections of our many activities. The group profit has increased by some £68,000 following an improvement of about £48,000 a year ago.

The winter of 1950-51, though not the coldest, must have been the longest and most trying for many years, and this put a severe strain on our staff in all sides of the organisation.

Sympathy is due to the householder, who, for a variety of reasons, so often finds himself denied the warmth in winter which is so needed. It is, however, encouraging to us to know that the demand for solid fuel for the home is as strong as ever, and the fact that—unlike gas and electricity—it can be stored in the home in summer undoubtedly prompts people to continue to rely upon coal and coke for their main heating and hot water provision. It remains, however, a matter for great regret that the supplies of suitable solid fuel for domestic purposes are still insufficient to meet this demand in full.

ADVISORY SERVICE

To help householders to use solid fuel as efficiently and economically as possible we provide an advisory service which is available without charge. As an outcome of this service we now undertake the sale and installation of modern appliances. These sales are expanding rapidly and we have a showroom at our head office where members of the public who wish to inspect a wide range of modern appliances are always welcome.

The more even spread of our domestic deliveries, due to the reintroduction of lowest summer prices to which I referred last year, has enabled our retail section to achieve greater efficiency, and to absorb to some extent the ever increasing costs of operation with advantage to the consumer. With the full approval of the Minister of Fuel and Power this arrangement has been renewed this year.

As we are dependent for supplies at nearly all our depots upon efficient railway working I am afraid that I view the outlook for next winter with some anxiety. Our experience during last winter suggests that the drift of railwaymen to other industries is the cause of the trouble, and I hope that steps to remedy this state of affairs will be taken without delay.

We have recently combined all our London trading under one company, Charrington, Gardner, Locket (London) Limited, and we are using the trading name Charringtons throughout this organisation.

The report and accounts were adopted.

CROPPER AND COMPANY, LIMITED

(Carton Manufacturers)

RECORD OUTPUT AND PROFIT

MR FRANK W. J. SMITH'S STATEMENT

The fifty-fourth annual general meeting of Cropper and Co., Limited, was held on August 30th at the registered office of the company, Thatcham, Berks, Mr Frank W. J. Smith (chairman and managing director) presiding.

The following is the chairman's statement which was circulated with the annual report and accounts for the year ended June 30, 1951:

In my statement of last year, I mentioned that the year had been the most successful in the company's history with one exception. I am very happy to state that this year has provided an all-time high record in volume and value of output, and in profit, which stands at £452,934 after deducting all charges except taxation.

This result has been largely due to our policy of continually installing new machinery, embodying the latest improvements and so keeping the plant thoroughly up to date. Many machines which have been on order for a long time have been delivered in the last year and more machines are on order for delivery as soon as they are ready.

The estimated amount required for taxation is £261,966, or 58 per cent. of the profit. After adding the balance of the profit and loss account brought forward from last year, and deducting the dividend upon the preference shares and the interim dividend of 12½ per cent. upon the ordinary shares paid January 31st last there remains a disposable balance of £213,360.

DIVIDEND AND APPROPRIATIONS

The directors recommend the payment of a final dividend upon the ordinary shares of 25 per cent., which with the interim dividend mentioned above will make 37½ per cent. for the year. They also propose to transfer £100,000 to general reserve, which will then stand at £250,000; £30,000 to reserve for replacements; £5,000 to reserve for possible future bad debts; £5,000 to employees' benefit fund to cover such cases as are not provided for in the company's pension and life assurance scheme; and to carry forward the balance of £44,123.

It is gratifying to be able to report that our workpeople are sharing in the continued prosperity of the company. Although the number of employees has only slightly increased, the amount paid in wages during the year has increased by over one-third compared with the preceding year.

It is also gratifying that both our subsidiary company, Containers, Limited, and our associated company, Colthrop Board and Paper Mills, Limited, in which this company has a substantial interest, have had a record year in tonnage of output and profit, mainly for the same reason as in the case of the parent company, namely, the installation of machinery designed to increase production.

STRONG FINANCIAL POSITION

I should also like to draw your attention to the financial position. The fixed assets have been written down to a very low figure. The investments in our associated companies, as mentioned last year, are worth very much more than the figure at which they stand in our books. The current assets are more than three times the amount of the current liabilities; and the tax liability of £261,966 appearing in the profit and loss account is covered by tax reserve certificates of £275,000. It is also of interest to note that the net dividend on the ordinary shares is covered more than four times by the net profit for the year.

The general reserve, after making the proposed transfer of £100,000, will stand at £250,000 and is in excess of the issued ordinary capital, which amounts to £222,760. To bring the issued capital, which now stands at £369,446, more nearly into line with the capital employed in the business, amounting to £945,212, the directors recommend the capitalisation of £44,552, being part of the general reserve and that the same be applied in making an issue to the shareholders of one ordinary share of £1 each for every five ordinary shares held on August 15, 1951.

In conclusion, I wish to thank my co-directors, the staff and employees for the energy and ability they have displayed throughout the year. It has not been an easy year owing largely to the frequent advances in the cost of raw materials and it is more than usually difficult to forecast the future, but we are well equipped in every way to face the current year with confidence.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: While the reports were in the hands of the printers, the Chancellor of the Exchequer announced that the Government proposes to restrict dividends on ordinary shares for each of the next three years to the average gross distribution of the past two years.

You may wish me to give an indication of the way this company would be affected if the proposal becomes law, especially in view of the issue of bonus shares, which will be the subject of a resolution at the next meeting.

The dividends declared in the last two years have been 25 per cent. and 37½ per cent., an average of 31¼ per cent., but as the Chancellor's proposal means that the gross amount distributed may not be increased, the maximum rate of dividend on the ordinary share capital, as increased by the bonus shares, would be 26 per cent.

I am opposed to making political speeches at our general meetings or I might have followed the example of so many chairmen of industrial companies, who have severely criticised the proposals; and I do not doubt that your feelings on the matter are much the same as my own, but I have tried to adopt a moderate tone, always bearing in mind that the proposals so far are contained only in a Government White Paper and may never reach the Statute Book.

I now propose: "That the report of the directors and the accounts of the company for the year ended June 30, 1951, be, and they are hereby, approved and adopted; that a final dividend of 25 per cent., less income tax, be paid to ordinary shareholders registered at the date of this meeting; that £100,000 be transferred to general reserve; that £30,000 be transferred to reserve for replacements; that £5,000 be transferred to reserve for possible future bad debts; that £5,000 be transferred to employees' benefit fund; and that £44,123, the balance of the profit and loss account, be carried forward."

Mr Stuart W. Butters (assistant managing director) seconded the resolution and it was carried unanimously.

The retiring directors (Mr H. V. Dove and Mr C. Priestley Forster) were re-elected, and the fee of the auditors (Messrs. Deloitte Plender Griffiths and Company) was duly fixed.

BONUS ISSUE APPROVED

At a subsequent extraordinary general meeting, resolutions were unanimously passed increasing the capital to £600,000 by the creation of 100,000 additional ordinary shares of £1 each and authorising the distribution of 44,552 ordinary shares as bonus shares in the proportion of one for every five ordinary shares at present held.

Mr E. Royden Alltree, in proposing a vote of thanks to the chairman, directors and staff, said it was difficult to find words adequately to express the gratitude and the delight of the shareholders for the results which the directors had produced for the past year. He wondered if his fellow shareholders realised, as he did, not only the hard and arduous work, but also the painstaking thought and, in fact, brilliant forethought which was necessary to achieve such results. The distressing problem of obtaining raw materials had been before the board all the time. He thought the success of the company was largely due to the fact that it had an expert at the head of every department, and a chairman who gave wise guidance and sage advice based upon long experience, for which there was no substitute.

Mr F. E. Armstrong, in seconding the motion, thanked the board for giving shareholders a participation in the great prosperity of the company which had been brought about by the ability and genius of the chairman and the board. Even if dividend limitation became law, he said, shareholders would be better off than if the directors had not increased the dividend.

The motion was carried unanimously, and after a brief acknowledgment by the chairman the proceedings terminated.

JOHN BROWN AND COMPANY, LIMITED

SHIPBUILDERS AND ENGINEERS

IMPORTANT ENGINEERING ENTERPRISES

LORD ABERCONWAY ON THE COMPANY'S MANIFOLD INTERESTS

The eighty-seventh annual general meeting of John Brown and Company, Limited, was held on August 31st, at 4, The Sanctuary, Westminster, London, S.W.

The Right Hon. Lord Aberconway, C.B.E., LL.D., D.Sc., the chairman, who presided, said:—

You have in your hands the accounts and directors' report, which I think clearly explain to the shareholders the financial position of the company, and the expansion of its share capital.

I will therefore deal only with the present industrial and business position of the company.

The steel-making firm of John Brown and Company, of Atlas Works, Sheffield, was purchased from John Brown, later Sir John Brown, its original owner, in 1864—87 years ago—by Mr Henry Davis Pochin, my grandfather, and a small group of Manchester friends. It has been largely under the care of these men, their families and their successors, ever since.

The company became at one time the largest makers in the world of rails for railway construction, but gradually gave up that business for more elaborate steel manufacture—forgings, armour plates, shell and alloy steels among other products.

The Iron and Steel Corporation of Great Britain has now taken over these works and apparently has no use for the freely proffered assistance either of John Brown's skilled staff or of its fine organisation.

SHIPBUILDING

The company purchased the Clydebank shipyard and engine works of J. and G. Thomson Limited, 1899, partly as an outlet for their marine forgings. Under a succession of most able managing directors, this relatively small concern eventually achieved a pre-eminent position among the leading shipyards of the world. The shipyard and engine works have been responsible among other vessels for the "Aquitania," the "Queen Mary," the "Queen Elizabeth," the last two unrivalled in size, and a huge host of naval vessels, large and small, including the battleship "Vanguard." In the last few years the building berths have been supplied with new and heavier cranes, so that large sections of steel, fabricated under cover alongside, can be lifted into place on the ships.

Our order book is eminently satisfactory, and includes contracts from the most famous of British owners and from a number of well-known foreign clients. Among the ships building are a large passenger liner, several refrigerated cargo ships of the highest class and tankers of the largest size.

FUNCTION OF ENGINE WORKS

The engines for these vessels were all built at the engine works attached to the shipyard, an engine works now equipped with the latest machinery. To it must be attributed much of the great success of the large geared steam turbine. The engine works more recently has, without interfering with its marine work, undertaken in co-operation with the company's subsidiary, Markham and Company, the construction of big water turbines for the Scottish hydro-electric schemes, and for uses in other parts of the world.

It has also undertaken research into and development of gas turbines suitable for land and marine use. This type of power plant though still in its infancy is capable, we believe, of very great development. It is expected that the 12,500-k.w. set for the North of Scotland Hydro Electric Board at Dundee should be running next year. A great many running hours have been obtained on the company's experimental units, and work is well advanced on the burning of coal and peat. A turbine for waste heat recovery from an industrial process has been designed, and is now in course of manufacture.

LAND BOILER DIVISION

As experienced makers of marine boilers, the company was recently asked by the State-owned British Electricity Authority to be one of the firms to manufacture for them the largest size of land boiler. Contracts were accepted and the company is putting up works at Whitecrook, near its Clydebank shipyard, to manufacture some of the principal parts of these boilers.

FIRTH BROWN TOOLS LIMITED

John Brown and Company in the year 1931 combined its Atlas Steel Works with the neighbouring Norfolk Steel Works of Thos. Firth and Sons, Limited, with whom it had for some years been associated. These combined works were, however, all taken over under the iron and steel nationalisation scheme. The company's important collieries in Yorkshire had also previously been nationalised. When the steel works were nationalised, the manufacture of engineers' tools was retained as a separate company, known as Firth Brown Tools Limited, which is successfully manufacturing a wide range of high-class engineering tools including tungsten carbide products.

It has a wholly owned subsidiary in Canada.

IMPORTANT ENGINEERING INTERESTS

John Brown and Company has also wide and important interests in various other engineering products, and it was determined, when nationalisation came into sight, further to develop the manufacture of these. Apart from the water turbine, the gas turbine, and the land boiler projects, the company already possessed all the ordinary share capital of Cravens Railway Carriage and Wagon Company. Its works at Sheffield have been largely rebuilt in the last few years, and it has substantial home and export trade of the highest class of vehicle. The company also owns the heavy engineering concern of Markham and Company Limited, of Chesterfield, builders of winding engines and other intricate machines of many types. The company recently purchased the ordinary shares of Wickman Limited, of Coventry, makers of the very highest class of precision machine tools, with a rapidly expanding output both for home and export use.

AIRCRAFT INDUSTRY

Your company holds as well a half interest in Westland Aircraft Limited, maker of service aeroplanes, and a pioneer of the practical production in Europe of the helicopter. The S.51 has been produced and sold in large quantities as the "Dragonfly" as the standard helicopter of the Royal Navy. The company is just putting into production the larger 12-seater S.55, and designing and developing larger models still. Its naval single-seater fighter, "The Wyvern," has been adopted by the Royal Navy. The associate company, Normalair, Limited, continues with its research and development work in high altitude flying, and its equipment is found in almost every British designed and built military and civil aircraft.

OIL REFINERY PLANT

With Richard Costain and Company, a per cent. alliance has been formed in a company under the title of Costain-John Brown Limited, for the erection and manufacture of oil refinery and similar plant: Messrs. Richard Costain being responsible for the civil engineering work and Messrs John Brown for the mechanical side of these plants. It has successfully completed a number of important contracts, particularly in connection with the erection of the Grangemouth Refinery. It has a great deal of other similar work in hand, and we look forward to further steady development of this company and with it the manufacturing work which it can bring to our various companies.

Your company undertakes, in addition, a large number of difficult general engineering contracts from its various works. An interesting experiment in this connection is the designing and building for research purposes of the power generating windmill in Orkney for the North of Scotland Hydro-Electric Board.

ELECTRO-CHEMICAL INDUSTRY

An exception to general engineering is the company's undertaking, in conjunction with other financial partners, the establishment in Southern Rhodesia of an electro-chemical industry, commencing with the manufacture of low carbon Ferro Chrome. The plant, the Rhodesian Alloys Limited, as the company concerned is named, has involved some very interesting engineering and metallurgical problems and should be in effective operation towards the end of next year. It is hoped that it will make a substantial contribution to the raw material supply position to the United Kingdom, and at the same time save dollars.

TRIBUTE TO STAFF

The board and its staffs, both engineering and business, who have been responsible for the success of the steelworks and collieries now taken from the company, and of the Clydebank Shipyard, will be available for the general supervision of these other enterprises.

Stockholders will appreciate that the changes that have taken place during the year and the additional activities which the company has undertaken, has placed considerable pressure upon the company's technical and management staffs. It is with great pleasure that I have to record that these further activities have been, and are being, carried out with the greatest possible ability and success. We accord to our staffs our very sincere thanks for the efforts they have put forward and the success they have achieved.

It is believed that with its very skilled staffs and fine organisation, backed by substantial reserves of capital, the company's engineering business can be carried on with increasing success to the advantage of the nation and for the benefit of the company and its shareholders. These engineering businesses will, it is hoped, to a substantial extent compensate for the loss of the company's steelworks and collieries.

The report and accounts were adopted.

GEORGE NEWNES LIMITED

ANOTHER GOOD YEAR

PROBLEM OF RISING COSTS

SIR FRANK NEWNES'S STATEMENT

The fifty-fourth annual general meeting of George Newnes Limited, was held on August 30th at the company's office, Sir Frank Newnes, Bt. (chairman) presiding.

The following is his statement circulated with the accounts:—

The combined profits of the group amount to £928,918, as compared with £904,582 last year. After taxation, the net profit is £551,164 as against £500,308. These are gratifying figures and are a testimony to the policy of the company in recent years in spreading its interests and activities over a wide field.

During the year under review there were heavy setbacks in earnings on certain of the periodicals, largely as a result of the dispute in the London printing industry. In particular, two of the companies in the group, Temple Press Limited, with its important trade and technical journals, and C. Arthur Pearson Limited, with its general publications, suffered severely—the bulk of their printing production being carried out in London. Notwithstanding the heavy repercussions sustained by these two companies, the overall position has been well maintained by increased earnings in other directions. The parent company, Newnes, has done well in all departments—indeed the profits are a record in the history of that company. The book side of the business has been most satisfactory, and considerable benefit has been obtained from the first full year of marketing the new CHAMBERS'S ENCYCLOPÆDIA, a major undertaking upon which the company had been engaged in the preparatory work over a period of six years, and upon which very considerable sums had been expended.

THE ACCOUNTS

The Newnes accounts show a net profit of £320,606 after deducting all charges including taxation. This is a record for the company as already stated, and compares with £252,252 for the previous year. With the amount brought forward from the previous year, and after paying preference dividends and 5 per cent. interim dividend on the ordinary shares, there is an available balance of £327,031. The directors propose that a final dividend of 10 per cent. be paid on the ordinary shares together with a bonus of 5 per cent. making with the interim dividend a total of 20 per cent. as for last year; that £6,500 be transferred to the employees' sick and pension fund, £25,000 to supplementary pension account, £75,000 to general reserve, and £60,000 to paper cost equalisation, leaving £85,531 to be carried forward to next year's accounts.

There are no items in the balance sheet calling for special comment. As will be seen from an examination of the figures in conjunction with the comparative figures for the previous year, what differences there are merely reflect the variations of normal trading.

GROUP FIGURES

Turning to the consolidated accounts setting out the figures of the group as a whole, the position disclosed is one of impressive financial strength and resources. The capital reserves and revenue reserves have now reached a total of £1,279,305. In addition, development and reconstruction reserves standing at £483,491 are available at any time for use in developing existing publications, and for promoting new enterprises when conditions become propitious. A further sum of £200,000 has been set aside to be applied, if necessary, to help equalise the abnormally high cost of paper, which has become a very serious problem for periodicals. Undistributed profits carried forward in the accounts of the various companies amount to £313,650. Cash and tax certificates amount to £1,243,513, as against £1,540,769. The reduction is largely accounted for by an increase of £216,463 in stocks, mainly due to high costs of paper and printing production.

As will be seen from the consolidated profit and loss account, the accounts for the year have been credited with an amount of £48,714 in respect of taxation previously provided by two of the subsidiaries and now no longer required. It may also be noted, for purposes of comparison, that in last year's accounts a sum of £6,600 no longer required was brought in from contingencies reserve, and in addition a sum of £24,643 was taken from development reserve to meet special expenditure.

SALES POSITION

The publications comprised in the group—53 in all—can record a state of robust health over the year, notwithstanding the more difficult conditions with which they had to contend. Until May last, circulations were fully maintained at the high peak previously established, but the increase in the selling price of newspapers at that time started among the reading public an economy movement which spread to the sales of general periodicals as well.

The position today is that although circulations are on a somewhat lower level than they were a few months ago the fall now shows signs of working itself out: indeed, there are indications of an upward trend again in some directions. The effects would thus appear to be temporary, but even making allowances for somewhat lower sales the aggregate circulations of periodicals, more particularly those catering for women and the general reader, are far in advance of anything experienced in pre-war days. Today there are more weekly periodicals with circulations of around a million or more (some nearer two millions as in the case of our colour-gravure weekly WOMAN'S OWN) than at any time in publishing history. This simply confirms that the periodicals have become a part of the daily life of a very large section of the people, and that in the services they perform and the relaxation they bring they are regarded as necessities and not luxuries. So although the domestic purse strings may have to be drawn a little tighter, the periodicals should continue to hold their important position among the vast public they cater for.

RISING COSTS

The principal problem today is how best to deal with ever rising costs. In all directions the movement is persistently upwards, the most disturbing of the increases being in respect of paper, the largest item of production, which has soared in price to unprecedented levels. During the financial year under review, although paper increased in price by about 45 per cent., we were able, as disclosed by the figures, to meet the situation satisfactorily by various adjustments in production and by increases in selling prices and advertisement rates. The current financial year, however, is presenting new problems. At the beginning of May there was a further very heavy rise in paper prices, the effect of which was to increase the group's paper bill by over £350,000 per annum. This has been followed by another big rise taking effect two weeks ago, which adds a further £250,000 per year to the bill; so that over the past few months our paper costs alone have risen by more than six hundred thousand pounds per annum. In addition there have been very substantial increases in cost of printing and other items of production and distribution. The situation has been met to some extent by further increases in selling prices and advertisement rates, but at the moment there is still a wide gap unbridged.

The new Australian company, formed nearly two years ago, has completed its first full year of trading, its first concern being to market the new CHAMBERS'S ENCYCLOPÆDIA and other important volume works of the company on that side of the world. The results to date are very encouraging, and there is every promise that the prospects entertained at the time the company was launched will be fully realised.

Concerning this year's prospects the uncertainties already expressed as to trends of costs makes it unwise to venture even an opinion. The most that should be said is that the business is strong and healthy with adequate resources to help meet whatever new difficulties may emerge. To date the trading has been maintained on a satisfactory basis and with the experience of dealing with many different problems over recent years we do not doubt the ability of the organisation to meet in the best possible way whatever new circumstances present themselves.

STAFF PENSION SCHEME

Reference has been made on previous occasions to the company's intention to institute staff pension schemes in the various units of the group on a wider basis than the existing staff sick and pension funds. The time has now arrived where the necessary reserves have been created in the accounts of the various companies for these arrangements to go ahead. The provisions in question aggregate £510,000, that sum being required principally to cover back service liabilities, and detailed plans are now being prepared with a view to bringing the schemes into operation at the end of the year. It is a matter of pride and pleasure to the company to be be able to bring these proposals to fulfilment in the recognition that in existing economic circumstances it becomes more than ever necessary to do all possible to secure that retirement and freedom from anxiety go hand in hand after long and loyal service.

In the same spirit the directors again record their deep appreciation of the splendid services rendered by an able and hard-working staff during the year.

The report and accounts were adopted.

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Creation of Wealth

THE two ways of finding resources for rearmament are either to produce more in total and rearm out of the surplus or else to divert some production from its present civilian purposes. The relative emphasis put on these two methods will most sharply express the differing approaches to the economic problems of defence taken by the ministers of the North Atlantic countries when they talk in Ottawa next week. The two methods are never, in practice, simple alternatives. However quickly production as a whole is increased, a large rearmament programme is bound to cut into the supplies of those civilian products—such as motor cars—that require the same type of plant, materials and labour as do the main items of armament production. Nevertheless, the contrast between American optimism, at one extreme, and British pessimism, at the other extreme, is sharp. The Americans, naturally influenced by their own wartime experience, think of rearmament primarily as a problem of increasing production. The British people had to fight the last war differently, and therefore tend to think of rearmament differently. They see its problems primarily in terms of diverting resources, of cutting down civilian consumption; they do not, in general, expect total production to rise so quickly as to take care of rearmament without tears.

These two views are bound to be to some extent mutually irritating. The American view can be dubbed selfish and the British view defeatist. It is important to remember that they reflect a wider, and more familiar, difference in economic outlook. The American attitude is expansionist and the British attitude is—haltingly, and with an uneasy conscience—restrictionist. The question is whether the British attitude is also realistic. In a letter published in our last issue Mr David Eccles accused *The Economist*, in particular, of being too pessimistic about the scope for increasing the British national income. He gave three reasons for optimism, which may be re-stated as follows:—

(1) The present level of production in many industries represents a very disappointing return from all the new methods adopted and the new equipment installed since the war. It must be regarded as a failure so far, and could be improved on.

(2) If the output of a few key goods—and particularly of coal—could be substantially increased, productivity in many other industries might for that reason alone be improved dramatically.

(3) There would be many more goods to buy if full employment really meant that everyone's energies were fully engaged in useful work. In fact, much employment at present represents featherbedding of one kind or another.

These three propositions are unexceptionable. They are worth constant statement even though the second and third are truisms. The list could usefully be extended. The re-equipment of British industry since the war has been extensive but inadequate. Particularly in manufacturing—as opposed to the basic industries that Government

policy has most favoured—productivity could be greatly increased by further investment. A speedier practical application of the results of scientific research would also show large returns. There is much scope for improvements in management; to bring the least efficient firms near to the standards of the best would raise productivity considerably. And there is even more to be gained by the elimination of restrictive practices by labour and capital.

Such points as these are indisputable. But they are also entirely irrelevant to the practical question whether a cheerful or a gloomy view of future productivity is reasonable. *The Economist* is as convinced as Mr Eccles of the economic and technical possibilities of increasing production, of weaving four yards of cloth where three are woven now. But possibility is not the same as likely achievement. Our doubts are not technical or economic but political. Will either a Labour or a Conservative government do the things that are necessary to translate possibility into achievement? Is either party really interested in the policy of tough, vigorous expansion that Mr Eccles wants? At the moment, the pace of postwar expansion is certainly slackening. According to Mr C. F. Carter's estimates, the real product of the United Kingdom (that is, the gross output of services and agriculture as well as of industry), which remained almost stationary from 1946 to 1947, increased by 5 per cent in both 1948 and 1949. The latest calculations, published in the current *Bulletin* of the London and Cambridge Economic Service, show that last year the increase was only 3 per cent. There is every indication that this year it will be smaller again, and may be very small indeed. Moreover, the productive labour force has increased since the end of the war. Over the four years from 1946 to 1950, productivity—in the loose sense of real product divided by the number of people employed outside the armed forces—increased by only 8 per cent. With the natural forces of postwar recovery exhausted, there is no reason to believe that present policies and present administration will sustain an increase of anything near this 2 per cent a year.

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How would a Conservative government change those policies? Mr Eccles asks people to put their first faith in its moral influence. It would "rouse the virtues of enterprise and patriotism." The importance of those virtues is not in dispute. But something has to be done to rouse them. Mr Eccles seems to believe that the mere existence of Conservative ministers in Whitehall would do the trick. Is that anything but wishful thinking? Is it any less simple-minded than the Labour Party's belief, before the days of disillusionment, that railwaymen would automatically work harder and abandon restrictive practices if the four main-line companies and their shareholders were replaced by the British Railways Executive and the state? To suppose that either trade unions or employers would suddenly become less restriction-minded after an election is fantastically unreal. Would the miners automatically work harder or longer, or accept Italians? A Conservative government will get a response by what it does, not by what it is. It has to establish the conditions in which more wealth will be created, not to conjure up wealth by expressing the right sentiments.

It is easy to understand why British pessimism makes many Americans impatient. They do not see why, if technically it is easy to increase production, something so plainly in everyone's interest should be politically difficult. They naturally do not appreciate how deeply defensive attitudes, which are almost inevitably restrictionist, take hold of a country that has seen its industrial supremacy pass and its basic industries rot. The Conservative party, which played so large a part in creating these protectionist restrictions, should be well aware of their strength. Economic liberalism, the attitudes of a tough expansionist society seizing on every technical possibility for increasing production, is the natural philosophy of the successful economy. But though most of its doctrines are equally valid for the less successful economy, for the industrially second-rate their validity is far less apparent. Expansion is then just as much in the general interest, but the number of particular interests that are hurt in the process is proportionately far greater. To believe that a British government will quickly expand the national income involves, if it is realistic, a belief that it will begin by doing many unpopular things. *The Economist* will become optimistic when it sees evidence of such courage in one or both of the main political parties.

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Mr Eccles said, in his deservedly well-known speech at Sturminster last month, that a Conservative government would "legislate for more and fair competition." It will mark a complete revolution in Conservative thinking if such legislation in fact breaks up all the price rings and restores the sort of vigorous competition that would quickly and greatly increase industrial efficiency. It would be foolish to despair of such a revolution, but there is certainly no evidence that it has swept the Conservative party yet.

Vigorous legislation against monopoly could not, in any event, produce its main results within a year or so. There are many smaller but useful measures by which a Conservative government could, and no doubt would, encourage higher production in the meantime. It is not difficult to create a few more incentives than there are now, or to remove a few restrictions. But such changes are entirely subordinate to one main point of policy. It is necessary to avoid further inflation. Mr Eccles himself has neatly defined the constructive aim. "We shall make both ends meet by expanding the national income and taking care to live within it." Living within the national income means, of course, keeping the claims on production down to the level that can be met: it means avoiding inflation. And inflation, as again Mr Eccles himself has said, is "by far the most damaging restrictive practice. . . . It pins down capital and labour and encourages short working and low production." It may not, of course, absolutely prevent production from increasing if the other forces pulling production upwards are strong, as they have been during the stage of postwar recovery. The confidence that full employment inspires is, taken by itself, a force making for expansion. But if full employment is only sustained by inflation—and particularly by the inflation of consumers' incomes—the extra production it calls forth will not go to strengthen the economy at its weakest points. The extra goods are mortgaged, before they are produced, to higher consumption at home, and do not increase exports; they do not enable this country to earn the imports of raw materials required to keep production expanding.

The conclusion is plain from Mr Eccles's own arguments. A Conservative government can do what he promises of it only if it starts with a disinflationary policy. And disinflation means reducing the claims on the national income to those that can be met from the present income, not the income that may be produced if all goes well after two years of Conservative government. If the defence programme is to be fulfilled, if Britain's overseas payments are to be balanced, if productive capital investment is to be increased (as, for Mr Eccles's expanding economy, it must be), then the claim to the national income that must in the first place be reduced is domestic consumption.

Once that necessity is accepted by the government, whatever its party, optimism can begin. It would perhaps be too much to say that the foundations for an expanding economy will be laid, but at least the site will be cleared. The congestion that now clogs the economy will be cut away. If disinflation is followed by a real attempt to break monopolies and restore vigorous competition, if the penalties on saving and risk-taking are removed and the incentives to hard work strengthened all round, then within a year or two the technical and human possibilities of increasing production will be realised. Productivity will begin to rise quickly and will far outweigh the initial cut in consumption imposed by disinflation.

That cut is small in amount (no one, it should be unnecessary to say, proposes to provoke a slump); but it is the essential condition of the rest. If Conservative propaganda ignores the condition, if it promises a bigger national income and rising living standards from the start, then a Conservative government will never have the courage to adopt disinflationary policies, still less to go on vigorously to restore competition; nothing else it does will then create an expanding economy. If it is pessimistic to be conscious of this danger, then *The Economist* is pessimistic and will remain so until the leaders of one party or the other demonstrate their determination and capacity to stop inflation. But the source of pessimism is not any lack of faith in the capacities of the British people and their economy. On the contrary, if the politicians will give the economy a chance, if they will have courage temporarily to cut consumption to the resources immediately available, then there is every reason to believe that a quickly increasing productivity can provide security, external solvency and a rising standard of living thereafter.

Atlantic Issues

WITH the Japanese treaty signed and the San Francisco Conference adjourned on schedule—a triumph of Mr Acheson's stage management—the round of further conferences in North America can proceed. Simply to call the roll of these meetings, with their slightly shifting personnel and their overlapping agendas, is merely confusing. But it is clear that one meeting of the series, that of the North Atlantic Council in Ottawa next week, overshadows the others in importance.

It would take the rhetoric of Mr Churchill to put glow and significance into the agenda chosen by the North Atlantic Treaty Powers for the meeting. It is true that the items are important, and that some of them are crucial. But they are too familiar, too pitted with controversy, to stimulate either fresh hope or new loyalty in the western peoples whose ministers will be in council. For all that Ottawa can do with these issues is to induce compromise where it has been refused over the past ten months, to show that Ministers of Foreign Affairs, Defence and Finance can reach in the Council of Nato agreements that they have not allowed their officials and military advisers to reach in such subordinate bodies as the Council of Deputies, the Standing Group and its Military Committee, or the Financial and Economic Board. Such a demonstration will not impress ordinary people, who are already asking why allies dedicated to such an urgent and vital task as the defence of free Europe find it so hard to agree about commands, finances and other issues which would be settled in a matter of days if war broke out. The Council of Ministers will not impress by just taking, with reasonable speed and competence, decisions that should have been taken months ago. Their record to date is not good enough.

It is time for a new initiative. The apparatus for knitting the free world together exists, but it exists at present more as a collection of components than a framework of action. That the North Atlantic Treaty Organisation exists at all is a very considerable achievement; an effort comparable to that required to set it up is now needed to make it work. How urgent this has become can best be seen by considering the present state of some of the specific tasks that now face the allied powers of the Atlantic community. One of the current issues—the relationship of Germany to Nato—was discussed in *The Economist* last week; some of the others are shortly dealt with in the following sections of this article.

1. Organisation

The first of these issues is to find means by which the member governments of Nato can reach decisions which will be binding upon them and on which their servants can act. Next week's meeting of the supreme authority of Nato is long overdue. Questions vital to the future of the organisation and decisions necessary to the firm planning of Europe's defence have for months been allowed to shuttle back and forth within a badly integrated political and military hierarchy. There have been occasions when the political department of Nato (the Council of Deputies), the military departments (the Standing Group in Washington and the Supreme Commander in France) and the economic committees in London and Paris have all been working simultaneously on the same problem with no clear division of responsibility or chain of command. Every delegate in Nato has had his master—a minister in London or Paris or The Hague—but Nato itself has had no master. To take only one example of the lack of arrangements and capacity for decision: if the Supreme Commander of Nato's forces, General Eisenhower, wants a political decision of importance he must address himself formally

to the Standing Group of chiefs of staff in Washington, which then passes the request to the Deputies in London. But the Deputies can take no decision ; they cannot even formulate a joint recommendation. Their job is to see that a recommendation on which general agreement is likely goes to each Foreign Minister through each Deputy. There is, in short, no Nato decision unless the Council meets—and the Council last met in December, 1950. There are, of course, informal ways of circumventing this procedure, for General Eisenhower is entitled to approach personally any government or minister whose aid he requires. But the inevitable result of such practices will be that every kind of matter will be diverted for quick solution to the Supreme Commander's desk ; indeed, the process has already begun and there is more than one high officer in Shape who has been asked for help in such non-military matters as preparing a national budget or preventing a coal crisis.

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In other words, the organisation called Nato has been lacking firm decisions and regular direction from the top. Whether the whole Council of twelve could take on this role—as it should according to the Treaty—is a matter for argument. In case of war it should certainly entrust political direction to a small group as strategic direction is already entrusted to an American, a British and a French officer in the Standing Group. But in peacetime it seems that national suspicions and jealousies are still too sharp to make possible such a delegation of powers ; thus, for this Ottawa meeting the Council may be up to thirty strong. The experience may well be salutary and should start governments thinking whether the affairs of Nato do not now require, at the top, some organ of unquestioned authority in much more frequent session.

Nato, in fact, has been trying to do too much and achieving too little. It has bitten off a great deal and its scope has tended to widen, both in the range of its concerns and also in its territorial spread, for Greece and Turkey are now to be invited to join, and Nato's writ may be made to run even further into the Middle East. Nato, is thus not far from becoming a substitute United Nations for the free world. Before it begins to overhaul its organisation and methods of work, a clear conception is needed of what it is expected to be and do. The original design was simple: to bring to Europe the pledge of immediate American and British aid against aggression and to place twelve nations as quickly as possible in a posture of defence. What could be done quickly has been done and the effort to make the West stronger is now being planned not in months but in years ahead. The patterns of defence expenditure in this country and others show that the allies are now engaged on a medium-term programme ; and the delayed decisions and the carefully leaked controversies of 1951 show that some of the urgency and fear of a year ago have gone out of the counsels of Nato.

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Perhaps the most important question of principle to ask is whether Nato is regarded as the embryo of a permanent and developing union of the free nations, or as a piece of machinery to do a specific job and then to be dismantled. Formally, it is the latter, and many of those chiefly concerned with it take the view that it is an operation with a definite closing date. In General Eisenhower's headquarters it is fair to say that thoughts about the future play as much around the question whether Europe will be strong enough by the time the Americans want to withdraw their troops as around the more familiar question whether the West as a whole can be strong enough by the time the Russians decide they can afford a war. Certainly this specific job has first priority, and unless it is performed successfully there will be no future for Nato. But those who hope that, when the emergency passes, the organs of unity, strengthened by their achievement, will be left behind, will have an eye to this wider future in settling the immediate arrangements. Organs are needed that can both function expeditiously while the pressure lasts and can also legislate for the free world in the larger days of full peace.

On the best form of organisation at the top, something more is said in the final section of this article. But there is one piece of clarification lower down to which brief reference should be made. On the military side, the chain of command is tolerably clear and the towering personality of General Eisenhower imposes unity. But on the economic side, there is still some confusion between the functions of the Financial and Economic Board and the Organisation for European Economic Co-operation. Both are concerned with the inter-relationship of American aid to Europe with the European nations' own efforts, but FEB is a subsidiary of Nato and deals with rearmament, while OEEC, the executive organ of the Marshall Plan, deals with the general economic activities of its constituent countries. Clearly the two subject matters overlap, and will do so increasingly, and it might seem the obvious course that the two bodies should be merged. This has hitherto been prevented by the fact that their membership is not identical ; OEEC includes the "neutrals," such as Sweden, Switzerland and Ireland, which are not members of Nato and hence not of FEB. Though the two bodies exist side by side in Paris and are largely served by the same national delegations, there is a tendency for them to grow apart, with a wall of security between them. This would be lamentable, and if the two organisations, with their differing memberships, have to continue to have formal separate existence, it is essential that they should have but one staff, even if this means excluding the neutrals from it. Competent international civil servants are too scarce to be wasted in duplicated effort.

2. Sharing the Burden

THE second and equally important task facing the North Atlantic powers is the co-ordination of defence efforts both within Europe and as between the two sides of the Atlantic. The Financial and Economic Board has submitted a report to the Ottawa conference showing the impact of rearmament on member countries. It was intended to be a "burden-sharing" exercise to suggest how American aid could best be administered, though with their limited resources and the short time available—they had only two months in which to get agreement among 12 countries—the staff of FEB could hardly have done more than outline the main problems that should be considered. But some assessment of relative burdens is clearly needed. On the one hand, if one of the partners were doing demonstrably too little, public opinion in the others would be restive. And on the other, it would be the height of folly to let any one country

carry a burden so heavy as to endanger its stability. Moreover, the allocation of American aid to Europe cannot in justice be determined until the actual efforts of the different partners are known.

The main means employed to assess and compare the defence efforts of the different countries is the currently fashionable one of showing defence expenditure as a proportion of gross national product. The test is an imperfect one, but it does not have to be very delicate to reveal the major lesson of the exercise: that the defence efforts of the United States and of the United Kingdom are on an entirely different plane from those of the other European members of Nato. The United States is to devote 20 to 25 per cent of its gross national product to defence expenditure. The British figure, at its peak, will reach 13 to 14 per cent and in recent months the placing of orders has been accelerated to such an extent that 10 per cent of gross national product is already committed. The American and British programmes differ from the European not only in their size but also in their independence of aid. The American programme is, of course, wholly self-financed. Although the British Government at the outset expressed the hope that American aid would be available to cushion the impact of rearmament on the standard of living of the British people, less and less has been heard of this hope, and the programme was never made dependent upon it.

Unfortunately, the same cannot be said of other European countries. Programmes have grown in profusion in the fertile imaginations of defence ministers, nurtured with the hope that the United States will foot the bill. But few contracts have yet been placed. France claims that when its plans are put into operation 12 per cent of its productive resources will be devoted to defence. But this must be largely dependent on American aid, since a self-financed programme equivalent to only 10 per cent of its gross national product would impose a severe strain on the French economy. The extent to which Germany can contribute to the common defence of the West is difficult to estimate for it rests, in the final analysis, on political considerations. In the order of things, however, it should take its place after France, committing, say, 8 per cent of its productive resources to rearmament. At the other end of the scale are the smaller countries such as Denmark which are planning to devote no more than 2½ to 3 per cent of their gross national product to rearmament.

It would obviously be absurd to expect a uniform percentage from all countries. The richer peoples can afford not only larger absolute sums but larger proportions of their incomes—a simple application to international burden-sharing of the principle of progressive taxation. Countries with very little industry are physically incapable of making a large contribution to an operation that is so largely mechanical as modern war. Moreover, the statistical estimation is too imperfect to bear much weight: no agreement has been reached on a uniform method of calculation of such concepts as national income and gross national product, and it is impossible to express statistically the political and psychological effects of a reduced standard of living in the different countries. For all these reasons there cannot be any rigid formula, and the judgment of what is fair must rest on commonsense.

This having been said, however, it must be added that the figures now arrived at do not, in the light of commonsense, indicate a rough equality of burden. Continental Europe is not yet doing, or planning to do, as much as it could or should. This judgment is reinforced by an examination of what the different countries regard as being defence expenditure. Belgium, for example, on the argument that the lines of communication would lie across it, considers that any money spent on modernising port installations or on improving roads and railways is a legitimate part of the defence budget—although it is by no means clear that all this expenditure is incurred solely, or even mainly, for defence reasons. It may be politic to permit a poor country to expand its domestic investment under the cover of a rearmament programme—Germany is a case in point. But the same procedure can hardly apply to a country that for its size is one of the richest in Western Europe.

*

The impact of rearmament differs greatly from country to country, quite apart from the different proportionate shares of the burden. In Britain the extra burden of defence will cause a reduction in the standard of living ; but its sharpest effect will be felt in the balance of payments, because precisely those industries which are the mainstay of the export drive will have to turn over to defence production. In France the impact will be less on its external trade and more on its internal economy ; the shortage of consumer and industrial goods is likely to cause a further sharp rise in prices and jeopardise the internal stability of the currency. The effect in Germany may be a slowing down of the rate of improvement in the standard of living of the German people ; rearmament could yield either a trade surplus or a trade deficit according to the type of goods that German industry

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has to produce and the method for paying for them. For Belgium rearmament may even be a boon, by enabling it to use its unemployed manpower for domestic investment financed by American dollars. Even in the United States itself, the increased burden of defence will mean no more than postponing for a year or two the steady rise in the material standard of living of the American people that has taken place since the war ; and even this will be offset by the creation of productive assets many of which —especially in the raw material field—will be of permanent value.

The international comparison of efforts made, of burdens borne, and of need for external aid, is thus a highly complex affair which cannot be reduced to the two simple formulæ of such-and-such percentage of gross national product expended and so-and-so-many dollars of aid required. Aid is, indeed, necessary, for even if the European countries can achieve their recently announced objective of increasing total production by 25 per cent in five years, Britain would still have its trade deficit and France its internal financial instability. The chief moral to be drawn is that aid, to achieve its purpose, requires to be extremely flexible, in method and duration as much as in amount.

The need for flexibility in method can be illustrated by the contrast between Britain and France. The stability of sterling is of paramount importance to the economic stability of Europe and, indeed, of the whole world. If because of balance-of-payments difficulties, Britain had to revert to bilateral trade negotiations, the recovery of Europe would be reversed, for it would cause other countries to adopt similar tactics to preserve their own gold reserves. The most direct way of guarding against this danger would be to inject dollars into the British balance of payments, dollars which would have to be free to be spent anywhere on anything, since they are needed to be handed over to other people. It is difficult to imagine anything less likely to appeal to Congress ; but that does not affect the logic of the argument. France, on the other hand, can best be assisted by supplies of goods.

In one sense, of course, it is not for the recipients of aid to say how it shall be given. But since it is given to achieve a purpose, they can properly suggest which methods would best achieve that purpose. There can be little doubt that this need for flexibility reinforces the arguments for a single agency in the United States charged with dispensing aid—always provided that Congress would give it a large measure of discretion within its total authorisation.

3. Raw Materials

THE International Materials Conference is not formally a part of Nato—again for the reason that it includes countries which are not signatories of the North Atlantic Treaty. But this is a formal distinction ; it is obvious that the progress of the Nato countries' rearmament depends upon a fair and efficient sharing-out of world supplies of raw materials more than on anything else. The IMC was set up in Washington last March following a proposal by Mr Attlee during his visit to President Truman ten months ago, which received the support of the French Prime Minister. The United States, Britain and France became the joint convening powers.

The conference has a very loose and flexible organisation, consisting of a number of autonomous committees each dealing with a single commodity or with a group of related commodities. The task of the committees is to study current and prospective trends in supply and demand ; to examine methods of expanding production and reducing consumption ; and to introduce international allocation if an equitable distribution can be secured by no other means. Their recommendations must be unanimous and are made direct to the participating governments for concurrence. The work of the individual committees is co-ordinated by a central group. It has no control over the committees but merely ensures that the same approach is adopted for common problems.

Some twenty-seven countries are at present participating in the conference. Eight are represented on the central group, which also includes representatives of the Organisation of American States and the Organisation for European Economic Co-operation. The three convening powers are represented on each of the seven commodity committees ; so, too, is Germany although it is not a member of the central group. Otherwise each committee is differently composed, in order to represent some 80 to 90 per cent of the producers and consumers. But countries that are not members of a particular committee have access to and can put their views before it. In that way, it is claimed, the interests of all countries of the western bloc are safeguarded.

The membership of the various committees is shown in the accompanying table. It will be seen that all the commodities covered, except wool, are those in which the United States has a particular interest as a supplier. Tin and rubber have been kept outside the scope of the conference, contrary to American wishes, on the official pretext that existing organisations are competent to cope with any problems that might arise. So far international allocation has been introduced for three materials: tungsten, molybdenum and sulphur. Allocation schemes for copper, cobalt and nickel are expected to be announced shortly, while another for pulp and paper is still under negotiation. Allocation for cotton and cotton linters has been dropped, since supplies this season will be adequate to cover both defence and civilian requirements owing to the large American crop and the general increase in production in other countries. The wool committee failed to reach any agreement on the principle of allocation, for which America was pressing, because Australia felt that it would be politically undesirable to interfere with the auction system in peacetime.

The success of the IMC to date, then, has been due to the willingness of the United States to ration internationally the supplies of those materials that it controls. It is true that America is a net importer of tungsten, but when IMC was set up, the United States was about to conclude long-term contracts with overseas suppliers, which were dropped in order to make international allocation possible. Britain's sole contribution to allocation has been to agree with the United States last July that it would be desirable for wool ; but the Commonwealth exporters could not be convinced. It may now be necessary to offer tin or rubber for allocation by IMC in order to redress the balance.

The comparatively small number of operating allocation schemes should not, however, be taken as the measure of IMC's achievement. In the main, the problem of raw material supplies is being tackled and

even solved. The scarcity of certain raw materials that threatened industrial production in both Britain and Europe has been alleviated, and more or less adequate supplies have been guaranteed at either fixed prices or

MEMBERSHIP OF THE IMC COMMODITY COMMITTEES

	Copper, Lead, Zinc Committee	Sulphur Committee	Cotton-Cotton Linters Committee	Tungsten, Molybdenum Committee	Manganese, Nickel, Cobalt Committee	Wool Committee	Pulp & Paper Committee
Austria	...	...	...	...	...	★	★
Australia*	★	★	...	★	...	★	★
Belgium	★	★	★	...	★	★	★
Bolivia	...	...	...	★	...	...	...
Brazil*	...	★	★	★	★	...	★
Canada*	★	★	★	★	★	...	★
Chile	★	...	...	★	...	...	...
Cuba	...	...	...	...	★	...	...
France*	★	★	★	★	★	★	★
Germany	★	★	★	★	★	★	★
India*	...	★	★	...	★	...	...
Italy*	★	★	★	...	...	★	★
Japan	...	...	★	★	...	...	...
Mexico	★	...	★	...	...	...	★
Netherlands	...	...	...	...	...	★	...
New Zealand	...	★	...	...	...	...	★
Norway	★	...	...	...	★	...	...
Peru	★	...	★	...	...	...	...
Portugal	...	...	...	★	...	...	...
South Africa	...	★	...	...	★	★	...
Spain	...	...	...	★	...	...	★
Sweden	...	...	...	★	...	...	...
Switzerland	...	★	...	...	...	...	...
Turkey	...	...	★	...	...	...	★
United Kingdom*	★	★	★	★	★	★	★
United States*	★	★	★	★	★	★	★
Uruguay	...	...	...	...	...	★	...

* Members of the central group, which also includes representatives of the Organisation of American States and the Organisation for European Economic Co-operation.

at prices within an agreed maximum or minimum limit. Producers are thus assured a reasonable return and consumers are safeguarded against fantastic rises in price. The threat of an immediate world scarcity of raw materials has largely retreated into the background.

A large part of the credit for this belongs not only to the work of the IMC but to the measures taken first by the United States and then by Britain to restrict domestic consumption of scarce materials. But it is also safe to say that none of these governmental measures, national or international, would have been of much avail if the market had not turned round as last winter's tide of demand receded. And in this there is need for caution. For though the curve of purely speculative buying has risen and fallen, the underlying curve of genuine industrial demand is still rising and must rise still more steeply as the production of munitions gets under way. The natural expectation must be that materials will get tighter rather than easier ; and it is this expectation that lends urgency to the Commonwealth raw materials conference, which is due to open in London in ten days' time and will be largely concerned with measures to increase output. This summer's conditions have given IMC a breathing-space to consolidate its position ; but most of its work lies ahead.

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In this case, governments will have to make up their minds whether they really prefer international oversight of materials, and allocation where necessary, or a free-for-all like last autumn's, and if they choose the former they will have to be prepared, in the wider political interests of the world alliance, to override the wishes of their own producers, who are naturally concerned only with the one material. Australia has been pilloried, and deservedly, for an outstanding example of political weakness in the face of producers' short-sightedness. But perhaps a more comprehensive example can be found nearer home. The British Government was clamorous, a year ago, for control of materials. It had chiefly in mind, of course, those materials of which the United States controlled the supply and lack of which was threatening to bring British industry to a standstill ; sulphur is the arch-example. These British requests have been met by the United States in quite gratifying measure. When it comes to materials that are produced in the sterling area, however, the British Government not only has to deal with organisations of producers, who always dislike allocation schemes, it also has to remember that high prices, though they may be indefensible, do bring dollars into the sterling area's reserves. Hence the anomaly that Britain, which first asked for the allocation of materials is now, in many cases, resisting it. This is not a position that can be maintained for long. Once again the need is for the continuous application to these detailed and difficult problems of the highest political judgment, which can put them in their proper place in a grand design.

4. A New Initiative

To point out defects and difficulties is not, of course, to underrate what has been achieved. Indeed, if one can for a moment recapture the mentality of 1947, it is little short of miraculous that there should be a North Atlantic Treaty Organisation and that it should give such evidences of life and vigour. That it has obvious weaknesses should not be taken too seriously. There is a large element of muddling through in every successful human endeavour and an organisation that proceeds by ambulant solutions of specific problems as they arise is likely to be more effective than one that springs in logical perfection from some planner's mind. Nevertheless if progress is by evolution, the prizes in the race go to the organism that can manufacture opportunities out of its difficulties. It does not take much insight to see that Nato, at the moment, has a problem that could be a golden opportunity.

The problem is to find means whereby it can equip itself with some guiding principles of action. What can be done *ad hoc* and by unanimous agreement has, broadly speaking, been done, or at least set in train. If more is to be done, there will have to be a clearer vision of the goal and of the way to get there. If the word had not been so much abused, one would say that there needed to be a plan, that the various pieces of policy that are emerging from *ad hoc* practice should be fitted together. This, manifestly, is the position that has been reached in the exercise of adjusting the various national burdens to each other and applying the lubricant of American aid. It is hardly less manifestly the case with the sharing of raw materials.

But there is a still wider reason for some attempt at this stage to evolve some general principles of action. In wartime, when there are no limits to the requirements and no time to provide them, nations are forced to do things that they know will create endless trouble for them when the war is over. The deliberate squandering of Britain's external resources between 1939-45, and the postwar

difficulties that have resulted, are the clearest example of modern times ; but all war has the form of a deliberate distortion of economic patterns which have to be painfully put straight again later on. Even in a quarter-war, and even after its first hectic stage has been passed, something of this sort is inevitable ; but there should also be time and opportunity to stop and inquire if all the possible precautions are being taken. It should be somebody's job to think out if there are alternative ways of doing things which would be almost as effective now, but would cause less disturbance hereafter. For example, is everything possible being done to prevent the rearmament programme of the free world from making the dollar shortage more intense, and more insoluble, than ever? Is it right to develop the supplies of raw materials so intensively in the United States, where, in peacetime, they will cut out imports, and so sporadically in the sterling area, where they could be a valuable means of balancing accounts? Is everybody agreed that there must this time, in sharp contrast to what happened during the war, be no transfer of export markets from those who are carrying heavy burdens to those whose effort is smaller ?

But a plan, or a programme based upon consistent principle, needs political authority. It has no hope of survival if every point of it is subject to the *liberum veto*. It is true that planners cannot defy the whole world (though they sometimes try to) and that they must seek general approval for their objectives and their methods ; but they must also have behind them an organ of authority armed with the power to insist. This is what Nato has always lacked ; and if Nato is to go forward to real achievement, this is what it must now acquire. In the wartime alliance the periodic conferences between the President and the Prime Minister fulfilled this role. The two major powers, with others assisting, then pooled some of their sovereignties and took decisions which were final. Obviously this highest political instance cannot be exactly reproduced in the changed circumstances. But the task for the statesmen of Nato is to get as close to it as they can, and the least with which they can afford to be content is that each government should nominate a Minister of Cabinet rank to sit with his fellows in very frequent session and take decisions. The subjects on which binding decisions can be taken would, of course, have to be laid down from time to time; no government is prepared to sign a blank cheque upon its sovereignty. But the time has come when it is possible to say, strictly as a matter of the practical administration of urgent real problems, that there must be some willingness to pool and delegate national sovereignty or no further progress can be made.

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This challenge will have to be faced in the coming months, and it will either be met or refused. Let us hopefully assume, for the moment, that the statesmen rise to the opportunity, and create, for the first time in peace, an international executive organ. If that triumph of statecraft can be achieved, is it to be used only for the limited purposes of Nato as originally conceived, purposes limited in scope and time? That, surely, would be a cruel waste of political skills. If Nato can get that far, surely it should be encouraged to regard itself as an embryo of world government. The thought will frighten the timid. But there are influential strands in American opinion, described by a correspondent in Washington on page 625, to which it should appeal. And whoever else dislikes it in principle, the British Government ought not to be of their number, for the development of Nato would be a movement in the direction that the British Government has always said that it wanted to move—or at least, to put the same point negatively, it avoids the faults that Whitehall has always found in the various other plans for international unity that have sprouted since the end of the war. Nato is an arrangement between governments ; unlike projects of federalism, it represents peoples through their governments, whose authority is thus not undermined. Its scope is inter-continental and oceanic ; it does not try to confine Britain to one continent. And it emerges from specific and practical problems ; unlike other plans, it does not first create grandiose institutions and then look round for something for them to do.

On the Continent, there is less enthusiasm for the idea of an Atlantic community, which has been too often presented (largely by British fault) as an alternative to such closer European projects as the Schuman and Pleven Plans. But there is no real incompatibility. Indeed, the concept of a European army within the larger forces of Nato points the way to a most fruitful concept. The free world divides naturally in a threefold way. The nations that will have to bear the brunt of the campaign of preparedness, and would have to do most of the fighting if war came, fall (with very few exceptions) into three natural groups: North America, the British Commonwealth and Western Europe. Let each group organise itself as tightly or as loosely as it will ; and let the three come together to form the supreme organ of the free world's will. This is the pattern of the Standing Military Group ; it was the original pattern of the International Materials Conference. It could be the means by which, within the free world, representation is combined with decision.

It would not be right to attempt here to give more than the vaguest sketch of this line of thought. Perhaps enough has been said to show how the method of meeting the present needs could be turned into a great opportunity. There is, however, one final argument for the same thesis.

It is easy to forget how very narrow is the basis of political stability in the free world. Of the governments gathered at Ottawa next week, almost every one is based either on a precarious coalition or on an exiguous majority. At the time of the recent French and Italian elections there was a moment when public opinion saw the danger and realised the need somehow to create a body of positive support and enthusiasm, and not merely of tired compromise, behind the policies of moderation and goodwill that the governments try to practise. In addition to its military and its economic activities, the united organisation of the free world badly needs the backing of faith and emotion if it is to succeed in its gigantic task. And if the military and economic organs of Nato cannot get any further without some willingness to pool national sovereignty, it is safe to say that the Faith-and-Emotion department could not even approach its task unless the same requirement were granted.

This is the opportunity for courage and imagination at Ottawa. Let us hope that the divine efflatus blows through the council room.

The Tourist Industry—II

Welfare for Visitors

THE previous article suggested that measures to expand the tourist industry are hard to reconcile with some aspects of the welfare state. Much of the official planning for foreign tourists is concerned with extricating them from the effects of various other plans. This is particularly true of American and Canadian visitors, and a number of invidious distinctions are made between them and visitors from other countries.

The chief requirement for expanding the tourist industry is to increase the amount of suitable hotel accommodation, especially in such places as London, Edinburgh and Oxford. In London alone there are perhaps 2,000 fewer beds than before the war, for several large hotels have been turned into offices. There is enough accommodation of the medium type, but the luxury hotels are constantly turning people away, and there is no doubt that considerable dollar trade has been lost in this way. But to judge from a recent incident, an application to build a luxury hotel is not certain to meet with success, for fear of an outcry that scarce materials are being used to provide pleasure for the idle rich instead of houses for the workers.

It is rarely indeed that anyone now wants to build a hotel, for costs are too high. The British Travel and Holidays Association has suggested that the Government should help by lending money at 1½ per cent for building hotels that would earn foreign currency. It is hardly surprising that this proposal has been coolly received, though the principle seems to be accepted that the exports credit scheme should apply to hotels established with the aim of attracting American and Canadian visitors.

If in present circumstances there can be little or no hotel building, what are the prospects of re-equipping existing hotels that are now somewhat below the standard that tourists expect ? For the purposes of building licences a hotel is treated as a private house, and only £100 worth of alterations can be done without a licence. A hotel which has a high proportion of American and Canadian tourists has little or no difficulty in obtaining a licence, but others are more hardly treated. During 1950 applications were made for £4,000,000 worth of licences for hotel building and extension, but only half that amount was granted.

The same discrimination has been adopted in the attempt to free dollar-earning hotels from the effect of purchase tax. In July, 1950, the Government introduced, for one year only, the Hotel Grants Scheme. This had two parts. First, a hotel keeper who could produce "a well thought out and comprehensive scheme" for attracting dollar tourists might obtain a grant equal, at the maximum, to the total purchase tax that he would pay in carrying out his scheme. Second, it was also possible to get a rebate of purchase tax paid for replacement, the rebate depending on the proportion of American and Canadian visitors staying in the hotel. The reaction to this offer was slight. For all but a few hotels, the amount of purchase tax to be refunded hardly made it worth while to keep all the invoices, record the passport numbers and fill in the forms.

Purchase tax not only bears heavily on hotels but is a nuisance to the tourist himself. Its purpose is, after all, to stop people from buying, and that was obviously inappropriate for the foreign tourist. Concessions were therefore made, but of a guarded kind. It is very tiresome to be obliged to have purchases delivered to the ship in order to avoid the tax ; and even for Americans and Canadians, who again benefit from a special scheme, it is irritating to have to fumble for coupons, and may be inconvenient that whenever the tourist wants to buy £5 worth of tax-free goods he has to cash an additional £10 of travellers' cheques. Would it be better to allow all foreign visitors to escape purchase tax simply by showing their passports ? The authorities fear that the shops would then be full of foreigners making purchases on behalf of their British friends. But it might be worth taking that risk for the sake of some additional dollars.

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The welfare state has produced one major irritant for which as yet no relief has been found for the tourist. This is the impossibility, due to the way the Catering Wages Act works, of getting a meal except at rigidly limited times. This Act can, it is true, conveniently take the blame for everything that goes wrong in the hotel and restaurant trade. But there is no doubt whatever that its effect has been deplorable. Travellers who have to make an early start may have to go without breakfast because it would cost the proprietor far more in overtime than he could charge for the meal. In the days when the maximum price of a meal was five shillings a well-known hotel served dinner to a tourist who arrived at 9 o'clock ; it cost the proprietor 42 shillings. At a certain tourist resort in Scotland the only train arrives after the hour at which meals are served. Such examples could be multiplied indefinitely. An ironical touch is that one of the duties of the Catering Wages Commission is to promote the tourist industry.

The Act thrust factory conditions on an industry for which they are utterly inappropriate. The problem is relatively manageable in the large hotel where a shift system can be worked, although it puts up the running costs. But the chief sufferers are the medium-sized hotels. The country hotel keeper scratches his head over the long schedule of jobs in the catering trade, each with its appropriate wage and conditions. Chef Entremetier, Commis Garde-Manger . . . how should he classify old George who has always carried up the luggage, taken the visitors their early morning tea, wrung the chickens' necks when necessary, and many jobs besides ? George used to be about from morning till night, but he slept all afternoon when there was nothing to do. Now the maximum "spreadover" of his work must be 12 hours (or if the hotel has less than 35 rooms, 14 hours). He used to be on half-pay during the winter ; now he is sacked because the hotel cannot afford to pay his wages. Some of the small hotels and inns have found it worth while to close their bedrooms to bring the number down to four, when the Catering Wages Act does not apply. The only other way for the proprietor of a small hotel to give satisfactory service in spite of the Act is to have all his relatives working in it.

In the hotel industry there is very little organisation either of employers or of workers. The negotiations which led up to the Act were therefore conducted by people not really representative of the trade as a whole. The same could be said of the Catering Wages Commission which was set up under the Act. Last year an enquiry into its working produced a few minor recommendations which have not been put into effect; and the Government now takes the view that if changes are needed they can be made within the existing machinery. This ignores the essential fact that the Commission cannot revoke the decisions of its wages boards. There is little that can in fact be done without a drastic amendment of the Act.

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While tourists often complain that they cannot eat when they like, they rarely say they do not get enough. They have read grim stories about British food rationing, and are usually pleasantly surprised to find that they can eat very well (if someone tells them where to go) without having to surrender coupons, and that chicken, game and other alternatives to red meat are not rationed for anyone. Yet when the British Travel and Holidays Association set out to tell Americans that food is not scarce in British hotels they were bitterly attacked by the press, by Conservative MP's, and strangest of all, by the hotel trade itself. This was unfortunate, for the fear of starvation keeps many tourists away from this country.

There is one improvement that might help the tourist industry a great deal. New legislation should be introduced to tighten up the regulations about clean food. The standard of cleanliness in Britain is far below that of North America, and many a visitor to this country must see, in snack bars and sometimes in restaurants, sights to make his hair stand on end. Last year the Catering Trade Working Party made some useful, if mild, recommendations on this subject, but nothing has been done to implement them. The increase in the number of cases of food poisoning has made many people in Britain aware of this problem for the first time, and vigorous action would be widely welcomed.

Another field in which legislation is required is to amend the licensing laws. It is too much to hope that the system of "permitted hours" should be abolished altogether, but at least some of the worst anomalies could be removed. The British Travel and Holidays Association has just presented a memorandum to the Government, recommending among other things that the hours in which alcoholic drinks can be served with food should be extended; that travellers who have passed the Customs formalities at international airports should, no matter what time it is, be able to buy a drink; that the licensing justices in England and Wales should consider applications more often than once a year. The memorandum said nothing about the duties on wine; but there is no doubt that to European visitors they make a visit to Britain something of an endurance test. It would be to the advantage of everyone except the brewers to reduce them; it would certainly be an act of economic co-operation with Europe; and the loss to revenue would be small, for they represent only £15 million out of £4,236 million of ordinary revenue. Unfortunately the reduction of the duties is farther than ever from practical politics, for the puritanism that engendered them has now been reinforced by the desire to tax the rich man's drink—although only the tax has given wine that status.

Legislation on these lines would certainly do more for tourism than complicated failures like the Hotel Grants Scheme. It would benefit people at home even more than the visitors. But it would also benefit the rich rather than the poor, and that is sufficient to get it dismissed as unnecessary even if not actually wicked. Yet it is surely unrealistic to pretend that the tourist industry can be greatly developed solely on the principle that now guides its promotion—the principle of fair shares for all and a little bit extra strictly for the man with dollars.

NOTES OF THE WEEK

The Solid Mass

The meeting of the Labour party's executive on Wednesday passed off without giving away any hint of the further intentions either of Mr Attlee or of Mr Bevan. Indeed, apart from a few of the Left-wing journalists, the Labour movement seems to be at the moment peculiarly united in its desire to avoid all the unpleasant and important issues.

In that desire the eighty-third Trades Union Congress last week resembled, of course, many of its predecessors. Nothing of any importance was said at Blackpool that was not also said by the TUC a year ago. It would be wrong, however, to take this to mean that the opinions of trade unionists have not changed at all. The point is rather that few feel that they know where they are moving to, and most prefer to say as little as possible. The dominant tone of last week's Congress was a sort of dignified bewilderment—expressed in the attentive respect with which Mr Gaitskell was heard and the calm determination with which two days later his advice was ignored. The trade unions left Blackpool as they arrived: determined to confine themselves to expressing their present discontents without feeling obliged to say with any definition what they would like the Government to do about it. The only possible outcome of this attitude is that the traditional business of pressing wage claims should continue—not because the unions collectively disbelieve Mr Gaitskell's warning that it will do them no good, but because no one knows what else to do.

Mr Bevan's supporters have naturally made the most of the unions' evident feeling that the Government ought to try, at least, to provide its followers with something more than Mr Gaitskell had to offer. But in fact it was plain that as yet discontent in no way implies willingness to support Mr Bevan. It is true that the General Council treated the resolution criticising the Budget charge on glasses and teeth as if it were purely a Bevanite heresy, and yet secured the defeat of the resolution by only a small majority. But the voting on this rather artificial issue proved nothing. The only resolution implying general support for Mr Bevan was put at the end of the long and complex agenda, and was consequently withdrawn; it would not, however, have been withdrawn without a fight if its sponsors had expected to collect substantial support. Mr Bevan's opponents will not enjoy the same freedom of manœuvre at the Scarborough conference in a fortnight's time, but they can reasonably feel that they owed their victory at Blackpool to more substantial causes. Most of the unions were plainly anxious to affirm, as usual, their loyalty to the movement and their faith in the ultimate wisdom of the majority of the party's leaders. That is not a basis on which the Labour party will ever restore its vitality and public respect, but it will serve to hold Mr Bevan at bay.

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Bonus Distribution

The TUC at Blackpool was determined to maintain the principle that the Government, like the Fabian Society forty years ago, must provide the brains to match the unions' brawn. The Congress was rewarded to the extent that the least ancient of the suggestions put to it did come from the Government. This was Mr Gaitskell's proposal that the undistributed profits of companies should be capitalised as an issue of bonus shares to their workers.

The Chancellor was careful to "throw out" this notion as something for the unions to "chew over" for a year or two, not as a forecast of Government policy. It was greeted without enthusiasm, but with some flicker of interest. That is significant enough. A few years ago it would certainly have been howled down. Within the labour movement, the idea is revolutionary; the interest has always been in redistributing income and collectivising property, and rarely if ever in redistributing property. Indeed, apart from the hastily improvised and never understood scheme for "mutualising" industrial assurance, Mr Gaitskell's proposal is almost the first fruit of all the Labour party's desperate searching for something to do with property other than to nationalise it.

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It is perhaps a measure of mental bankruptcy rather than of flexibility that the search should have led, however tentatively, to the familiar and essentially capitalist notion of profit-sharing. The form of Mr Gaitskell's proposal seems to have been dictated by his interest in wage stability: the unions have hitherto been reluctant to be persuaded that undistributed profits are a necessary part of the country's savings, not mysterious additions to capitalist fortunes that ought to be available for immediate consumption as wages. But in essentials the idea is identical with many other proposals for profit-sharing and, apart from practical difficulties, is open to four main objections in principle. First, the undoubted success of some individual profit-sharing schemes depends on understanding and willing co-operation within the factory; to impose such schemes on a uniform pattern by legislation is almost certainly to lose their potential advantages. Secondly, there is an injustice in attaching to the rewards of the wage-earner an equity element dependent on the fortunes of a particular concern. The worker takes his risk when he decides to work for the concern; if the choice turns out to be bad, he incurs the penalty of having to move to another job and possibly of a period of unemployment. It is inappropriate that he should also have to bear the risk of a reduction of income whenever his firm meets a temporarily bad trading year. In practice, of course, dividends on the bonus shares would at present be fixed and would quickly be regarded as a part of wages—and therefore woe betide the firm that cut its dividends. That would be an interesting situation, but it is certainly not what Mr Gaitskell has in mind and its advantages are hard to detect.

Thirdly, profit-sharing reduces the return on risk capital and thereby weakens once again the incentives to innovation and expansion. This objection is particularly strong in the case of Mr Gaitskell's scheme, which would cut the shareholders' interest in the equity more sharply the more successful or financially prudent the concern had been. And, fourthly, profit-sharing that really rouses enthusiasm in the workers is bound also to increase industrial rigidity. To give workers a stake in a particular firm is to make them more reluctant to change jobs and thereby to make it harder to maintain full employment without inflation—which depends on flexibility in face of changing demands.

The unions, however, will not search diligently for such flaws as these in a scheme backed by the Chancellor's authority. It is most unlikely to be accepted, but more is likely to be heard of it—and in less guarded terms than Mr Gaitskell used.

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Korea after San Francisco

To the front line soldier in Korea, last week's events in San Francisco leave things exactly as they were. The war goes on. And, for the moment at least, the armistice talks at Kaesong appear to have reached the stalemate which, so far as the soldier is concerned, is the equivalent of a breakdown; he was in any case always sceptical about stopping this very destructive, bitter, unpleasant and extraordinary campaign. To the delegates who are now on their way home from San Francisco, however, the picture can never look quite the same again. In the Far East a new situation has arisen, with the Japanese once more able to shape their own destinies, and in the world as a whole, the Russians have taken a knock which almost certainly widens rather than narrows the gulf between them and the free democracies. Indeed, there is something mysterious about the way in which Mr Gromyko so painstakingly went to San Francisco, hired a large villa for a month's stay, and then not only failed completely to make any impression on the fate of the Japanese treaty but also even missed the glorious opportunity of making propaganda capital in Asia. The Americans, and Mr Acheson personally, have secured one of the most outstanding diplomatic triumphs since the cold war began.

In Korea the right course for the United Nations must now be to prepare for either extreme, for peace or a new enemy offensive, but to expect what is perhaps even more trying—something in between, neither a truce nor an all-out war. The one certain fact in recent weeks is that the first move for an armistice did come from the Communists. Presumably therefore they wanted one. At the same time, they have since deliberately made this impossible to attain and today the Chinese are as aggressive in pursuit of their claims to all Korea as they ever were. The United Nations' interest remains exactly the same as before—to do everything possible to prevent the war spreading beyond Korea, and to bring the fighting to an end on a defensible line. General Ridgway has now given the Communists an opportunity to reopen the armistice talks without loss of face, by apologising for an attack on buildings in the Kaesong neutral zone by a UN aircraft. His task, which he has been performing admirably, is to distinguish between yielding nothing to the froth and bubble of insult apparently inseparable from Communist manœuvrings and the need to prevent the strength of his own position making him and his negotiators too rigid in outlook.

THE AGE OF INFLATION

The three articles by a correspondent, and a fourth article expressing the editorial views of *The Economist*, are being reprinted as a pamphlet, price 8*d.* (including postage).

Special prices for bulk orders: 1 dozen, 7/-; 6 dozen, £1.19.0; 12 dozen, £3.6.0.

THE PUBLISHER,
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Vacillations in Teheran

Dr Mossadegh has issued his ultimatum to Britain on his personal authority and without the sanction of the Majlis. It prescribes negotiation on his terms within fifteen days, or else the expulsion of the 350 British technicians remaining at Abadan. The circumstances in which it has been delivered show that his position is weakening at home. British and American policy makers now have to decide, by means of the action which they take or avoid, whether or not to increase that weakness. Their decision can be effective because of every Persian deputy's inclination to wait and see what others do before he plumps for a course of his own. But if the British leave a door ajar or if Mr Harriman, by agreeing to serve as a postman, were tacitly to sanction Dr Mossadegh's latest action, the mounting opposition does not know to which side of the fence to lean and so does nothing.

It would be disastrous if the policies of America and Britain were to deviate at this juncture. It is to be hoped, therefore, that concurrence was secured before the British issued their statement of last week that, in view of Dr Mossadegh's behaviour, the oil negotiations were not merely suspended but broken off. Certain American voices were raised in immediate criticism of this stroke of policy, arguing that it would, by rousing nationalist ire, merely strengthen the backing for Dr Mossadegh. At one stage this would have been a forceful argument, but in Teheran, once the tide of opinion starts turning, old arguments lose their validity. Before condemning the policy, its critics should reflect that its immediate result has been twice to deny Dr Mossadegh a quorum for voting his "ultimatum" in a Majlis which has hitherto been a slave to all his tantrums, and to cause a marked increase in the number of voices which are criticising him for his worst failing—a total lack of constructive domestic policy. For the other recent acts of British policy, entailing the denial to Persia of several exceptional facilities once afforded to Britain's principal oil-supplier, there can be no breath of criticism. These measures are described in full on page 642.

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Tories for Peace

All that the Conservative party has as yet finally settled about its new statement of policy is that it will be published before the party conference on October 11th. Mr Churchill has completed one redrafting, but after returning to London this week he will take further advice, and considerable revisions may still be made, as has happened before, at a late stage.

One point, however, may be taken for granted. The statement will contain a firm rebuttal of Labour charges that the Tories are war-mongers. It may be doubted whether those charges are now of any propaganda value to the Government. They might have had some influence if Labour ministers had this autumn been able to present themselves to the country as the men who saved the peace. The suspension of the Korean and Persian negotiations has for the time being removed that opportunity, and if it cannot be supported by the positive claim, however thin, the negative act of slinging mud at the Tories is unlikely to impress anyone.

It is understandable, none the less, that the Conservative strategists should be anxious to give the mud no chance to stick. They cannot do better than follow the lines of the pamphlet "Pattern of Peace," by Brigadier A. H. Head, MP, which the Conservative Political Centre has published this week (price sixpence). There is no blimpishness here. Brigadier Head sharply and rightly criticises the weakness and short-sightedness of some British policies, particularly in the Middle East, but he does so without saying anything that can be held to support the charge that, as the Labour policy pamphlet put it, the Tories "demand the use of force even at the risk of starting a world war without the support of Britain's allies." On the contrary, the pamphlet shows a lively sense of Britain's vulnerability. In general, it provides a clear and realistic statement of the principles of foreign policy—and their military implications—that were, in a more confused fashion, almost completely agreed between the parties until Mr Bevan published his heresies and Mr Morrison decided that he was more at home in party bickering than in the serious discussion of foreign affairs. It is surely the right tactic, as well as the duty of statesmanship, for the Tories to continue to emphasise that national unity even if Mr Morrison finds it convenient to pretend that it has vanished.

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Conservative *Avant Garde*

The Conservative Political Centre has just issued, in its discussion series of pamphlets, a booklet on "Employment"* which might, or might not, be a portent. According to Mr R. F. Harrod's foreword, it is "of public interest as reflecting—subject to the author's personal emphasis and shading of particular matters of detail—the attitude of modern Conservatism." With due respect to Mr Harrod, that is just the question; does it reflect the attitude of "modern Conservatism" or that of a quite untypically liberal intellectual fringe?

The booklet is an excellent broad statement of economic theory; it takes the essentials of the Keynesian analysis and sets out their practical implications, puts in due perspective those employment problems to which Keynesian techniques are apposite and those to which they are irrelevant or worse, hammers home the case for mobility and adaptability—and pillories restrictionism and Protectionism. "Restrictions designed to exclude goods which can be made more cheaply abroad are a direct attack on the standard of living" says this astonishing spokesman of Conservatism; and again, "... The State can help by discouraging certain tendencies, such as the attempt to stifle competition. In the 'thirties, the record of the State was a long series of restrictive practices." How would any normal Conservative party gathering receive such heresies? Mr Gaitskell explaining to the TUC that the traditional Socialist recipes for prosperity have achieved their utmost effect, and must be supplemented, has a less uphill job than Mr Wood persuading Conservatives actually to reverse and condemn their most cherished policies. Uphill or not, however, the job is being tackled: and Mr Wood has at least so much of an official blessing as is implied by the Conservative Political Centre imprint.

A party whose ideas are never challenged from within and whose internal organisation offers no forum or areas for such challengers must eventually pay the penalty of intellectual obsolescence and become a mere last resort or lesser evil, thriving, if at all, only on the grosser mistakes or misfortunes of its opponents. It is from such a plight that a liberal-minded *avant garde* is trying to rescue Conservatism. Will the rescue come in time? Labour had nearly fifteen salutary years in which to cultivate, in the wilderness, the fruits of that lively self-questioning which followed the catastrophe of 1931. The next test of the adequacy of Tory ideas will probably come in a matter not of years but of months. If that test reveals mental bankruptcy, there may be only too much time later—in a still more comfortlesss wilderness—for the uncongenial process of re-education that is still required before the Conservative party becomes a genuine party of progress for modern times.

* * *

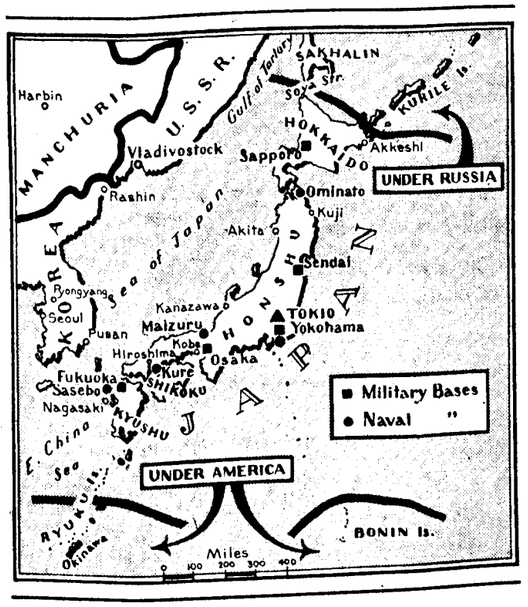
America Signs up with Japan

The American-Japanese defence pact, which provides for the stationing of American troops in Japan after the end of the occupation, was signed at San Francisco as soon as the Peace Treaty itself had received the signatures of all the nations at the conference except the states of the Soviet bloc.

* "Employment" By John B. Wood. Conservative Political Centre. 36 pp. 6d.

These troops are to be available not only for the defence of Japan against external aggression, but also, on the request of the Japanese Government, for the suppression of internal disturbances due to the "instigation or intervention of a foreign power"—a provision which is meant to cover the possibility of such a situation as that which formerly existed in Greece. The American troops will co-operate for these purposes with a Japanese army which, according to official forecasts in Tokyo, will consist of eight divisions of 16,000 men each.

The smooth working of this arrangement will require tact and adaptability on both sides. It is not easy for a military force which has been occupying an ex-enemy country for six years, with virtually unlimited administrative powers and great social privileges, to reduce itself suddenly to the role of a guest on a footing of equality. Yet the Japanese certainly do not intend that the future sojourn of the Americans in Japan shall merely continue the occupation under another



name; they are already demanding the return of the hotels, public buildings and private houses requisitioned by the occupation authorities. It is not yet clear in what places the American garrisons are to be stationed in future. But it would certainly be well for them to be kept outside the main centres of population—however unpleasant the jolt to some military personages who, in the words of a correspondent, "have never had it so good before."

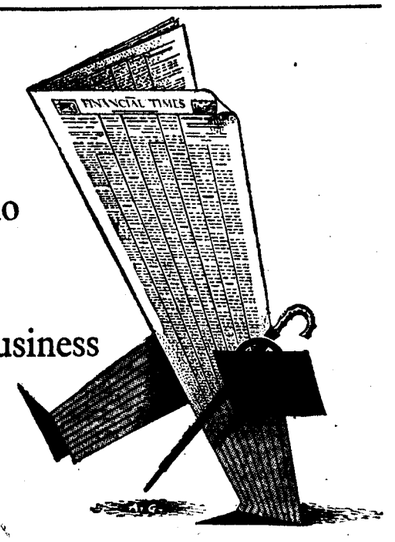
The Russians gave a remarkably clear revelation of their own strategic ideas about Japan when Mr Gromyko demanded at San Francisco that the straits through the Japanese islands should be open to the warships only of the countries with coasts on the Japan Sea, that is, the Soviet Union, Korea and Japan itself. This is the same formula as that which Russia formerly proposed for getting control of the Turkish Straits. Indeed, apart from the general purpose of preventing at any time a Soviet invasion of Japan—which could most easily be launched from Sakhalin against Hokkaido—the most important strategic function of an American force in Japan would be to bar egress from the Japan Sea through the Tsushima or Tsugaru Straits. For this, it seems that the former naval bases at Sasebo and Ominato must be revived. If Japan is to be defended at all, it should be done adequately, so as to create what Mr Acheson calls "a situation of strength," not another Bataan

Mr Nehru and Japan

Mr Nehru, who is Foreign Minister as well as Prime Minister of India, has done his country no good by refusing to go to San Francisco, and then offering the Japanese a separate peace treaty on very similar lines to that which has just been signed by the forty-eight states. His performance looks to the outside world like a personal whim and it will certainly prejudice his reputation as an Asian statesman. There has been some discussion, since the triumphant defeat of Mr Gromyko's attempts to throw a Russian spanner into the Japanese peace treaty, whether the Americans could have got the Indians to the conference if they had handled Mr Nehru more tactfully. They need not worry. Everyone knows that many Asian leaders had many misgivings about the liberality of the Japanese treaty. But the Indonesians, Pakistanis and Filipinos all had the statesmanship to understand that, their views having been taken as fully into account as possible in the negotiations which led up to the final draft of the treaty, a compromise was now essential. Mr Nehru did not, and by his attitude that everyone is out of step except himself he has forfeited much of his claim to lead Asian opinion.

Inside India, however, Mr Nehru's position is probably as strong as it has ever been. Although his tactics have naturally provoked strong criticism, he has scored a resounding personal success in securing his own election to the presidency of the Indian Congress Party in the place of Mr Tandon, who was supported by the Hindu die-hards. Able to choose his own working committee, Mr Nehru is now in executive control of the Congress Party as well as the government. After resigning as a result of Mr Nehru's withdrawal of support, Mr Tandon said of him: "Mr Nehru is not an ordinary member of the working committee; he represents the nation today more than any other individual."

The motives which led the Indian Prime Minister to reject the invitation to San Francisco are discussed on page 633.



Men who

mean Business

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THE FINANCIAL TIMES

every day

What Indians must now ask themselves is how far they can afford to continue to leave foreign affairs so exclusively in Mr Nehru's hands. During the struggle for power before the British left India, he established an intellectual supremacy in this field. Other Congress leaders were willing to accept it since their own attentions were fully engaged on domestic issues. Now India has stepped forth into the footlights of the world stage. If it is to play the prominent role in free Asia to which its population, resources and civilisation entitle it, there is a strong case for putting a more realistic and more consistent hand at the helm of the ministry of foreign affairs in Delhi.

* * *

Changes in Prague

The exact significance of last week's changes in Prague is, of course, shrouded in mystery. What seems fairly certain is, first, that the changes in the organisation of both the Communist party and the government are fundamentally designed to overcome Czechoslovakia's increasing economic difficulties; and, secondly, that there is no convincing evidence that they are the result of a growing Titoist movement. It is true that Rudolf Slansky, who has been displaced from his immensely important post of secretary-general of the party by a three-man committee headed by President Gottwald, has always been a loyal follower of Moscow. But Gottwald's fidelity to Stalin is also in no doubt; and by uniting supreme power in one person—himself—he is, like President Bierut of Poland in 1948, only following in the master's footsteps. It was on the eve of the German attack on Russia in 1941 that Stalin, until then officially only secretary-general of the party, assumed the post of President of the Council.

Although the Russians probably approved the new dispensation in Prague, it does not seem an ideal arrangement from their point of view. They will have less room for manœuvre in their dealings with the Czechs. Hitherto they could pass on their orders through party or government channels; now they will find the same faces wherever they turn. Moreover, they would probably have preferred to entrust supreme power to Slansky if only he had been efficient. In spite of his loyalty, Gottwald has never been an ideal Communist in Russian eyes; he is too easy-going and too anxious to keep up some appearance of respectable independence. But Slansky has—temporarily at any rate—blotted his copybook, in particular by his failure to take effective action against the Sling-Svermova deviationists. There is, however, no reason why Slansky's new post of vice-premier, although comparatively unimportant at present, should not become a stepping-stone to better things.

The administrative measures taken to deal with Czechoslovakia's economic crisis also show no sign of a desire to shake free from Russian influence. There is not the faintest suggestion that the system of planning itself might be to blame. The multiplication of economic ministries and the imposition of more controls are remedies copied straight from the Russian book. And Mr Bacilek, who has been put in virtual control of Czechoslovakia's economic life as head of the new Ministry of State Control, can be relied upon to carry out orders.

* * *

Farmworkers or Machines?

The Anglo-American Council on Productivity has been turning its attention from industry to the land. The farming team, whose report is now published, was not primarily concerned with the productivity of the land, which is as high in Britain as almost anywhere in the world; they were studying output per man and the fullest possible use of machines. The report contains interesting descriptions of American machinery and methods, some of which might be employed here. But its recommendations are unexceptionable generalisations, of less specific and practical usefulness than is usual in the reports of the productivity teams. The main reason for this is, no doubt, that in farming local conditions vary more widely than in most industries: it is harder to generalise without becoming indefinite. But it does also seem that questions of productivity have as yet received less attention in farming than has lately been given to them in most industries.

American farms of the kind visited by the team are less mixed than British, with the result that the range of machinery needed is less. The report urges British farmers to plan their farms to give the greatest possible scope to machinery, and especially to large machinery. They should develop greater co-operation in the ownership and use of machines, and more farms should be electrified. There should be continuous collaboration between the makers and the users of agricultural machinery; and agricultural education should lay more emphasis on management and on such techniques as "job analysis" and "work simplification." It is interesting that the report goes out of its way to emphasise that the object of mechanisation is not only to get more output with a given number of workers but to save manpower. The present shortage of agricultural workers is acute enough for the workers' representatives to accept that prospect cheerfully. On the employers' side, the increase in the farmworkers' minimum wage, which was recommended by the Central Agricultural Wages Board this week, will certainly stimulate the wish to replace men by machines. The increase of 8s., to 108s. a week, will add some £16½ million a year to the agricultural wage bill.

The Sleep of Civilisation

The truth is, it is a dangerous thing for a nation to achieve civilisation and commercial prosperity before their civil and religious rights are completely and securely won. Since the Reformation, and especially since the war of independence, wealth and comfort, and the pacific and self-indulgent habits which these bring with them, have penetrated deeply among the German people; the stern virtues and the spirit of self-sacrifice, needed for fighting the battle of freedom, have been much impaired. . . . When the English won their civil liberties and made good their spirtual emancipation, the genius of commerce, literature, and refinement had not yet pervaded the nation, and men held ease and riches cheap in comparison with the right to govern themselves and to worship God; —and now that these inestimable blessings are consolidated and secure, the heroic virtues which originally won them are no longer needed. . . . But the Prussians, though they fought nobly and successfully for their religious freedom in more stirring and self-denying and uncompromising times, yet unhappily stopped short and sank into the sleep of civilisation, before they had obtained that civil liberty which alone can make that sleep safe or that religious freedom secure and unassailable. They won their treasure, but they omitted to build the fortress which should guard it. . . . The German people—with all their patient industry, with all their noble literature, with all their cultivated taste—have yet to learn that the arts which adorn life, the luxuries which sweeten it, the amenities which embellish it, the philosophy which ennobles it—can safely engross the attention of those nations only which have first secured, by the needed effort and the needed sacrifice, the weightier matters of mental emancipation, civil rights, and constitutional legality.

The Economist

September 13, 1851

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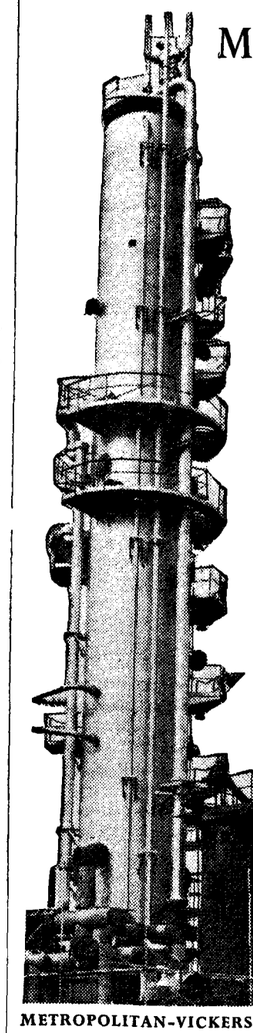

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Out of This World

A new concept of inter-planetary travel was made public at the International Congress on Astronautics held in London last week. An eminent designer of rockets described in some detail a return expedition to Mars, making the journey in three hops and taking three years. The stopping points would be man-made planets launched into space, the first revolving eternally in an orbit round the earth, the second round Mars. On these satellites components of rockets for the next stage of the journey would be assembled and launched.

The calibre of the men who pledged their scientific reputations to the practicability of inter-planetary travel has raised the notion to a new and more dignified status. There are now enough theoretical data to make the project possible. It by-passes most of the complications involved in launching a manned rocket direct from the earth to a planet and, indeed, the building of at least one man-made planet revolving round the earth is already a serious military possibility. But the key lies in a phrase used by one of the British speakers, who said that "moderate advances in technique" were needed before such planets could be built. In those "moderate advances" lies the dividing-line between fantasy and fact. The difficulties are those of engineering rather than of design; on a much smaller scale, the same problems face the same scientists in their work on guided missiles. In spite of the great advances in rocket engineering and electronics, the day of the rocket air force is some years off. For similar reasons, the first manned space ship may not be launched within the lifetime of most of the 5,000 people who have applied for seats on it. But launched it no doubt will be if sufficient reason is found for what will be a most costly journey.

* * *

Greek Electors Try Again

Last Sunday the Greeks went to the polls in another attempt—the second in eighteen months—to secure for themselves a stable representative government. At the time of writing the final distribution of neither the votes nor the seats is known. But it is already clear that the Greek political scene has suffered some striking changes. A complete newcomer, Marshal Papagos's Greek Rally, has carried off the largest number of votes, and General Plastiras's Progressive Union (EPEK) and Mr Venizelos's Liberals are the only other parties to get more than a handful of seats; the left-wing EDA, with about 10 seats, is the fourth largest.

In spite of these changes, however, the prospects of a stable government for Greece do not seem very much brighter; it looks as if the politicians may be able to produce nothing better than the mixture as before. Marshal Papagos will certainly get considerably more seats than anyone else; but he is not thought likely to secure an absolute majority over all other parties. The alternative would be a coalition between the Liberals and the EPEK, but they also are unlikely to secure an absolute majority between them. The obvious solution, of course, would be a coalition between Papagos and the Liberals. As far as their stated aims and policies are concerned, there is no real reason why they should not work together. But unfortunately the Marshal is adamantly opposed to co-operating with any of the old parties. Yet if he does not himself secure an absolute majority, he must clearly either overcome his allergy to all politicians who have not enlisted under his banner, or else incur the odium of obstructing the formation of a strong and stable government in Greece. Similarly the politicians will have to overcome their often vindictive dislike of the soldier who has undertaken to show them how they should do their job.

A German Soldiers' Trade Union

The Western German political scene is dominated by the pressure groups which are now being formed by sections of the community. Spurred by the power which the Trade Union Federation has secured by direct dealings with Dr Adenauer, the refugees and the ex-soldiers are also consolidating their forces. The League of German Soldiers which was established last week-end by the heads of various ex-service organisations is a merger formed in order to urge claims on the state, and lay down terms for co-operation in its defence.

Some disquiet must be felt over the emergence of a military pressure group in the Federal Republic. Parliamentary government and political sense are still weak in the new Germany, and there is clearly a danger that the military caste will try to re-establish the superior position it so long held in the Reich. The ex-soldier has counted for nothing in the postwar community, and has bitterly felt the loss of his prestige and illusions. General Friessner, the chairman of the new League, says in the *Deutsche Soldaten Zeitung*

> After the collapse we former soldiers were outlawed as the result of blind hate propaganda. *Vae Victis!* Now that the waves of hate have gradually calmed down and events in the world have taken their own course, we are being asked for. We shall formulate our reaction to this development.

The sponsors of the new League affirm that it stands for "our democratic State" and rejects, however, extremes of right or left. So far, the organisation appears to be in the hands of moderates who, in north Germany if not in Bavaria, are mainly connected with the conservative, protestant, Free Democratic Party. General Friessner and Generals von Manteuffel and Krakau—two other leaders—have a large following. The notorious General Remer, an upstart who cuts very little ice with other generals, has been kept out of the negotiations which led to the merger. On the other hand, the League is also backed by Generals Guderian and Ramcke, who were as good Nazis as Remer and show no signs of having become supporters of democracy. Major-General Gille of the SS "Viking" Division and SS Colonel-General Hauser, who was the original operational commander of the *Waffen SS*, have also taken part in the merger, and it is certain that the new League intends to demand the full rehabilitation of Himmler's army. The Norwegian, Flemish and other units in the "Viking" Division are now said to deserve special honour as forerunners of the European army. Since the Allies made no distinction between the *Waffen SS* on the one hand and the security forces and Gestapo on the other, but condemned the entire SS as a criminal organisation, they will find it hard to meet this demand.

The League's first claims will probably be addressed to Dr Adenauer and his Minister of Finance. The *Waffen SS*, which is said to have numbered 1,000,000 by the end of the war, was omitted when Bonn restored pensions to the former members of the *Wehrmacht* last year. The League demands that this discrimination should be removed, regardless of the deficit in the Federal budget. Dr Adenauer, who has been successful in securing the support of the trade union pressure group, will now have to perform fresh political feats in order to prevent the generals from establishing an opposition *bloc*.

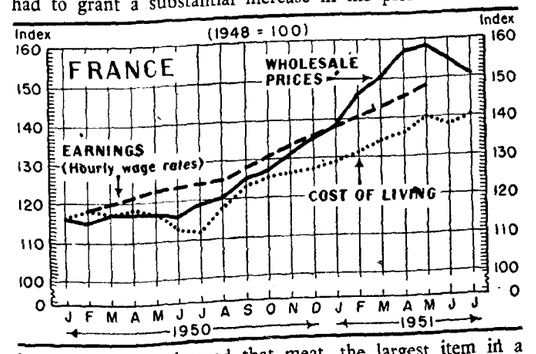
* * *

Operation Bifstek

The latest manœuvres of the French Prime Minister, M. Pleven, serve as warnings of possible labour unrest in France. The fact is that the French economy is on the brink of a very difficult period. It is true that the cost of living index, having risen by over 25 per cent since July last year, has been more or less stable since May. But if the position is not to deteriorate, the government must now

adopt, and above all enforce, a policy which is bound to offend some sections of the community—a necessity which all the coalition governments of postwar France have so far been unable to face. Today the problem is as tough as ever, since the section of the community which it is now most necessary to offend is the peasant farmer, whose slightest whim, for political and never for economic reasons, successive governments have heard and humoured.

M. Pleven has started courageously. He has admittedly had to grant a substantial increase in the price of wheat;



but he has now decreed that meat, the largest item in a Frenchman's budget, shall in future cost 10 per cent less. He has reinforced this by tinkering with the protective trade barriers built up round the domestic producers, and by calling all prefects back from their holidays to see that the butchers put the right price-label on to the right pieces of beef. Following this attack on the cost of basic diet, the government announced a 13 to 14 per cent increase in the minimum wage (from 17,400 to 20,000 francs a month) to compensate for the rise in the cost of living since March and for the new 20 per cent increase in the price of coal. Thereafter M. Pleven hopes to stabilise wages.

His initial efforts have been met with a fierce blast of ill will from the trade unions, which took one look at the new minimum wage, called it a parody, and dismissed it out of hand. A severe trial has also been the motion put up by the Socialists for a sliding wage scale with its implicit threats both to hopes of stabilisation and to the government's position in the Assembly. Then there are further demands to be faced for increases in agricultural prices; there are already new claims for milk. And by the end of the year consumers will be feeling the indirect effects of the rise of coal prices on steel, gas, and transport, and to a lesser extent throughout industry. Finally M. Pleven has still no assurance that his precarious budget can remain balanced, even on paper, if American aid fails to come up to expectations.

Under these circumstances, the government's only hope of retaining stability is to go on resisting the farmers, which means a competitive import policy, a firm hand with price demands and far more active enforcement measures than those M. Blum conceived in 1946. For agriculture is not only the one sector of the economy which it is really within the government's power to restrain; it is also the sector that can best afford sacrifices and the most important element in the cost of living. If M. Pleven can succeed here, he may succeed in restoring some semblance of sanity to industrial relations and some restraint in the wage demands of the unions. Success would be the first real act of social justice to the credit of the Fourth Republic.

Letters to the Editor

Controls and Consumption

Sir,—In my letter published in your issue of August 25th, I did not, as you say, ignore what you call the "primary" effect that price control might increase consumption. My words were "I should be the last to dispute that universal price control—in so far as it reduces the share of profits and raises the share of wages in the national income—will to some extent increase the propensity to consume, and so raise effective demand." If only some prices are controlled, while the rest are free to rise, the shift from profits to wages in the controlled sector will be matched by a corresponding shift the other way in the free sector, and the propensity to consume will rise less, or not at all. Your own argument on this point, that "with the same monetary expenditure consumers will obtain more goods—if the price control is effective—than they would otherwise do," contains, I am afraid, one of those elementary mistakes in economic analysis we are all apt to make from time to time. If prices are reduced below what they would otherwise be, so also is someone's money income—in the first instance, usually, profits. Shareholders are consumers as well as wage and salary earners, and unless they save less, or dissave, they must spend less on consumption.

All this to the exclusion of the influence of price expectations on consumer expenditure. That these influences can be very strong is remarkably illustrated for several countries in the ECE Bulletin for Europe in the first quarter of 1951 (table 2, page 2). Though much less marked in the United Kingdom than elsewhere, I think that the influence has been important, and could become dangerous if people become increasingly convinced that prices will go on rising.

In my letter I was concerned only with the varied influences of price control on consumer demand in the present circumstances. Even if the net effect of these influences were to raise demand (which I contested, and still contest) the amount of goods which consumers actually get will still depend on supply. I have always assumed that rearmament was to be taken seriously, and that if shortages of particular components or materials appeared, the Government would by persuasion or control ensure adequate supplies for the rearmament programme. It is most surprising to find you opposing such elementary prudence.

If my question whether you wanted to abandon price control altogether was "disingenuous" your answer that if the Government refuses to disinflate (I presume this means reduced expenditure on social services, or subsidies) it would be better not to have controls either, simply takes one's breath away.—Yours faithfully,

G. D. N. WORSWICK
Magdalen College,
Oxford

[Mr Worswick's "present circumstances" must be those of fairyland. If his analysis is supposed to apply to the real world, then the "elementary mistake" is his, not ours. Effective price control will not at present reduce any person's money income; in 99 cases out of 100, the shareholder will get his controlled dividend just the same. The reduction will be in the undistributed profits of companies—that is, in savings; consumers of all kinds will have the same incomes and by this fact alone (irrespective of any change in the propensity to consume out of personal incomes) will be able to buy more goods if prices are lower.

No one disputes that consumption can be reduced by preventing the goods from being produced. But that has nothing to do with the effects of price control. Perhaps the real difference between us is that Mr Worswick seems positively to like rationing, allocation, etc., whereas such measures seem to us entirely inappropriate to the conditions of one-quarter war.—EDITOR.]

The Free Trade Unions

Sir,—The note in your issue of July 21st, dealing with the second congress of the International Confederation of Free Trade Unions, held at Milan on July 4th-12th, was below your usual standard. You said:—

> The American Federation of Labor, which has its own regional offices in Asia and Europe, has so far not agreed to contribute to the fund. . . . There is some resentment in Asia against the separate offices of the AFL there, and a general suspicion of these "lone wolf" tactics.

This is not so. The only regional free trade union committee of the AFL, regional bureau established last May at Karachi by the ICFTU with AFL

assistance. The representatives of the free trade union committee of the AFL, studying the problems and working with Asian free trade unions upon their request, are no more an AFL regional office in Asia than are the trade unionists from Europe and Asia working together in the United States with our labor unions, or German or Japanese trade union regional offices in America. Nor does the AFL have a Regional Bureau in Europe.

You also criticised the AFL on the ground that it has refused to contribute to the fund set up by the ICFTU for regional organisation. The fact of the matter is that we contributed heavily to the setting up of the ICFTU regional organisation in Latin America.

The AFL has also made generous contributions directly to the ICFTU, and to some of its affiliates, upon their request. These funds come from the treasuries of our unions, which have to vote upon their appropriation and allocation. Thus, the AFL executive Council has voted to recommend favourable action by the forthcoming convention on the matter of our contributing to the ICFTU fund for regional activities.

You said that "The divergence between the Americans and the rest is that the former see the work of the ICFTU too exclusively in terms of the fight against Communism." This conjured-up "divergence" does not exist. In the declaration on the role of the free trade unions in the struggle against the totalitarian menace, presented to the Milan Congress on behalf of our Secretary-Treasurer, Mr George Meany, it is emphatically pointed out that:

> The struggle of the free trade unions against totalitarian dictatorship cannot be merely negative. Anti-totalitarianism—whether it be anti-Communism, anti-Nazism or anti-Fascism—alone is not enough. . . . The free trade unions must provide the dynamic initiative, leadership, and effective programme for eliminating the social and economic conditions in which the germs of totalitarianism breed.

You further state that "The undercurrent of friction revealed itself in an impassioned debate about a resolution on totalitarianism devised by an American group of delegates." But the fact is that in every essence the policy towards "totalitarianism," outlined in the resolution of Mr George Meany, was unanimously adopted by the Milan Congress. For example, the AFL declaration stressed that "The Russian brand of dictatorship—totalitarian Communism—has become the most virulent and dangerous expression of despotism and the most pernicious threat to world peace." The Milan Congress resolution emphasised that "The well-spring of this menace is the Soviet Union, which, in its thirty-four years of dictatorship, has become a society where the citizen is oppressed in the name of freedom . . . where peace means war, and democracy means tyranny."

This identity of viewpoint between the AFL and the ICFTU refutes your conclusion that "there is obviously some distance to travel before American workers are likely to see eye to eye with their fellow trade unionists in Europe and Asia."—Yours faithfully,

MATTHEW WOLL
Chairman, International Labor Relations Committee, American Federation of Labor.

New York

Books and Publications

Fissures in the Monolith

Soviet Staff Officer. Ivan Krylov. *The Falcon Press.* 298 pages. 13s. 6d.

Is there no real life going on under the monotonous surface of Soviet politics? Has Stalin succeeded in moulding revolutionary Russia into an amorphous mass of uncritical and unthinking citizens dominated by a monolithic Politburo? Both apologists and detractors have tended to stress Russia's uniformity. This vivid account of Soviet Russia during the last war now reinforces the opposing theory that the apparent lifelessness of the Soviet political stage is deceptive.

Mr Krylov's book is far from being a panegyric on the Soviet regime. Yet it is not an indictment according to the usual pattern of Russian refugee literature. Mr Krylov depicts the events and succeeds in recreating the atmosphere of wartime Russia. He was, it seems, in a good position to find out what was going on in Soviet ruling circles between 1940 and 1945. As a captain of the General Staff and an intelligence officer at the Ministry of War he had interesting dealings both with foreign diplomats and high Soviet officials. He also fought in the front line.

The book starts on the eve of the German attack on France when the Politburo had to choose between two conflicting policies. The Chief of Staff, Marshal Shaposhnikov, a professional soldier imbued with the Tsarist tradition of a French alliance, advocated an attack on Germany. Marshal Voroshilov, a soldier politician, thought that every move should be made to conciliate Germany. The Politburo seems to have contained all shades of opinion between these two extremes. On the whole Voroshilov's view prevailed up to the outbreak of the war, although the Politburo often wavered. During this time Stalin's voice was certainly decisive, but he often preferred to spread responsibility. He emerges as a shrewd, if unscrupulous, statesman. The comment he is reported to have made when at last he had time to think of other perils than the German seems typical:

> I'll take the title of Marshal . . . because the main danger for the moment is Bonapartism. But if to-morrow the main danger came from the Church then I would not hesitate for one moment to accept an invitation of Congress to let myself be elected Patriarch of All the Russias—and I'd say Mass in the cathedral of the Kremlin.

Voroshilov is Mr Krylov's villain. Shaposhnikov is naturally his hero, because he belonged to the latter's inner circle. Shaposhnikov's divergence of views was not limited to the German problem. This former Tsarist officer, though he had joined the Communist Party, was determined to carry out his "Russian" policy even against the Politburo. Hence, he surrounded himself with officers entirely devoted to him. His circle had secret meetings, special sources of information and members in many key posts, but its aspirations were never very clear. Towards the end of the war, after Shaposhnikov's death, the circle, intoxicated with Russia's new power, agreed to work hand in hand with the regime. By then Stalin was already aware of its existence and a member of the Politburo, General (now Marshal) Bulganin seemed to be at its head. But by this time Krylov was dissatisfied with its new ideology and had left the group.

He joined another secret group—the *Mayak* (Beacon) consisting of young officers. Here meetings were mainly taken up with discussions on such subjects as the merits of the various 19th century liberal constitutions. What is striking about both these groups is the lack of any concrete aims. The *Mayak* was more liberal and more in keeping with the prevailing mood. The thirst for greater freedom, for a "democratic Soviet regime" was apparently so strong that the NKVD felt it necessary to spread the news that after the war real elections and a second party—the Peasant Party—would be allowed. Another striking feature is the relative ease with which these secret societies sprang up and could be entered. There must have been many other similar groups and from conversations described one gets the impression that criticism of the Stalinist regime was more outspoken than is generally thought. Controls have probably now been tightened again, and Russia is certainly not a volcano on the eve of eruption. On the other hand, Mr Krylov's fascinating book confirms the view that there are fissures in the apparently monolithic structure.

History of Life Insurance

Pioneers of British Life Assurance. By Hartley Withers. *Staples Press.* 112 pages. 6s.

In 1940 the United Kingdom Provident Institution decided to mark its centenary by commissioning the author to write a brief history of life assurance in this country. Under the pressure of events the manuscript was pigeon-holed and the text had not been revised when Mr Withers died in 1948. References to modern insurance problems in the part of the manuscript dealing with more recent years are now out of date and the present book, therefore, comprises only the early chapters and in these some of the author's passages have been expanded.

This little book was the last of the many written by Hartley Withers over more than thirty years and in it his gift for imparting his wide knowledge of economic subjects to the ordinary man in a manner which is both interesting and readily understandable had certainly not diminished with advancing years. He has not sought originality and quotes freely from works on the history of insurance; the interest of the book lies in the manner in which the development of life assurance has been traced against the social and economic background of the eighteenth and the first half of the nineteenth centuries. Nowadays, when it is taken for granted that the financial strength of the life offices is virtually impregnable, it is not always remembered that in the pioneering days of the business failures and frauds on the public were quite common. In a delightful chapter on "Frauds and Failures," Mr Withers entertains his readers with the story of two rogues—one a shoemaker and the other a tallow chandler—who launched the "Independent and West Middlesex Fire and Life Insurance Company" in 1836. Apparently this grandiloquently named body succeeded in defrauding the public of some £250,000 over three years and "the money rolled in and was handsomely spent by the organisers of this monstrous swindle, who kept carriage-horses and saddle-horses and servants in gorgeous liveries and entertained on a sumptuous scale." The author hastens to point to other striking weaknesses of the country's economic organisation between 1815 and 1840, lest his readers should receive the impression that only insurance has some blots on its escutcheon.

The last chapter deals with the strong prejudice against total abstinence which was shared by most doctors a hundred years ago. Total abstainers were considered to have impaired constitutions and a shortened expectation of life and were able to obtain life assurance only upon payment of an extra premium. It is hardly surprising that in 1840 one Robert Warner with other abstainers founded the "Association for mutual assurance for persons wholly abstaining from alcoholic beverages," which flourishes today as the United Kingdom Temperance and General Provident Institution. Although its temperance section is now a minority, distinctly better terms are offered to total abstainers than those extended to the other policyholders.

The book is eminently readable and should have an appeal well beyond insurance circles. It is worth while to dwell for a time on the early struggles of an industry which now administers assets exceeding £3,000 million—and interesting, as the Festival of Britain draws to a close, to be reminded that in 1851 the "attention of all classes was unusually diverted from the ordinary course of business by the Great Exhibition."

Cuba

Monetary Problems of an Export Economy. By Henry C. Wallich. *Harvard University Press.* (*London: Geoffrey Cumberlege.*) 357 pages. 32s. 6d.

Cuba suffers from the same economic malady as many other Latin American countries and many British colonies. It derives a preponderant part of its national income from the exports of a few staple crops. When the prices of these crops are high, Cuba has a large export surplus and roaring internal inflation; when they are low, Cuba has a foreign exchange crisis and, in the absence of effective Government action, its currency depreciates. Dr. Wallich is one of a very able band of American economists who believe that the best way to overcome these unhappy cycles is to reason with governments at boom times when they are full of good intentions, and to persuade them to create a new central bank (if possible under expert and politically neutral American management), and to oblige that central bank to take certain specific disinflationary or reflationary steps whenever economic indices flash a red warning. Dr Wallich and the group with which he is associated have been remarkably successful in setting up central banks of this sort in Latin America since the war; a similar constitution has been drawn up for the new central bank in Ceylon (described on page 1240 of *The Economist* of June 3, 1950). There is no doubt that these institutions have much greater potential value for underdeveloped economies than the more orthodox type of central bank which, in Latin American conditions, could put up precious little defence against becoming the milch cow of improvident governments. Whether they will succeed in keeping local governments to the path of financial wisdom if depressions return is another matter. Meanwhile, however, all who have to do with the financial management of underdeveloped economies will profit from reading Dr Wallich's Cuban case study.

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AMERICAN SURVEY

America and Europe

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THE view that Western Europe can only increase its security and raise its standard of living by a merger of economic and political sovereignties has been held by most leaders of American opinion since the end of the war, but the intensity with which it has been put forward has varied. In 1949, when Mr Paul Hoffman, then the Economic Co-operation Administrator, was barnstorming the capitals of Europe with the demand for a speedy integration of European economies, it looked as if the European governments might be forced to take a radical step towards unity. But with the emergence of the Schuman Plan and the creation of Shape under General Eisenhower, American enthusiasm seemed to be diverted into other channels. Those Europeans who believe that the American desire for an integrated Europe is based on a superficial deduction from the success of their own federal system breathed more easily. However, it is clear that the pressure is again rising.

European union or integration has always been a "popular" policy in the sense that it has been advocated in Congress, in the press and by private groups rather than by the President or the State Department. Undoubtedly the most spectacular convert to this view has been General Eisenhower, who made his views known in his speech in London on July 3rd. But General Eisenhower's conversion was not the sole cause of a revived demand for the creation of a larger and stronger political unit in Europe and the abolition of trade barriers. There is a growing irritation with the low productivity of European industry. At the same time there has been a growing doubt as to whether the North Atlantic Treaty Organisation is capable of performing the task of political unification, one of the aspects of its work which made it attractive to the American public when it was first discussed.

The first of these two developments found expression in an amendment to the Mutual Security Act sponsored by Senator William Benton of Connecticut and passed by 61 votes to 4. It requires that the assistance provided shall be disbursed in such a way as to discourage cartels and monopolies on the one hand and encourage the non-Communist labour unions on the other. Although couched in this form, the amendment was not really intended to tie the hands of ECA in the administration of economic aid; it was a solemn expression of the profound and bitter disillusion of the ECA officials in France and Italy, including Mr Joyce, the recently appointed expert on productivity, with the restrictive practices and conservatism of European businessmen. In addition, a number of American trade union leaders who have recently been in Europe have returned with tales of horror at the extent to which management in Europe is prepared, for the sake of a quiet life, to do business with the Communist unions. There is a general feeling that, while the Marshall Plan may have succeeded in its primary object of averting economic collapse and raising the standard of living in Europe, it has failed in its secondary objects of promoting economic integration, raising the standard of industrial efficiency, and liberalising the economies of Europe. And it has failed to achieve these—so the argument runs—because ECA has not been tough enough with European governments and businessmen. The Benton amendment represents, not the view of the reactionaries that Europe must be brought to heel (Senator Taft, indeed, opposed the amendment as "a most outrageous interference with the internal affairs of other nations"), but the impatience of liberally minded Americans with the lack of economic radicalism in Europe.

*

Concern over the future of Nato seems at first sight to be an entirely different question, but the complaint is really the same, namely that Nato, like OEEC, is losing sight of one of its main objectives—political unification—and addressing itself solely to the task of military unification. Moreover, the cumbrousness of the Nato machinery is directly attributable, in the eyes of many Americans, to the fact that it is composed of twelve nations of unequal size and importance. A North Atlantic Organisation which is merely a welter of committees, in which the majority rule does not apply and in which the United States has to deal separately with each European country, makes little appeal to the American sense of political symmetry. If its military function were ever to decline in importance this might lead to a swift drop in American enthusiasm for it. As it is, the North Atlantic Organisation probably has little or no meaning for the average American apart from its connection with General Eisenhower.

This view is argued with considerable skill and cogency in a pamphlet issued recently by the National Planning Association (roughly the Washington equivalent of PEP), called "Making Europe Defensible" and written by two young ex-officials of ECA. This specifically exempts Britain from the general problem of European unification, and argues that, while continental Europe continues to be governed by a number of weak sovereign states, there is neither sufficient confidence in the state to raise the will to resist the Russians, nor sufficiently strong government to impose the rigorous economic policies which hold out the only chance of increasing wealth and productivity. What it proposes is an Atlantic Organisation composed of the units which accord with the reality of power, the United States, the British Commonwealth, and Western Europe. This would be largely consultative, but more effective than Nato, since it would be smaller and policy would be laid down by a council of the heads of states. Continental Union would be achieved by handing more and more fields of activity over to authorities of the Schuman Plan type while keeping sovereign parliaments undisturbed. The central political institution would grow naturally out of the creation of more and more central administrative agencies.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

There are also many advocates of Atlantic Union, which is a more orthodox proposal to create a federal system embracing all the countries which signed the Atlantic Pact (and presumably Ireland). A resolution asking the President of the United States to call a federal convention from all these countries has been before both houses of Congress since January, and has the support of 28 Senators and 110 Congressmen. It seems doubtful whether there will be much further action along that line for the time being. There is also a good prospect that a joint meeting between a delegation from Congress and one from the Council of Europe will be organised either in Strasbourg or in Washington within the next few months to consider how Europe and the United States can be brought more closely together. It will undoubtedly do a great deal of good to confront parliamentarians, who too rarely meet each other, with their opposite numbers, but it is only the convinced internationalists in Congress who have shown any marked enthusiasm for the project.

It is easy to overestimate the strength of American feeling on the question of European or Atlantic union. It is unlikely to become a political issue except in so far as it involves expenditure and taxation. Nor is it very easy to believe that such enthusiasm as there is for Atlantic Union will ever stand the test of a concrete proposal to abrogate a large degree of American sovereignty. But a great deal of the idealism that went into the construction of the United Nations is now transferred to the concept of a reformed Atlantic organisation, and more particularly of a prosperous United Europe in which men and goods may travel unhampered from Calais to Cadiz, whose government succeeds in collecting its taxes and whose business and trade union leaders behave in the enlightened fashion of American labour and management. But almost simultaneously with this recurring fervour for a social, economic and political revolution in Europe, the means of executing it have been very much reduced. When the House and the Senate between them virtually halved the amount of economic assistance which will be devoted to Western Europe during the coming year, they removed the main lever by which to promote social and economic change.

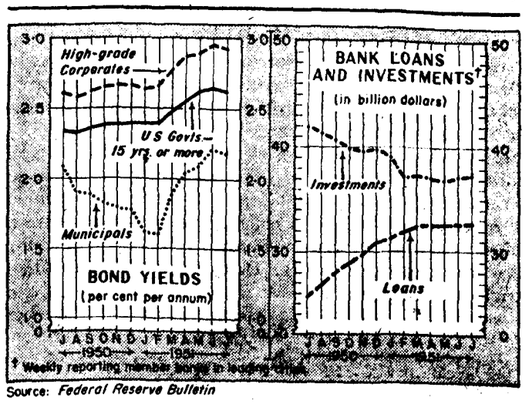
Saving Graces

[FROM A CORRESPONDENT IN NEW YORK]

THE scars left by the tremendous crash of 1929 and the long disappointing years that followed probably explain the strange fears that prevail today among both economists and business men. They are afraid that the defence programme will not provide a market for all the production that will roll out of factories, mines, and fields. They gloomily predict that it was not just a temporary lag in defence spending which caused inventories to accumulate, which bred price wars, and drove prices in the futures markets below spot prices. To them America's productive machine is like the sorcerer's apprentice and will turn out more guns and more butter than can be sold. Indeed, the return of the stock market averages to something approaching the levels of 1929 seems to have stimulated not so much joy as dread of a recurrence of the nineteen-thirties. There are repeated reassurances that this time things are different, as is proved by even a glance at dividend yields or price-earnings ratios, and in the next breath warnings that not even the recent relaxations of restrictions on instalment and mortgage credit will make it possible to sell more television sets, automobiles or houses.

These instinctive twinges whenever the scar of 1929 is touched by a slackening in consumer spending come at a time when disposable personal income and employment are both at record peaks, and when neither show any sign of ceasing to climb. But that, groan the pessimists, is the way things looked in 1929, too. It is true that the Federal Reserve Board's index of industrial production fell sharply in July, but that was mainly because the index does not give enough "weight" to the now widespread practice of closing down plants completely for vacations. Some things are clear. The country's money supply (bank deposits and money in circulation) rose to a new peak at the end of July and it is certain that the total climbed higher in August. Bank loans have begun their seasonal increase, a trend that should continue for the rest of the year. The large crops that are in prospect, particularly cotton, and the still developing programme of capital expansion promise substantial additions to the volume of borrowings, already at the highest levels in history.

The capital markets have now recovered their equilibrium, following the withdrawal of central bank support for Treasury securities in March, so that new issues are eagerly bid for by investment bankers and placed with buyers without too much difficulty. Open market purchases of Treasury



Source: *Federal Reserve Bulletin*

securities by the Federal Reserve Board have been conspicuously lacking. Since the beginning of April it has barely done more than buy or sell a few short-term Treasury bills, a complete change from the early months of this year. This change also means, of course, that the central bank is not adding to bank reserves at all, probably greatly to its own relief. For in the spring some of the reserve-creating results of buying several hundred million dollars' worth of bonds a month, to support the prices of government securities, were offset by an outflow of gold and by the Treasury's cash operating surplus. Now, however, the gold has begun to move back to the United States and the Treasury is running a considerable deficit (of $3.6 billion in July and August). The Treasury has filled its early requirements for funds by selling about $1.5 billion in additional 90-day bills at the weekly auction; most of these have been taken by non-banking corporations, so that the central bank's bogy of inflation by way of bank financing of the deficit has not yet begun to walk.

Even so, under the prevailing conditions, there is much to fear, especially as Congress continues to reduce possible yields from the pending Tax Bill. There is no doubt that, in this monetary realm at least, the saving grace thus far has been the recent successful co-operation between the

Treasury and the Federal Reserve Board. Since March the Treasury has handled several refunding operations with virtually no market supporting purchases being required of the central bank. The bank, in turn, has not been hampered in carrying out its restrictive—or better, restraining—policy. All the dire warnings of what catastrophes might occur if Treasury bonds were unpegged have been proved false; instead the unpegging and the subsequent price declines have given powerful support to efforts to check expansion in real estate credit and to the voluntary credit restraint programme. Finally, the large insurance companies and savings banks, who were allegedly unable to lend because they were "frozen" into their investments by paper losses, have found themselves in the happy position of accepting new premiums and deposits sufficient not only to meet their outstanding commitments for credits, but also to enable them to go shopping for some of the attractive yields placed on new high-grade corporate bonds.

And this latter development is one of the results of the other, and greater, saving grace. People are saving more of their incomes than at any time since the war. The change from the first quarter to the second was astonishing and puzzling to most economists; the Department of Commerce estimates—the figures are subject to later revision—that consumers saved 2 per cent of their income during the first three months of the year and 9 per cent during the second. The latter rate works out at the annual equivalent of more than $20 billion, and the evidence suggests that savings are still growing. Some of the spurt in savings undoubtedly reflects the conviction that talk of shortages was overdone, and that controls will keep price rises in check in spite of Congress's emasculation of the legislation authorising these controls. Nor is it surprising that consumers have slaked their thirst for refrigerators, carpets and television sets—for a time at least—after their buying sprees of last summer and this January. For many of them, certainly, the present is a period of restoring depleted savings accounts or repaying instalment credit.

*

There can be little doubt, too, that the sharp drop in residential building is playing a big part in reducing demand for consumers' durable goods, since so many of the articles in this field are those household appliances that tend to be bought for a new home. This decline in housing construction has been widely attributed to the restrictions imposed on real estate credit terms last autumn; like the criticism made against the controls on consumer credit (that they brought on the "depression" in consumers' durable goods), this reasoning seems more than a little weak. It is quite clear to the lending institutions that their reluctance to give building credits this summer stemmed from the losses they would have had to take if they sold government securities in order to get the funds with which to make real estate loans.

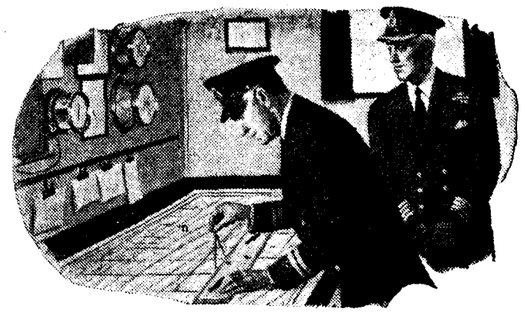
Meanwhile, under a confusing crossfire of warnings that further inflation threatens and that a major depression is right around the corner, the businessman seems to be carrying on with business as close to usual as he can make it. He produces as much as his allocations of materials allow, he sells as much as he can with all the sales promotion devices he can recall from prewar days, and he watches the unsold portion accumulate in inventory, hoping the further inflation school turns out to be right. He has now been told that his allocations for the fourth quarter will be less than he had been promised and that metal shortages will persist through 1953. The prospect that automobile output will average only 60 per cent of 1950 production will presumably make it easier to sell cars in spite of the price increase of about 5 per cent that has now been allowed.

This price rise typifies the cost factors recently cited by the staff of the Congressional Joint Economic Committee, when it warned of further inflation to come. The staff also pointed to the increasingly widespread use of cost-of-living compensation in wage contracts and to farm price supports, in arguing that there are now causes of inflation more fundamental than last year's wave of scare buying. Certainly the new price control law nullifies previous efforts to make producers absorb increases in costs, in part or in whole. The fear which disturbs the rest of some economists is that a few of these permitted price increases may shake the serene confidence of consumers and make them stampede into the shops again. They have certainly got the liquid assets to do that, as well as the money income, and if they did the saving grace would soon be dissipated.

American Notes

General Marshall's Year

General Marshall consented to come back to Washington temporarily a year ago only because he realised that his prestige and experience were needed to give the rearmament programme a satisfactory start. When he returnd to the Pentagon, that programme was being pulled all ways at once by the dissensions arising out of Mr Louis Johnson's tenure of office. When General Marshall left again last Wednesday, rearmament itself was driving straight for its goal of giving the United States and its allies a defensive strength that will make them impregnable. Controversies have been bigger and better than ever in Washington this year, but they have



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centred on the domestic consequences of the programme, on the foreign policy that made it necessary and on how America's military power should be used. General Marshall was responsible for much of the foreign policy, as the President's special representative in China and later as Secretary of State from 1947 to 1949, and for most of the military decisions in the Far East and in Europe during the past twelve months. But attempts to pull him down into the MacArthur and McCarthy arguments were soon abandoned, for it was obvious, even to the most short-sighted Republicans, that the political dividends of these particular controversies would be reduced if they involved "smearing" so respected and beloved a man as General Marshall.

Congress, which the General praised for its "very remarkable co-operation," has now not only given the armed forces all the money requested for them, but is pressing more upon them; and it has at last allowed a beginning to be made on the scheme for universal military training which is near to General Marshall's heart. The only rebuff he has suffered this year has taken the form of starving the plan that bears his name, but Congress has behaved rather more generously towards the military aid for America's allies that is now replacing this economic assistance. This change is stressed by the fact that Mr William Foster, the present head of the Economic Co-operation Administration, is moving to the Defence Department to be Deputy Secretary in place of Mr Robert Lovett, who succeeds General Marshall.

Mr Lovett, a New York banker, has been a high government official and a close and devoted assistant to General Marshall for most of the past eleven years, in the War and State Departments, before he came to the Defence Department with the General. He has two advantages over his former chief, as well as that of age (he is 56); he is a civilian, as the Secretary of Defence is supposed by law to be, and he is a Republican, while General Marshall, of course, had no political affiliations. The General is retiring entirely at his own wish, to the deep regret of the President, the Congress, the country and the country's allies. He would not have done so had he not been certain that he was leaving his work in the hands of a man in whom he, and everyone else who knows Mr Lovett, has complete confidence. The retirement of this distinguished American is also being taken as a sign that he does not expect a full-scale war in the near future, for in that case he would never have withdrawn from his country's service.

* * *

Sixty Billion for Defence

The $56 billion appropriation for defence, a peacetime record when it passed the House, has had something new added in the Senate, a $5 billion gift for additional air strength presented before the Joint Chiefs of Staff had even reached a decision on how much new expansion in the skies was possible or desirable. To underline its intentions, the Appropriations Committee, which is almost certain to be supported by the Senate this week, provided that the Air Force, instead of being limited to 95 wings, as at present, should not fall below that number. The House, where Mr Vinson, chairman of the Armed Services Committee, is leading the Air Force-inspired agitation for 163 wings, is not likely to find fault, even though the new blank cheque brings the appropriation to $61 billion. Not more than three-quarters of this is likely to be spent this year, but to it must be added almost $6 billion for construction of bases at home and abroad, now authorised, and approximately $5 billion for this year's costs of the Korean war.

Revelations in secret sessions concerning fantastic new weapons now being developed, non-atomic, but "as startling as germ warfare"—the same instrument of destruction to which President Truman referred so chillingly and even more vaguely at San Francisco—convinced Senators that the extra air power was needed. Whatever these newest weapons may be, there are many signs that new atomic weapons, now presumably to be regarded as almost conventional, are steadily moving from the laboratories to the proving grounds. The Atomic Energy Commission has announced a new series of tests at Las Vegas, Nevada, its "back-door" bombing and gunnery range, where it is believed atomic artillery is being tried out which may revolutionise European defence. The AEC has awarded a contract for an air-frame capable of being powered by atomic energy; the Navy three weeks ago let a contract for an atomic submarine. Guided missiles, using atomic warheads, will absorb $1 billion this year.

The new $5 billion is only a drop in the bucket of Air Force aspirations and, moreover, must be shared with the Navy and Marines, whose support of ground troops in Korea has won the admiration both of the Army and members of Congress. It is a very sore point with the Army that the Air Force, upon which, since unification, it depends for air cover, attaches, no doubt quite properly, a higher importance to attaining mastery in the air and attacking enemy troops and supplies than to close co-operation with ground forces. The Air Force recently established a tactical air command equal in status to its strategic and air defence commands, but flatly refused to be drawn into any competition with naval and marine aircraft at the joint manœuvres held at Southern Pines last month. It also declines to give the Army control of any aircraft during an offensive, alleging they would be wasted, in "penny packets." Concessions to the Army, in the form of joint training and exchanges of pilots, may, however, be necessary if the Army is not to be driven into the retrograde step—from the viewpoint of unification—of demanding air power of its own.

* * *

Steel Squeeze

Ordinary consumers have not yet felt the pinch that, heralded by mobilisation officials, is now supposed to have arrived in civilian goods because of the growing military demand for metals. But Senators are more than ordinarily sensitive to anything that may bruise their chances of re-election, and they were badly hurt when they were told it was impossible to repair cuts in the amounts of steel allotted for road building. This will delay construction of the highways which, it was hoped, would bring grateful voters to the polls in the right frame of mind next year. Salt was rubbed into the Senators' wounds by the simultaneous report that Britain, where a Socialist Government must also fight an election before long, was to be given at least 2,000,000 tons of steel during the next year, a week's output from American steel mills. The truth was that Mr Gaitskell's request for only 800,000 tons was being considered and, when this was explained, the cries of pain abated.

But 800,000 tons is nearly as much steel as has been allotted to the consumers' durable goods industries for the fourth quarter of this year, and perhaps more than they will get in the first quarter of next. The allotments, the first made to these industries under the comprehensive controlled materials plan, which now covers all users of steel, copper and aluminium, were for only 58 per cent of the steel used before the Korean outbreak, instead of for 70 per cent as in the current quarter. This reduction was unexpectedly sharp, but it is in structural steel that the squeeze is most severe. The Senators' concern over the highway programme is matched by that of natural gas and public utilities companies over the lack of steel needed to carry out their plans for expanding operations. Only new facilities for making directly military items and the aluminium needed for aircraft are getting as much structural steel as they require in the fourth quarter. The steel industry itself is being allowed only half as much steel as it wants for its expansion programme and projects not yet begun will receive no structural steel at all.

If this special stringency continues, the promise of plenty of steel for everyone by 1953 will not be fulfilled. Meanwhile, however, the steel industry is likely to be more immediately hampered by shortages of scrap. This year 36 million tons of purchased scrap will be needed, in addition to the home scrap produced at the mills themselves, compared with 29 million tons last year. A scrap collecting drive is under way and the government is proposing to buy 300,000 tons of steel scrap from the United Nations, to be salvaged from the Korean battlefields, and 250,000 tons of iron scrap from India. Private firms have failed to bring in this foreign scrap, partly because they are unused to negotiating with governments, partly because the higher prices offered for scrap in Japan made that country a more tempting market.

* * *

After the Flood

Big cities and large industrial concerns have managed to dig themselves out of the debris left by July's floods in the Missouri basin, though, if September waters had been a few inches higher, they might have had the job to do all over again. It is the small businessmen and farmers, whose land is covered several feet deep in sand and gravel which it may cost $100 an acre to turn under, who are the hardest hit. To help them, and speed the recovery, still only 10 per cent complete in an area which produces nearly a third of the nation's food, Mr Truman in August asked Congress for $400 million. This would provide indemnities, on a sliding scale, for lost property, loans to individuals and to the states, help for farmers to rehabilitate their land, and, finally, a new system of flood insurance.

Hearings began this week in the reassembled House, where Congressmen of both parties in the flooded states are convinced that substantial federal help is essential. Flood insurance may be more controversial; virtually none was in force in the stricken states, as the private companies fight shy of so incalculable a risk. Mr Truman proposes a scheme of government backing for private policies similar to the war damage system.

The best form of insurance, of course, would be a comprehensive scheme of water management for the whole Missouri Valley, but there is a risk that Congress may be swept along, by the flood, into authorising and paying for more of the very loosely co-ordinated schemes bound up in the Pick-Sloan plan, a shotgun marriage of the often conflicting ideas of the Corps of Army Engineers and the Bureau of Reclamation. Already the Senate has hastily restored to the flood control and rivers and harbours Bills the $124 million removed by the House, which for once had refused to give the Engineers a blank cheque.

The moment may be favourable for a new, impartial survey of what has been done and what is needed. A flood that costs $2.5 billion jolts the most complacent, and the Engineers themselves have come under unaccustomed fire. In Kansas City they are accused of giving inadequate warning, and of insisting, up until the moment when the waters surged over, that their dikes would hold. In Washington, a sub-committee of the House Appropriations Committee, after a year's study, has raked the Corps from stem to stern for its inadequate planning and faulty estimates. These accounted for $800 million, at least, of a $3.4 billion increase in the estimated costs of 182 projects. Funds to begin most of these were requested without the completion of the full survey required, and granted because these great construction projects shower such benefits in favoured constituencies. It would be too much to expect that this report would give either the President or Congress the courage to follow the Hoover Commission's suggestion that the civil functions of the Engineers should be transferred to the Bureau of Reclamation, but it may induce Congress to authorise another look at the Missouri Valley.

Labour Disunited

Last March the United Labour Policy Committee, then only three months old, brought trade unionists from the American Federation of Labour, the Congress of Industrial Organisations and the Railway Brotherhoods to Washington by the thousand, to demand their rightful share of the defence programme. Their success in getting what they wanted from the Administration seemed to prove that CIO leaders have been right in insisting that the way to the long-discussed unity in the labour movement is through "functional" co-operation to achieve specific and practical objectives. But justification for the CIO view was the last thing that the AFL wanted, for it has always maintained that "organic" unity, a complete merger between the two organisations, is the only remedy for the fifteen-year long split between them. The AFL has just broken up the Labour Policy Committee by withdrawing from it, to the regret of the CIO, arguing that the committee was only intended to be a temporary expedient and is no longer necessary now that the emergency has got into its stride and labour representatives are safe in their places near the tops of the various mobilisation agencies.

But wounded pride seems to be the real reason for the AFL's withdrawal. It feels that it has not been treated with the respect due to its age and size, and that the bright young leaders of the upstart CIO have been given more favours and greater influence in the counsels of the government and in such bodies as the Economic Co-operation Administration and the International Confederation of Free Trade Unions. It is largely because the AFL's nose is so easily put out of joint that organic unity, for which the AFL once more appealed on leaving the committee, seems such an academic question. For an amalgamation of the two organisations, and their member unions, at both the national and local level, could not be achieved unless AFL officials were prepared to take their share of second places. The existence of this double set of entrenched trade union bureaucrats is in fact the main obstacle to unity by any route.

The AFL may be hoping that at least part of the obstacle will be removed next year. For Mr Philip Murray has announced that he will retire from the presidency of the CIO in November, 1952, and the result may be a war of succession, which could tear the CIO apart and drive its member unions piecemeal into the arms of the AFL. Such a struggle would intensify the union rivalry in plants and industries which many fear will in any case break out again as a result of the new disunity between AFL and CIO. Rivalries may also make things difficult for government officials and political leaders who will now once more have to deal with two groups instead of with one committee.

Shorter Notes

The 1948 Sugar Act has been extended to 1956; under this Act the Secretary of Agriculture estimates the requirements of American consumers each year and apportions marketing quotas among producing areas. The only important changes in the renewed Act are a slight reduction, to 96 per cent, in Cuba's share of the import trade, and increases in the quotas allowed from two United States dependencies, Puerto Rico and the Virgin Islands.

*

Congress has directed that within the next few months a Fur Product Name Guide shall be published, listing the "true English names" of the animals which masquerade as "mouton" and "lapin" when they are made into fur coats. Furthermore, sellers must say on the label whether the fur has been dyed and where it comes from. Hudson Bay seal will now be revealed as dyed muskrat (musquash to the British) and the buyer of a mink coat will know whether it is a democratic or a Communist product.

THE WORLD OVERSEAS

The Problem of the German Refugees—I

The Refugees' Place in the Federal Economy

(By Our Special Correspondent Recently in Germany)

FOR several years, it was universally asserted that there were 12 million expelled Germans—the so called *Vertriebenen*—in the Federal Republic, and that several million had died in transit. The statistical position is now more accurately established. Of the Federal Republic's 47.6 million inhabitants, 9,400,000, or nearly one in every five, are people who were not living there before the war. The Federal Republic's population is over 20 per cent more than before the war, though the density is still below that of Britain, Belgium and the Netherlands. The 9,400,000 are composed of 7,500,000 *Vertriebenen*, i.e. Germans evicted from the territories outside the four zones of occupied Germany ; 1,600,000 are people who have come over the border from the Soviet zone. This last figure continues to grow at the rate of about 200,000 a year. The remainder are displaced persons of non-German origin—about 300,000 in all.

The refugees are still extremely unevenly distributed, and plans for resettlement are badly lagging owing to lack of housing to receive them in other areas. A third of the population of Schleswig-Holstein still consists of its 840,000 refugees ; and Lower Saxony is close behind with 1,850,000 refugees, or 32.5 per cent of its population ; Bavaria has 1,900,000 refugees, or 21 per cent of its population. Only the French zone has a negligible number, as the French until recently took advantage of their exclusion from Potsdam to refuse to accept refugees.

Skill and Energy of Newcomers

A very distorted view of the situation is given if these statistics are not judged in the light of others, which show the astonishing extent to which the newcomers have found a place in the West Germany economy. So much have they enriched their new homeland with their skill and enterprise that it would now be a catastrophe were they to leave. Each of the overfilled *Laender* is in fact now debating whether it can afford to lose its refugees to any other *Land* in the redistribution plan ; each *Land* hesitates to relinquish able-bodied and often skilled workers, and the subsidy from the Federal Government which is supplied for their relief and housing. In a less decentralised state than the Federal Republic, such a question would not arise ; it would be plainly to the advantage of the nation (and the whole of the Western world) if unemployed, or under-employed refugees from, say, Schleswig-Holstein were to be moved for retraining as, say, miners in the Ruhr. But Germany lacks a strong central direction to carry out sensible reforms.

The refugees are too often depicted as a dead loss. This is unfair to the people themselves and to the local authorities who have done so much to aid them. The newcomers have contributed a considerable share to the national income, and to Germany's foreign trade. About 5 per cent of all handicraft establishments now belong to refugees. The famous producers of cheap jewellery from Gablonz in Czechoslovakia have secured a dollar revenue from exports which exceeded in one year the credits they obtained for re-establishing themselves in Bavaria. Silesian textile manufacturers have also performed extraordinary feats from a beginning made without machinery or capital. Of all the newcomers to the West, the farmers and landworkers have proved the hardest to place and the most discontented.

Since 1946, no fewer than 3,000,000 of the refugees have found employment. Unemployment among them (5 per cent) is higher proportionately than among the indigenous Germans, and accounts for about one-third of the total of 1,250,000 registered unemployed. It must be borne in mind, however, that the refugees usually secure seasonal work on the land, which is not always revealed to the labour exchanges. At the moment it is unusual to find more than a few unemployed among the campers in the cities or on the land. An unemployed refugee often thinks twice about taking on work, or about reporting it, if it does not bring in much more than the dole of DM70 per month (nearly £6) which he receives. The complaint is now heard that women refuse to go out as domestics except at impossibly high wages.

The Germans certainly exaggerate, therefore, when they depict an entire community verging on despair, without the barest elements of civilised existence. Those days are past. Camps now boast radio sets, and decent furniture. The valiant local authorities find it hard to shift families from the cities ; an independent life, even with four in one room, is naturally preferred to sharing with a reluctant householder. Is there, then, no real economic problem left to solve? To maintain this would be to exaggerate in the other direction. By any standard, the over-crowding in the cities is appalling, and moral deterioration is setting in among the under-employed in the country. Building already goes on very fast indeed, particularly where private capital is behind it. Last year, for example, the ground floor and first story of a luxury hotel in Hanover was built and occupied within eight days by dint of working 24 hours a day and laying bricks at twice the rate of British workmen. Some 300,000 flats were built in 1950, but 5,000,000 are still needed. And the stream of newcomers continues. About 5,000 a month pour into the frontier camp at Uelzen from the Soviet zone, all penniless and mostly under-nourished. With the British Resident as its benevolent guardian, Uelzen provides a good example of international charity in collaboration with selfless German workers.

There can be no excuse for not knowing how to tackle the residual economic problem of the refugees. A very detailed and excellent plan is available in the Sonne report, named after the American economist of Danish extraction, Christian Sonne. With a team of American experts, Mr Sonne prepared a plan for the Bonn Government early this year, as part of the ECA technical assistance scheme. His plan as a whole would take six years to carry out, and cost DM12.5 billion. (For the sake of comparison, occupation costs for the current year are estimated at DM6.6 billion, or about 6 per cent of the national income.) As housing is the first essential, the report proposes spending DM1 billion at once on building. Most of the unemployed could then be shifted to the places where jobs are available, and the rest integrated into the economy by planned investment.

Very guarded use is being made of the Sonne plan. It presupposes a preliminary expansion of credit, and the German authorities are determined not to take any risks with

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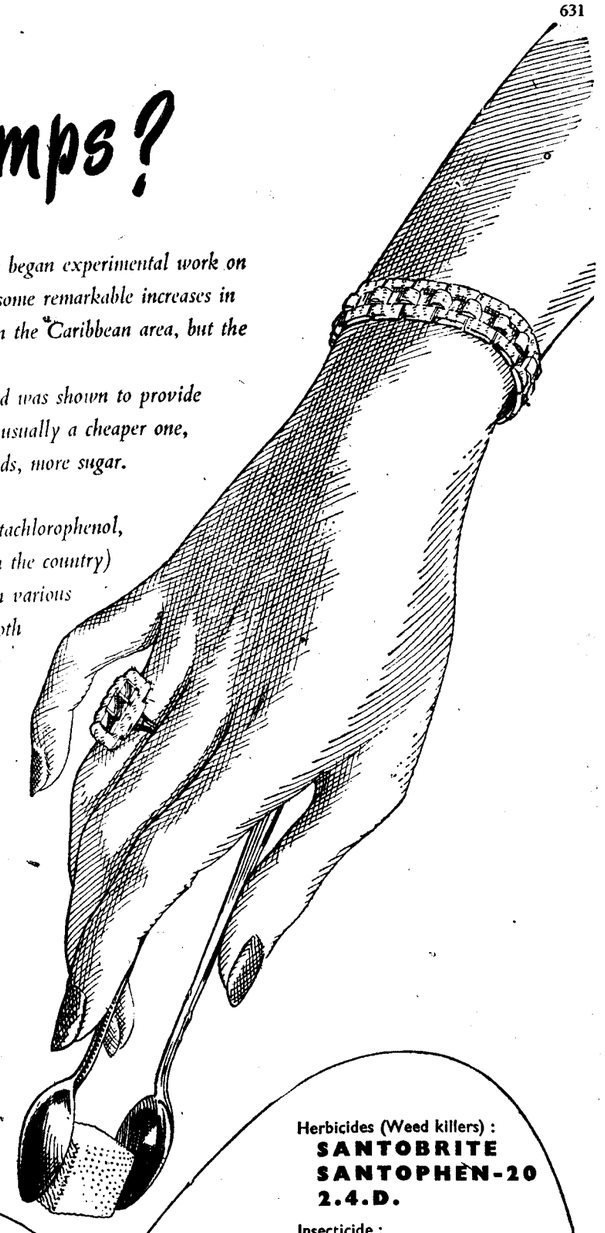

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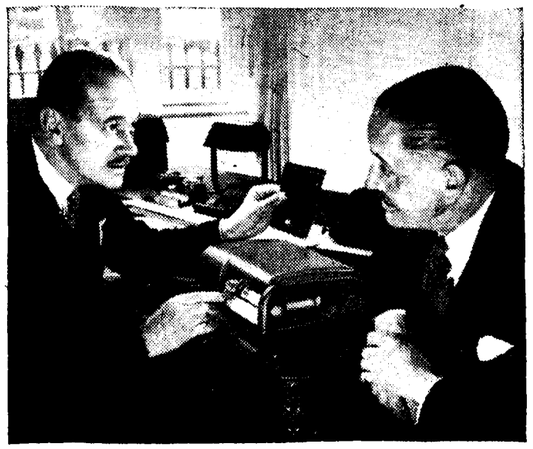

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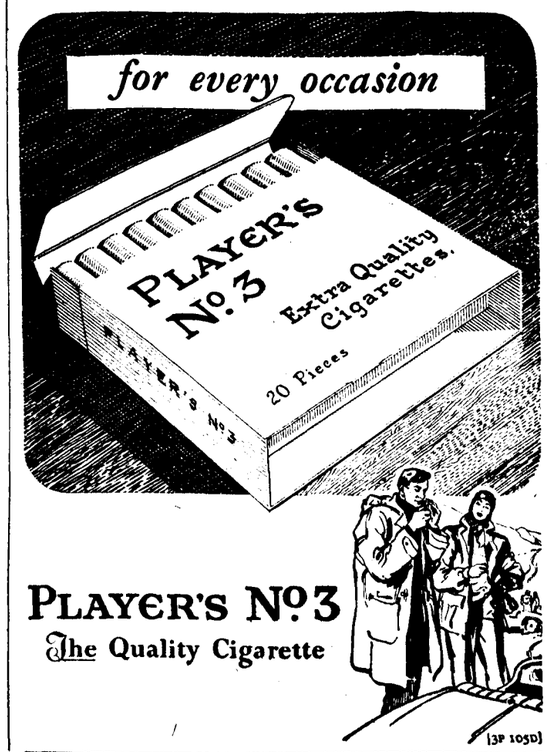

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[3P 105D]

the currency. Furthermore, it contains some acute and unpalatable comments on the regressive German taxation system ; if this were reformed, and no more were to be spent on defence, the report says, the whole plan might be financed from German resources, to the benefit of the social structure. The German authorities prefer to concentrate on one recommendation in the plan—that some foreign credit might be raised. As all the available first mortgages have gone to private builders, the Federal Government has asked the Americans to advance the comparatively small sum of DM400 million for this purpose, as a start. The answer has been a bitter disappointment ; the Germans were told that Congress would first want to see that some contribution was being made to Western defence by Germany, and that they were taking steps to implement their share of the Sonne plan. Hysterical abuse greeted this reply. For venturing to suggest that Congress was, after all, faced with a big bill for defence, the moderate Minister for Refugee Affairs, Lukaschek, has added fuel to a fire which threatens to consume him. The episode revealed the extent to which political passions dominate the refugee question.

(To be continued)

As India Sees the Treaty

[BY OUR CORRESPONDENT IN INDIA]

INDIA accepted Mr Nehru's decision not to go to San Francisco with the same unenthusiastic loyalty that it would have accepted a decision to go. Indeed it is said that Mrs Pandit, the Indian ambassador in Washington, and several members of the Cabinet urged signature but were overruled. The reasons for the lack of enthusiasm about Mr Nehru's decision are obvious enough. Most Indians have accepted Japan as an American responsibility, and they do not see why India should again make itself conspicuous over issues which do not particularly concern it. They feel that the distinction between a bilateral US-Japanese agreement over bases—which India is perfectly willing to accept—and the military clause in the treaty to which India objects is rather finely drawn. Nor are they altogether convinced by the logic of Mr Nehru's delicate distinction between Yalta, at which South Sakhalin and the Kurile Islands were definitely promised to Russia, and Potsdam where the Ryukyus and Bonins were only negatively taken away from Japan. People fail to see why Mr Nehru is so chivalrously determined to fight Japan's battles for it on issues where the Japanese themselves have mostly said nothing, or what in practice is the alternative to doing nothing about Formosa. Many, too, feel friendly towards America, especially after the wheat loan, and regret any increased friction between the two countries.

On the other hand, the reasons why Mr Nehru has been so loyally supported are important ; it is, for instance, a fact that only one major commentator has criticised his decision. Basically the reason would appear to be that Indians feel that the new treaty draws the lines of the cold war in Asia with uncomfortable clarity and uncomfortably near home. They do not in fact want to offend Peking. The Japanese, as they see it, are to be, not a bridge between America and China—probably an impossible aspiration anyway—but an American ally, more definitely an American ally indeed than anyone else on the mainland of Asia. There in Japan, instead of the varying degrees of neutrality and helplessness by which the Chinese Communists are elsewhere surrounded, they are faced with Asia's only great industrial power, now to be allowed to rearm in effective alliance with America, and to be made to serve as a base for American troops.

Korea, in Indian eyes, has shown what war means in Asia, but in Korea there are still hopes of truce. A Japan which harboured American bases and had made its treaty with the China of Chiang would inevitably be treated by Mao Tse-tung as a permanent enemy, at the very least to be subverted. Asia would be provided permanently with one of the very hottest frontiers in the cold war, hotter perhaps than Berlin itself. This is an unpleasant prospect for an India which both wants to be on the best of terms with America and also shares a very long frontier with China.

The other reasons for not going to San Francisco are less important. There has been some resentment at what appeared to be an American *diktat*—an invitation to a conference at which India could only sign on the dotted line ; on this issue, nevertheless, there has also been considerable appreciation of America's difficulties and motives. There has been considerable feeling about colonialism, still an ever fresh issue in Indian minds. An American trusteeship over the Ryukyu and Bonin Islands, whose inhabitants have for so long been Japanese, rouses too many echoes of the imperialist past for impartial examination of its justification. It is, however, some sign of India's growing self-assurance, of its capacity to forget the past, that these motives alone would never have prevented anybody from going to San Francisco.

Certainly India has no desire to line up with Russia over this treaty. It has been officially pointed out, for example, that India has raised no objection in principle to Japanese rearmament, and the fact that there would be a defence agreement with America was generally taken for granted. Some Indians even argue that one of Mr Nehru's reasons for refusing to go at all was that he did not want to be put in a position where, on certain issues, he would be alone with the Soviet bloc. It would be quite wrong to say that Mr Nehru's India is being anti-American in order to be pro-Russian.

Progress in the Philippines

THERE was never much doubt that the Philippines would sign the Japanese peace treaty at San Francisco. But their representative, General Carlos Romulo—president of the United Nations' General Assembly in 1949—did so only with the strongly-expressed reservation that the Philippines must retain the right to negotiate with Japan for war reparations at a later date. This episode is typical of the strong yet difficult position in which the Filipinos find themselves. It is strong because they can rely on American support to protect them from invasion and at least to buttress their economy just enough to prevent its collapse. It is difficult because the Filipinos are quite as conscious of their new nationhood as any of their neighbours on the mainland of South-East Asia and do not relish undue American tutelage ; because they are in a state of chronic civil war against the Hukbalahaps ; and because the administration of their economy has been so corrupt that the United States has imposed certain conditions as the price of renewing its aid.

At the end of last month a new period opened in the history of the Philippines' relations with Washington, relations which form the basis of all Filipino foreign policy. In the presence of President Truman and President Quirino, Mr Acheson and General Romulo signed a mutual defence pact similar in nature to that which the Americans have now also signed with Australia and New Zealand. Taken in conjunction with the security pact, signed by America and Japan in San Francisco immediately after the peace treaty, this put the Philippines firmly and formally within the ring of American defences in the Western Pacific. This, however, does nothing to quell the internal revolt of the *Hukbo Mapagpalaya Bana*, alias the Peoples' Liberation Army, the Hukbalahaps or just plainly the Huks. This is still going strong and, while the government forces are now doing better than a year ago largely as a result of the new drive put into the campaign by the energetic Secretary of Defence, Mr Ramon Magsaysay, there is no sign yet of an end to the revolt.

The government has now deployed 24 special battalions, each about 1,000 strong, against a Huk force variously estimated at between 10,000 and 20,000 men. In recent months, the Huks have been broken up into smaller groups, they

have lost ground in their original stronghold of central Luzon, and some of their political leaders have been executed or deported. They have no firm base from which a determined government drive cannot flush them ; and their relative failure to check agricultural production, even in the main rice area of central Luzon, is shown by the steady rise in the Philippines' rice production from 1,623,000 metric tons in 1946 to 2,606,000 last year.

On the other hand, support for the Huks has now spread to some of the other islands including Cebu and Mindanao, the rate of damage to property in Luzon continues very high, deliberate attacks have begun to be directed against foreigners, and, above all, there is more and more evidence that the Communists are extending their grip over the movement. Based on the poverty of the peasants, the Huks emerged at the end of the war as militant agrarian reformers. Since last November, however, the *Partido Komunista*

Filipinas—the PKF—has managed to organise a system of regional commands under a Central Committee, of which the head of the Politburo, and secretary-general of the party, is Dr Jesus Lava. Also on the Committee's secretariat is Luis Taruc, one of the original Hukbalahap leaders. The Party takes its line from Peking.

A year ago the Philippines reached a very low point in their post-war economic story. American aid was coming to an end and corruption was rife. The aid had run to a total of no less than $2 billion over the previous five years, largely in respect of war damage compensation, but nevertheless a fantastically large sum compared with the amounts being given even now as aid to the whole of the rest of South-East Asia. Since then, in order to meet the requirements of the report made by an American economic mission under Mr Daniel W. Bell last October, the Philippine Government has taken three distinct steps to put its house in order. These have paved the way for an immediate grant of another $15 million of American aid and the prospect of a further $250 million over the next five years ; $25 million worth of military equipment is also scheduled for delivery this year.

The first step was to pass a minimum wage law, long overdue. The second was to increase corporate income and excise taxes ; the corporate income tax is now 20 per cent on profits up to 100,000 pesos and 28 per cent on higher figures. Lastly, the administration of import controls has been greatly tightened up, largely under the guidance of Mr Miguel Cuaderno, Governor of the Central Bank ; certain export controls were also imposed in June. From a balance of payments deficit in 1949 of 665 million pesos, the figure was reduced to 27 million pesos for last year, and, aided by the commodity boom of the Korean war, looks like turning into a surplus this year ; in the first five months there was favourable balance for the first time for ten years. None of these measures takes the Philippines out of the wood. But combined with the improvement in the Hukbalahap campaign they do hold out hopes that, if, as now seems possible, the Communist onslaught on South-East Asia can be checked, the Philippines will share in the renewed atmosphere of confidence and prosperity.

The Dutch Economic Scene—II

Government and Investors

[FROM A CORRESPONDENT]

An essential part of the economic plan introduced in March this year (discussed on page 569 of *The Economist* of last week) was a 5 per cent cut in the level of consumption and a 25 per cent cut in the level of investment. In trying to carry out this plan, one of the government's main difficulties has been the fact that, while it can tackle consumption more or less directly, through the subsidies, it has no direct or immediately effective approach to private investment. Yet for political as much as for economic reasons, the success of the whole plan may be prejudiced by failure in this field.

The present Cabinet which produced the March plan is *par excellence* a coalition—comprising six Catholics, five Socialists and four others (Protestant, Liberal and Independent); and its plan, like itself, was in consequence an uneasy compromise between a right-wing and a left-wing approach, with the bias if anything to the right. The methods by which it proposed to deal with consumption were more direct and more obvious than those which it prescribed for investment—if only because, under the conditions of minimum state intervention in the economy in which it believed, consumption was the easier target. But it is precisely on this point, on the weakness of its control over investment, that the socialist party and the trade unions—whose good will is vital—have concentrated their attention.

It would be unjust to say that the government has made no progress on this issue ; but at best, its progress has been slow and fumbling. Since January, 1951, a form of credit restriction has been in operation through the Central Bank. A few months ago, a bill was introduced designed to enforce this restriction and to keep the commercial banks more closely in step with central policy ; but parliament has so far done nothing about the bill except to submerge it in bitter political wrangles. It is true that a few weeks ago, parliament finally accepted proposals for heavier taxation on industrial enterprises ; but, while this may or may not prove to be an effective disincentive to investors in the future, it may have hardly any effect on investment projects already in progress and will certainly do nothing to relieve the immediate inflationary pressures.

It is thus impossible to predict how far the measures so far taken will ultimately be successful. All that can be said is that recent trends have been in the opposite direction. In 1950, credits extended by private banks to industry were 450 million guilders more than in 1949, and they increased by a further 187 million guilders in the first quarter of 1951. That this is a manifestation of a consistent trend since 1947 is illustrated by the following table, even when allowance is made for the declining real value of money.

Thus in 1950, private investment was 40 per cent higher than in 1949, while for the same period total national income available for expenditure rose by only 12 per cent, and personal consumption by 10 per cent. A large proportion of this increased investment, however, can be attributed to the exceptional circumstances induced by the post-Korean boom ; of a net private investment of 3.5 billion guilders in 1950, it is estimated that between 1 and 1.5 billion guilders was actually spent on exceptional purchases for stock. Here, therefore, is one field where it should be comparatively painless to achieve a saving.

See business figures as news, not history

TO REMEMBER the past is good; to cherish its practices is bad and, in office departments, to put up with annual accounts, when you could have them monthly, or even daily, is to hang on to the past. Yesterday's methods of accounting and calculation mean that vital figures are never available when wanted. The result is waste. Waste of staff; waste of time; waste of money.

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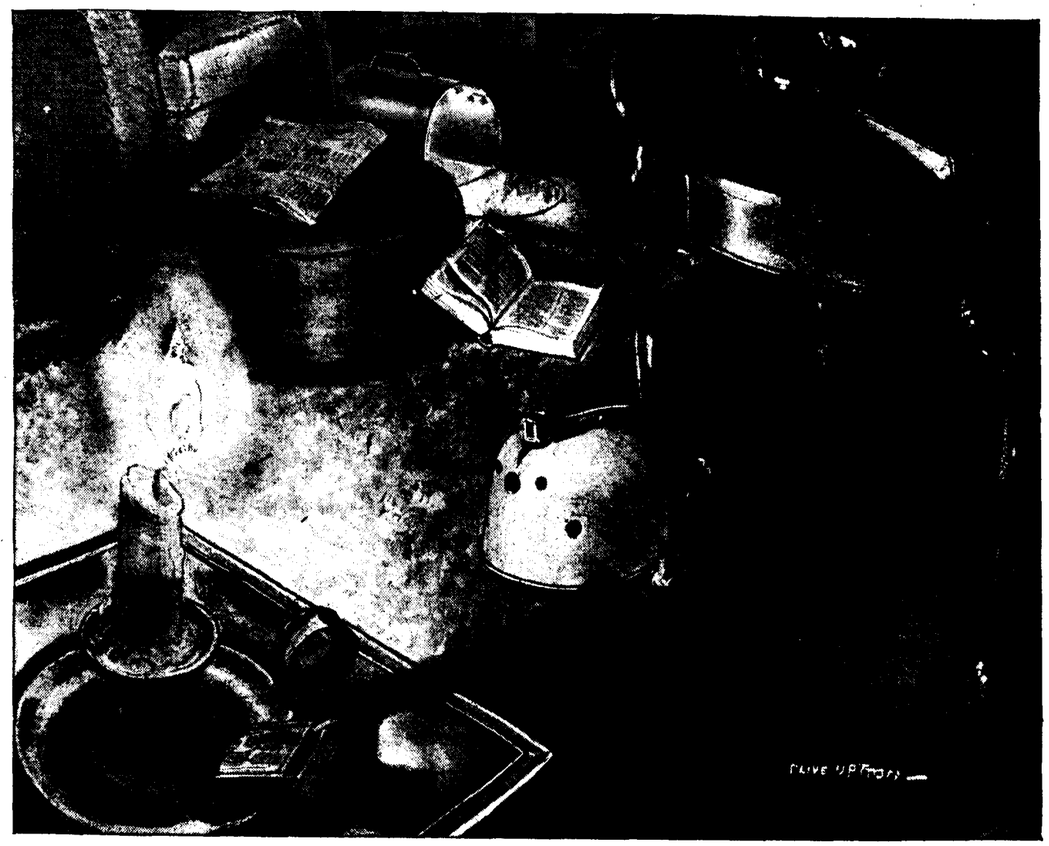

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P.18

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But apart from this, it may not only be difficult to implement cuts ; it is an open question whether it is wise to try to do so, except on a highly selective basis. Holland is now the most densely populated country in Europe, with the highest birth rate and the lowest death rate (the population of 10½ million is increasing at the rate of 150,000 a year). Furthermore, as there is virtually no unused capacity in the Netherlands, the government is pinning its faith on a substantial increase in productivity both to compensate for the deterioration in the terms of trade (about 20 per cent over the last year) and to soften the impact of rearmament.

DUTCH NATIONAL INCOME (billion guilders)

	1938	1947	1948	1949	1950
Production in private enterprise	4·1	9·7	11·2	12·5	13·9
Production by Government	0·4	1·4	1·3	1·3	1·3
Net income from abroad	0·4	0·2	0·3	0·4	0·3
National income at "factor cost"	4·9	11·3	12·8	14·2	15·5
Taxes minus subsidies	0·5	0·8	1·3	1·8	2·1
National product at market prices	5·4	12·1	14·1	16·0	17·6
Balance of grants and loans, liquidation of assets, etc.	0·2	1·7	1·2	0·3	0·9
Total available for expenditure	5·2	13·8	15·3	16·3	18·5
Personal consumption	4·4	10·1	11·1	11·5	12·4
Government consumption	0·7	2·2	2·3	2·3	2·6
Net investment in enterprise	0·1	1·5	1·9	2·5	3·5
	5·2	13·8	15·3	16·3	18·5

(Concluded)

Nations United Against TB

AFTER four years of work in twenty-two countries, the international campaign against tuberculosis jointly conducted by the United Nations and the Scandinavian Red Cross has been officially wound up. In a world full of plans for international betterment which never get beyond the committee stage, this campaign has been a shining example of what can be done with modest resources by a small group of men and women dedicated to an idea which transcends frontiers. Some 16,700,000 children and young adults in countries ranging from Ecuador to India have been vaccinated with the new BCG vaccine, after more than twice that number had been tuberculin-tested so that vaccination could be confined to those to whom it could give effective protection.

The campaign, which began as a purely Danish enterprise in the spring of 1947, quickly showed its worth in the disease-ridden Europe of the first postwar years ; as more appeals for help came in, the Danes were joined first by the Swedish Red Cross and Norwegian Relief for Europe and then, early in 1948, by the United Nations Children's Fund and World Health Organisation. The total UN contribution has been £1,000,000, and that of the Scandinavian groups £640,000, while the governments of the assisted countries have matched or slightly exceeded these sums ; the whole cost of the campaign has only been £3,500,000.

Now the Scandinavians are withdrawing, but the United Nations is continuing the work on a similar scale. There has been a steady shift of emphasis from postwar Europe to selected areas in Asia, Africa and Latin America. While only a beginning has been made with the immunisation of the vast child populations of these regions—some 1,250,000 have been vaccinated in India, 1,010,000 in Morocco and 610,000 in Egypt, to cite only three countries—the scale of operations in the East may yet exceed what has already been accomplished. For the stimulus of international aid has led many governments to take BCG vaccination in hand themselves, and eighteen of the twenty-two countries are continuing the work begun during the joint campaign.

In addition to the main UN tuberculosis centre at Copenhagen, regional centres are being set up in India, Egypt, the Philippines, Mexico, Ecuador and Uruguay, where medical workers will be trained and vaccine manufactured for use in neighbouring countries. The international teams sent out by the UN and the Red Cross have already trained large numbers of local doctors, nurses and medical orderlies in the simple techniques involved, and in most countries those who first received training are passing their knowledge on to a widening circle. Trained personnel are, indeed, a more important limiting factor than cost ; even the poorest nation can hardly claim that the campaign represents an intolerable financial burden, for the vaccine itself costs only about 4d. per head, and no expensive apparatus is required.

Reports and analyses reaching the UN's Copenhagen tuberculosis centre are already showing the effects of the campaign. Special valuation surveys have been made in Denmark, Finland, Egypt, India, and other countries, and these are expected to yield valuable information not only on the success of the BCG vaccination drive but on the whole question of the incidence and prevention of the disease in varying climates and circumstances. Never before have such a large number of people, in so many different geographical areas, been subjected to such uniform treatment with such uniform materials ; the opportunity which this fact offers to scientific investigation is obvious.

As usual, some doubts may arise as to the wisdom of trying to save so many people from disease in countries where the pressure of population on food and other resources is already severe. But in the case of TB economic arguments can easily be found to support the overwhelming moral case for reducing human suffering. While TB is admittedly a great killing disease, it weakens and cripples far more people than it kills, and most of its victims thus become unable to play their full part in production—which, in Asia, usually means the production of food. If these millions can be saved from becoming useless or near-useless charges upon their communities, the international tuberculosis campaign will have made an outstanding contribution to the economic advancement of the poorer countries.

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THE BUSINESS WORLD

The New Aircraft

THIS year marks the tenth anniversary of the first flight of a jet-powered aircraft; it will be remembered in future as the year when rearmament brought back to the aircraft industry the prosperity that it lost at the end of the war. The annual air display at Farnborough, the focal point of the aviation year, is being held this week in an atmosphere of excited interest that makes any attempt at critical assessment difficult and seemingly carping. But the display and its accompanying exhibition provides the most convenient stage at which the year's progress can be reviewed. Most of the aircraft on show are in production, though several are being seen in public for the first time. This state of affairs is in marked contrast to previous displays, when prototypes far outnumbered aircraft actually in production. The aircraft exhibited this week are the nucleus of the new air force; they represent the culmination of plans laid at the end of the war when contracts for their development were first given to the industry. By 1952, when the heavy jet bombers are expected to appear, the pattern will be complete.

British supremacy in aero-engines, which dates from the late twenties and not simply from the debut of the gas turbine, has not always been matched by supremacy in airframe design. It is a new mark of the development of the aircraft industry that engine designers now acknowledge that the new airframes are the first since the war to be satisfactorily matched to their engines. A native British school of design has developed during this past decade, its distinguishing feature being a cleanness and sweep rarely matched by designers of any other country. This feature has a more than aesthetic appeal; it is of primary importance in high-speed flight and wedded to engine performance it accounts for the great interest shown by the United States army and aircraft industry in British designs.

The Farnborough display leaves the strong impression that the leading companies of the year are Rolls-Royce and Vickers-Armstrongs. The Rolls-Royce Avon engine powers each of the new military jet aircraft. It is the standard engine of the new air force with the Armstrong-Siddeley Sapphire as its alternative. Vickers are putting three new machines into production: the Valiant bomber, openly described as an atom bomb carrier of great range and speed, with four Avon engines giving a combined thrust of about 30,000 lb.; the Avon-powered Swift fighter; and a new twin-engined 508-type fighter for carrier operation. Besides these types, the company has in production a slower carrier-borne fighter, a trainer, and the Viscount turbo-prop airliner. This versatility is not matched this year even by the Hawker Siddeley Group. The Hawker company itself, the rival of Vickers' Supermarine works since Spitfire-Hurricane days, is putting the Avon-powered 1067 fighter into production. This has been built to Ministry specifications identical with those of the Swift; competition between the two companies for fighter orders, it seems, has for once ended in a draw. The performance of the two machines is believed to be unequalled by that of any other fighter in production—a claim that cannot be judged solely by displays at heights of a few thousand feet, for these fighters will operate at ceilings of seven to eight miles.

In the years since the war, the ordering of an aircraft has meant employment for the company responsible for its design and the likelihood of unemployment for the others. With the revival of rearmament, employment is being spread evenly over the industry through a highly developed system of sub-contracting. The Rolls-Royce Avon engine is being built in factories run by Napier, Bristol Aeroplane, and the Standard Motor Company. The Armstrong-Siddeley Sapphire engine will be built in the plant of a Hawker Siddeley company that once made pre-fabricated houses. The de Havilland Venom fighter will be built by Bristol Aeroplane. The English Electric Canberra bomber is being built by Handley-Page, A. V. Roe and Short Brothers. Orders for Meteor fighters have been distributed to other companies within the Hawker Siddeley Group. When production of the new bomber and the fighters is under way, this method of sub-contracting will be extended. In addition, there are specialised companies that make sections of aircraft, such as wings, for assembly by the big constructors.

This system serves two purposes: it provides employment for the resources and skill of companies that have no designs of their own ready for production; and it ensures the best use of the industry's large assembly capacity. Although the aircraft construction programme is heavy, the industry is not likely to be too heavily pressed for factory space. Only one new engine factory is being built from the ground upwards, and while factory extensions and conversions may take place between now and 1954, no large-scale building programme is necessary. Less, too, is being heard of threatened bottlenecks in the delivery of tools and of materials. Tools for engine production lines are apparently arriving on time; those for airframe production are so much more simple that they have never caused concern. The general shortage of nickel and high-duty steels has prompted members of the industry to express equally general fears about the adequacy of future deliveries to meet rising production but there are other grounds—and probably sounder ones than this—for questioning whether the industry will be able to fulfil the rearmament programme on time. One is concerned with production techniques and the other with labour supplies.

Production of the new airframes involves no new techniques but the engine programme means putting into mass production a gas turbine power unit which is the product of a branch of engineering that has never before been adapted to quantity production. This fact could result in production delays while tooling techniques are evolved for some of the more complicated components. Essential accessories, like fuel pumps, might be very short until the accessory suppliers were able to adapt their plants to meet greatly expanded demand. This journal has not escaped criticism for emphasising the difficulties of producing the several million compressor blades a month that will be needed for the new engines; but it is still the plain fact that such a great physical volume of blades involves production problems as yet unsolved.

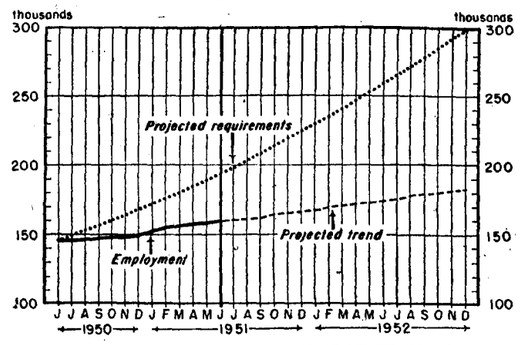
The dilemma of the moment is undoubtedly the supply of labour. The number of extra workers needed for the aircraft programme is not known with accuracy, but the most common estimate of an extra 150,000 may well be too low. The accompanying diagram shows that even if this total were enough, the modest rate at which the industry's labour force has been expanding since rearmament started in mid-1950 will be wholly insufficient to provide it. Fewer than 40,000 extra workers will have been recruited by the end of 1952 if there is no improvement in recruitment. Pressure varies from one company to another. Companies such as de Havilland and Handley-Page, with factories near London, may find men easier to get than, say, Bristol Aeroplane, whose plants are in an area that is less densely populated. The labour problem in some other districts is not so serious that it cannot be solved by the building of a few extra houses or the attraction of workers from other occupations. The industry no longer expects to recruit trained workers, and many of its heaviest demands for labour are for operations that involve little more than elementary machine minding; this explains the gradual transfer of certain plants to areas where there is no tradition of skilled engineering but where there is a supply of adaptable and easily trained labour. In spite of these measures, the figures show that a grave and growing gap exists between the probable supply of labour and a moderate assessment of the industry's requirements. Many people in the industry assert that the gap cannot be closed by the unaided efforts of the industry, and the campaign for some form of direction of labour, which is certainly unpalatable and may also be inopportune, is gaining considerable support. The alternative appears to be to spread the construction programme over a longer period.

*

What of the future? The British aircraft industry is this week receiving proper credit for its achievements in military and civil design and its whole pre-occupation is with expansion. This prosperity, which has brought back pride and self-confidence to what was a sadly dispirited industry is being built on the foundations of a rearmament programme that is due to end in 1954. Unless war has broken out by that date, the tremendous tempo of production for which the industry is now working might be brought to a more or less abrupt halt, leaving each company elaborately equipped, fully tooled; heavily staffed and unemployed.

This is a possibility that must be squarely faced. There will always be redundant capacity in the industry in peacetime; but need there be as much as there was in 1946? Before the present emergency, exports of engines and of aircraft were becoming substantial. Parallel to this growth in exports was the sale and licensing of British designs abroad. The granting of licences has increased since commitments at home forbade the further export of complete aircraft; the most important development here is to be found in the licensing agreements made with the United States, from which the industry has gained as much in prestige as it has in hard cash. Many of the leading British engines, from the wartime Rolls-Royce Merlin piston engine to the untried Bristol Olympus jet, have been either licensed or bought outright for production in the United States. The same practice is now being followed in the licensing of British airframes. The licensing of the Canberra design in America could easily be the first of a series of similar design exports; in particular, American interest in the Valiant has been very great and more than one American manufacturer would be prepared to negotiate for a grant of the Comet design if de Havilland were willing to part

LABOUR FOR AIRCRAFT



with it. The sale of designs, however, will not keep British factories employed.

Apart from the export of certain types of military aircraft to countries in Asia, South America and the Middle East, civil aircraft are the chief means of filling British factories in peacetime. Thus it may be that the industry will in a year or two have to face the prospect of employment for a few and disappointment for the rest of the industry. The only big civil market is for machines like the de Havilland Comet and the Vickers Viscount, both with Rolls-Royce engines and both judged to be supreme of their class. Orders for these aircraft are now coming in slowly, but may expand more rapidly when the British airlines put them into scheduled operation within the next year. Because of the importance of these sales, the two companies will probably find that their civil building programmes will not be seriously affected by the pressure of military production. The turbo-prop version of the Handley-Page Hermes may have a promising future, and the Bristol Aeroplane company is carving out for itself an important place in the helicopter industry. Bristol, together with Blackburn and General Aircraft, is seriously engaged on freighter design and production, for which there should be a fair civil market, and Bristol engineers maintain that the freighter type is the aircraft most suited for the new "tourist" class travel. All these are secondary markets. This fact promises cold comfort for the bulk of the aircraft industry unless military customers can be found. It is not a wholly encouraging picture in this time of bright optimism. The Farnborough show has proved clearly that the British aircraft industry has designing ability of a calibre not surpassed in the world. It would be disappointing, indeed, if the industry's commercial ability was not equal to the task of finding a world market for its products.

Fund and Bank

AN interesting contrast has been observable between the proceedings at this week's meetings in Washington of the International Bank and the International Monetary Fund. The reports that have come from Washington, abbreviated though they have necessarily been, make it clear that a robust self-confidence has been the keynote at the Bank meeting, while a certain amount of self-criticism and a note of apology appears to have marked the discussions of the IMF. This contrast is not surprising. The Bank, as shown by the record of its activities over the past year, is doing a full-size job and as such it received a commendatory pat on the head from President Truman in his inaugural speech at the annual meeting. If there is today any real substance in the President's "Point Four Programme," it is the lending activity of the International Bank that provides it. By contrast with this activity, the Fund in the past year seems to have been inert.

The chairman of the IMF board of Governors, who this year is Mr Douglas Abbott, the Canadian Finance Minister, this week took up a defensive attitude from the first sentence of his opening address. He acknowledged that during the year the Fund had engaged in only one new exchange transaction—a sale of £10 million of sterling to Brazil. For the rest, in accordance with its Articles of Agreement, the Fund has unwound some of its earlier business ; member countries have been repurchasing balances of their own currencies previously sold to it. At first glance, it might be felt that this inactivity of the Fund is a cause for gratification. In a classical banking structure, if the lender of last resort transacts no business, the implication is that there is stability and equilibrium in the money market. And in the mechanism for settlement of international balances of payments, the IMF is supposed to be in the position of such a lender ; its role is to give relief by furnishing the currencies in short supply when all other channels have proved inadequate to meet the need. Unfortunately, any such reassuring explanation of the inactivity of the Fund will not pass scrutiny. International balances of payments are far from enjoying that natural equilibrium in which the lending functions of the Fund would be, for the time being, necessarily inert. The main reasons for this inertia—apart, of course, from the limitations set by the Articles within which it works—must be sought in such developments as the conscious decision to withhold sales of dollars to European countries so long as Marshall aid was in operation.

In Washington last week, there seems to have been a concerted attack on the policy of the IMF by members of the British Commonwealth—with Sir Leslie Rowan, a second-secretary of the British Treasury, as principal spokesman. The gist of his criticism appears to have been that the Fund's resources should be used in a much more active manner for the purpose of international stabilisation and, in particular, that they should be used to minimise price inflation and price fluctuations and to ensure stability both of international exchanges and of balances of payments. This is a great deal to ask of the IMF ; and it has doubtless been remarked in Washington that the request comes from representatives of member countries that have all along shown strong resentment of any suggestion for delegation of national autonomy to this or any other international institution. There is a good case for demanding that the Fund should act more effectively as a provider of scarce currencies, especially now that civilian aid from the United States to the rest of the world is dwindling to negligible proportions. But the remedies for inflation, for undesirable price fluctuations and for instabilities of balances of payments, must be found by each member country concerned without any delegation of responsibility. The basis for such remedies must be laid in sound domestic financial and budgetary policy, and the governments concerned cannot evade their responsibility for taking unpalatable action at home by appealing for new forms of relief from international bodies.

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In this phase of inertia in the sphere of actual business, the work of the Fund has perforce been focused upon its supervisory, not to say hortatory, functions. Abundant evidence of work in these spheres is to be found in the latest report of the executive directors, as well as in some of the formal speeches made in open sessions of the governors' meeting. As was to be expected, the Fund's report has a great deal to say on the problem of world inflation and of the methods by which it should be countered. Since this inflation has been accompanied by widespread scarcity of essential goods and by violent swings in prices and in the terms of trade, the Report admits that some measures of direct control may be necessary ; but it emphasises that "their existence involves a risk of uneconomic use of resources in the civilian sector." The executive directors therefore firmly side with the orthodox, and rapidly spreading, view that "in the face of a pervasive price increase caused by a generalised excess of effective demand, reliance should as far as possible be placed on monetary and fiscal measures in order to counteract inflationary tendencies." These sentiments, which must have received the approval of Britain's representative in the Fund, scarcely harmonise with the latest shift in British domestic policy.

The executive directors have some harsh and effective comments to make on the suggestion that member countries should try to escape from the perils of inflation —in particular from those of "imported" inflation—by raising the exchange value of their currencies. The Report points out that many of the spokesmen of this school of thought are to be found in countries whose exchange rates are still supported by the crutches of exchange control and discriminatory import and export licensing. The great majority of countries do not have strong and persistently favourable balances of payments maintained without the help of restrictions ; currency revaluation, it is declared, would weaken their balances of payments further. The menace of world inflation calls for concerted deflationary measures. It cannot be countered by mere reversal of the tactics of the 1930s—when, through competitive devaluation of their currencies, the principal countries of the world tried to escape the hardships of deflation but were successful in doing so only to the extent that they foisted them on their neighbours. Indeed, the creation of the International Monetary Fund was itself due in no small measure to the realisation that the world had been ill-served by the exchange policies of those years ; the executive directors now see in the competitive revaluation proposals an exact counterpart of those earlier and defective policies.

The Fund report also replies at some length to the contention that, since no calculation of correct or natural exchange parities can be made in present circumstances, no useful purpose can be served by attempting to impose rigid parities on member countries. Needless to say, this argument is attacked root and branch, since it strikes at the whole basis of the philosophy of Bretton Woods. The executive directors point out that "there is no such thing as a natural level for the rate of exchange of a currency."

> The proper rate in each case will depend upon the economic, financial and monetary policies followed by the country concerned and by others with which it has important economic relationships. If the economy of a country is to adapt itself to a given exchange rate, there must be time for the producers, sellers and buyers of goods and services to respond to the new set of price and cost relationships to which the rate gives rise.

The report adds that when a rate of exchange becomes clearly inappropriate, the provisions of the Fund's Articles are sufficiently broad to permit any necessary and justifiable changes in par values. It also points out in parenthesis that in the arguments for fluctuating rates there is generally the implicit assumption that some major currency will remain stable in terms of gold, to provide a point around which to operate the fluctuating rates.

The problem of exchange restrictions has naturally figured prominently in the report of the Executive Directors and in the deliberations in Washington. In March, 1952, as an article in these columns recalled a fortnight ago, all member countries that maintain restrictions on current payments are required by the Fund's Articles to secure its assent to their retention. In its comments on this issue, the Fund keeps the flag of convertibility and nondiscrimination fluttering bravely. It "retains the conviction that, despite strong postwar tendencies towards bilateralism and restrictionism, there is much to be gained from the pursuance of trade and payments liberalisation and the reduction of discrimination." Moreover, President Truman urged in his inaugural address that no member of the Fund should use the pretext of rearmament to justify trade and exchange restrictions not needed for defence. Mr Douglas Abbott was even more forthright, declaring that "in certain cases members have not moved as rapidly towards achieving the aims of the Fund through the elimination of exchange restrictions and discriminations as their circumstances would have permitted." The main target for Mr Abbott's shaft was evidently Britain ; the most effective defence against it was to let the facts speak for themselves. Sir Leslie Rowan accordingly pointed out that the sterling area's dollar balance of payments for the third quarter of this year would be substantially in deficit. This, he said, would prove the contention that the dollar and gold earnings of the sterling area in the first and second quarters were abnormal, so that Britain was not yet in a position to lift exchange restrictions.

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On the highly controversial subject of gold, the Fund report sheds little additional light. It refers to the decision of the Executive Board last March, when it declared that the existing arrangements and practices of several countries that sell their gold at premium prices "are no longer a satisfactory basis to implement the Fund's gold policy." This subject was still under investigation when the Annual Report was prepared. Whatever may have been said about the problem of premium gold sales in Washington has evidently been uttered discreetly in closed sessions. There have been reports from Washington that the Fund may relax its stand against free sales of gold in the world's markets, but any such arrangements are unlikely to involve more than the extension to all gold producing countries of the special facilities accorded to South Africa. The one definite statement about gold that has emerged from Washington has come from Mr John Snyder, Secretary to the US Treasury, who affirmed that he saw no reason to change the oft-repeated view of the United States that its own official price for gold should remain unchanged at $35 an ounce.

In contrast with the somewhat fevered and controversial agenda of the IMF, the proceedings at the meeting of the International Bank for Reconstruction and Development seem to have been peaceful and congratulatory. The Bank's report covers a year of record achievement, a year in which 21 loans, totalling the equivalent of $297.1 million, have been made to 11 countries. These activities, now recounted in the Bank's report, have already been traced in repeated comments in these columns as they occurred. A more interesting aspect of the report is the account of the Bank's activities in the field of technical assistance, in response to the obvious fact that, in the development of underdeveloped countries, it is more often the lack of trained personnel than of capital resources that provides the main obstacle.

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The Bank has in consequence sent out a number of specialised missions to study specific aspects of the development programmes of the countries with which it has been concerned. It has arranged study groups or seminars in which specialists from member countries have exchanged views with the staff of the Bank. It has sent Bank staff to member countries for extended periods to help in carrying out specific development projects. Finally, the Bank has participated in the first of a series of training institutes designed to acquaint government officials of underdeveloped countries with the techniques of framing programmes and of controlling projects. Some this work has already yielded fruit. The reports of the survey missions to Colombia, Turkey, Guatemala and Cuba have been published, a report on Iraq is almost complete, and further survey missions to Ceylon and Surinam are being organised. This is real spadework, which it is to be hoped will merge more and more intimately with the similar work being done by the Commonwealth countries towards the Colombo Plan.

Business Notes

Riposte to Persia

Dr Mossadegh's "ultimatum," by decisively confirming the breakdown of the negotiations with Persia, gave the signal for a firm counterstroke by the British Treasury. It was announced on Monday evening that certain special financial and trade facilities previously extended to Persia were to be withdrawn forthwith. The official announcement emphasises that these measures are neither reprisals nor sanctions; and, although the Persians will doubtless think otherwise, there is substantial justification for this contention. Throughout the period of British exchange control, Persia has been accorded a privileged status in its relationships with the sterling area and the British system of international payments, a status reflecting the importance for Britain and the sterling area of the supply of Persian oil—"sterling" oil. The dollar-saving value of this oil for Britain was the means of securing for Persia quite unusual facilities for use of the sterling payments mechanism and for access to the British market. Persia was not only admitted at an early date to the select circle of "transferable account" countries, giving it freedom to buy and sell in sterling throughout this area as well as the sterling area, but also enjoyed a special right to convert its sterling balances into dollars—a privilege not normally available to countries outside the sterling area. This right of convertibility was subject only to the provision that the dollars were needed to buy essential goods not available "on equal terms" within the sterling area—and it is understood that in practice this condition was not enforced at all rigorously by the British authorities. In effect, therefore, British trade with Persia was tantamount to "dollar" trade—a situation that was emphasised by the fact that Britain gave Persia especially favourable access to supplies of certain scarce goods in the British market (notably sugar, machinery, steel manufactures and vehicles and locomotives). Finally, Persia's sterling balances, now estimated at about £15 million, have long been protected by a gold valuation clause.

Since these special facilities were the *quid pro quo* for the receipt of "sterling" oil, and the flow of oil has stopped, most of the privileges are being withdrawn. Under the Orders made this week, the facility for conversion of Persian sterling into dollars is suspended, and so is the right to buy scarce goods in the United Kingdom. The supply of such goods has been cut off by the revocation of outstanding export licences. These measures follow in strict logic from the stoppage of oil supplies, and the Treasury states that the suspension of dollar facilities makes it necessary for all payments of sterling to or by Persia to be made subject to specific Treasury sanction. This device—which, if utilised to the limit, would impose a complete blocking of Persian balances—is to be used also to ensure that Persia cannot employ sterling facilities to further any plans it may hope to mature for selling its oil direct. The strict logic of the Treasury argument is not readily apparent here, but the action itself is unquestionably justifiable—even if the justification is measured merely by the direct loss of dollars in which Britain is being involved in the effort to secure alternative supplies of oil. In any case, the Treasury declares that this power to stop Persia's use of sterling will normally be used in such a way as to allow all transactions except those involving dollar convertibility or oil. The "intention is to limit the harm which has been caused to the United Kingdom economy by the actions of the Persian Government"—and the measures can be revoked whenever Persia makes possible a solution of the oil dispute. These measures may not be sanctions, but they show that a big stick is not far out of sight. The next move is up to Dr Mossadegh—or his successor.

* * *

Confusion and Dividends

Confusion about dividend control becomes weekly more confounded. The draftsmen cannot be enjoying themselves as they proceed with the bill. As for the investor, there is little light that he will gain from the Treasury's latest pronouncement. After recently praying in aid the Capital Issues Committee to make sure that new ordinary shares are not issued on generous "rights" terms that might create a loophole by which control could be partially avoided—a piece of Pooh-Bah departmental expediency that is of the most dubious character—the Treasury has this week let fall the fact that wholly owned subsidiaries will be exempted from the provisions of the bill. This is not so much a concession but simple common sense. It remains to be seen, however, whether it goes far enough, for there are many cases, even in the biggest industrial groups, where there remains some small residual public interest in companies that are, for all practical purposes except the Chancellor's, wholly owned subsidiaries of the parent concern. The sensible flexibility that is offered to wholly owned subsidiaries will, it seems, be denied to others where a dividend increase substantially accruing to the parent company for further distribution within the terms of the act-to-be would have the incidental effect of putting a few pounds (less tax) into the pockets of a few individual shareholders.

It is, at any rate, good to know that the Treasury, without giving any individual "rulings," has been turning over in its mind the merits of cases where the prescribed dividend standards "might be inappropriate"—the examples given are where a holding company has been interposed whose standard is smaller than the company acquired and "a successful family or similar business where profits had for the most part been ploughed back" that has recently become a public company. The Treasury statement also discloses that note has been taken of the case of rubber companies "deriving their income from properties in the Far East which have been overrun by the enemy." No mention is made of certain tin companies that have been in the same predicament. Nor is there any reference to the submissions made

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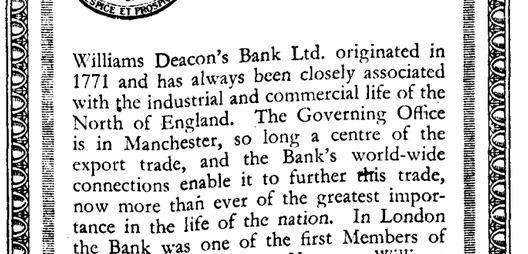

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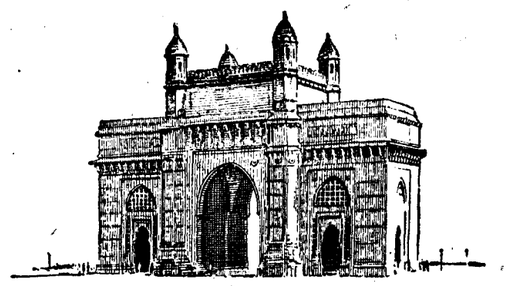

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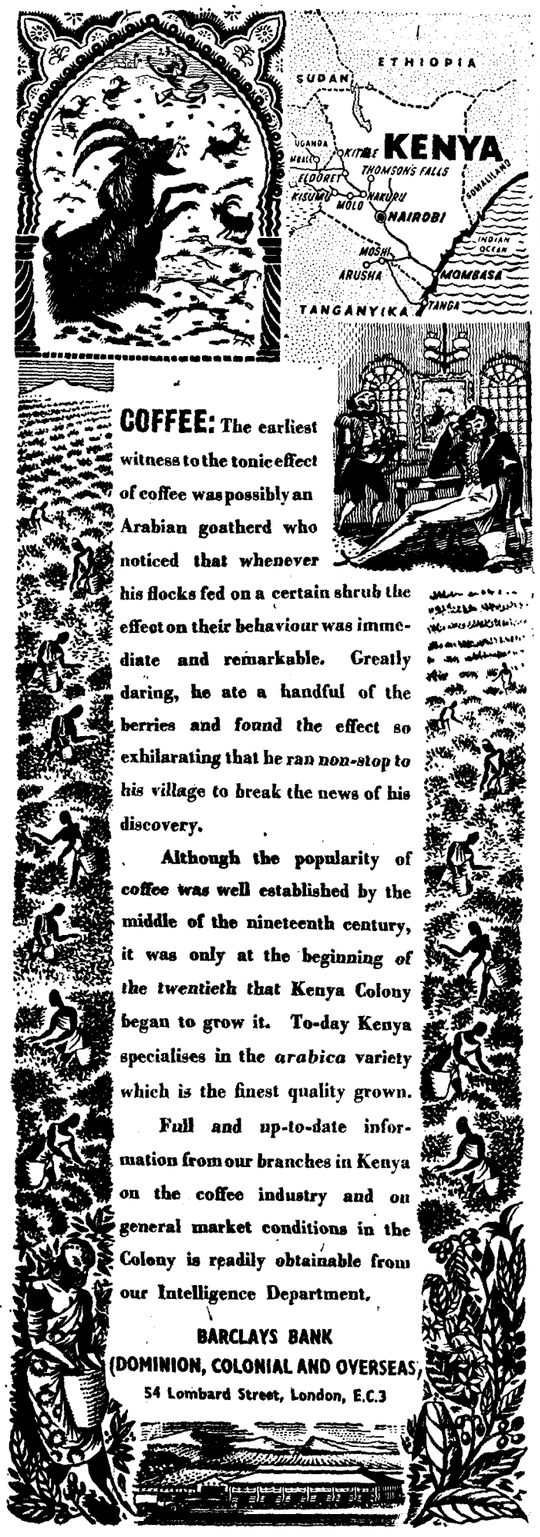

COFFEE: The earliest witness to the tonic effect of coffee was possibly an Arabian goatherd who noticed that whenever his flocks fed on a certain shrub the effect on their behaviour was immediate and remarkable. Greatly daring, he ate a handful of the berries and found the effect so exhilarating that he ran *non-stop* to his village to break the news of his discovery.

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TIN.

THE element tin has been known and used since the earliest days of history. Egyptians of the 14th century B.C. alloyed it with copper to make mirrors, and Homer tells in the Iliad how Hephaestus, the god of Fire, used tin to decorate a shield for Achilles. Tin obtained from the moors and streams of Cornwall was the one famous product of Ancient Britain. A natural tin oxide—"cassiterite"—is still mined in Cornwall today, but most of the world's supply comes from alluvial deposits in Malaya and Indonesia and from ores mined in Bolivia, Africa and Australia. By far the most important uses of tin are in the production of tinplate for the canning industry, and the tinning of articles such as milk churns and kitchen utensils. Tin is also an important constituent of alloys such as gun-metal and bronze, and it is used to make bearing metals, soft solder and pewter. Compounds of the element are used in dyeing and medicine, and in the production of glazes and enamels.

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on September 3rd by the British Overseas Mining Association, which stress the damage to new mining enterprise and production that dividend control would cause.

The three Rhodesian copper companies in the Selection Trust group have taken the lack of law on dividend control into their own hands, and in doing so have caused a stimulating breeze in the market. The directors of Mufulira, Roan Antelope, and Rhodesian Selection Trust preface their declarations of increased "second interims" on their companies' new capitals with the straightforward comment that "since no legislation governing dividend limitations is in existence, they should proceed on the basis of declaring dividends in respect of the past year to the extent that they would have done had no suggestion of statutory dividend limitation been made." If dividend limitation becomes law, part of the dividends now declared will have to be regarded as advances on account of future years. But it is not yet law, and it is difficult indeed to quarrel with the directors' reasoning; they have already been poorly rewarded for their decision to keep their companies registered and controlled in this country by being fenced in by Section 36 of this year's Finance Act.

* * *

Fawley on Stream

Like the new Margam steel plant opened two months ago, Esso's refinery at Fawley—which was to be opened by the Prime Minister some hours after this issue went to press—has a more than simply practical significance in the industrial development of this country since the war. Fawley bristles with superlatives, as befits the largest oil refinery in Europe; but it has another affinity with Margam, for it remains only one among a number of massive new installations in its industry's development programme. Its completion marks a decisive stage in the maturing of the British refinery programme. It is also the largest single manifestation of American participation in British postwar industrial development; this influence no doubt had something to do with the fact that the refinery was completed four months ahead of schedule, in just over two years. The British contribution in materials and equipment as well as men has, however, been greater than Esso originally thought likely; two-thirds of the materials that have gone into the refinery came from Britain, though the major refinery units, such as the catalytic cracker, the pipe stills and the Edeleanu plant, had to be obtained from the United States.

The practical importance of the plant, however, needs little emphasis. Setting a date at which a refinery can be said to be "open" is a somewhat arbitrary business; by the time of the official opening this week, the pipe stills had been in operation for several weeks, but the "cat cracker" will not start working for a week or two. By the end of the year, however, the refinery is expected to produce 2,000,000 tons of petroleum products from Middle East crude: the annual capacity of the present units is rated at some 5,500,000 tons, to be brought up to 6,000,000 tons in 1952-53 by the addition of plant for the production of tractor fuel and lubricating oils.

Esso's catalytic cracking plant at Fawley is the first to be completed in Britain: four others, being constructed by Shell and Anglo-Iranian, should be completed by the end of 1952. These units will be of much the same capacity and type, about 1,250,000 tons annually, using a "fluid" powdered catalyst: the catalyst normally used is a mixture of silicon and aluminium oxides, either combined artificially or in the natural combination found in certain clays. This combination accelerates the breakdown of the chemical structure of the feedstock and at the same time promotes the formation of high quality motor spirit and valuable gaseous fractions. Catalytic cracking provides greater gasoline yields from a heavier type of oil than thermal cracking, and produces normally a higher octane spirit. Fawley, which is designed essentially for the production of high grade motor spirit, will for the present adjust its highly flexible pattern of output from the distillation and cracking units to produce the single standard grade of petrol. Next year, with the other "cat crackers" coming into operation, there will be considerable technical arguments for using these modern units to produce the highest grades of motor fuel—as Shell's cracker at Pirnis in Holland is doing already. The problems imposed by events in Persia and Korea, however, will presumably set the timing of Government policy upon this question and upon the reintroduction of branded petrols.

* * *

Lubricants from Coryton

The Vacuum Oil Company's refinery at Coryton on the Thames is a more specialised adjunct to the British refinery programme, for its emphasis is on the production of lubricating oils. The project is a joint undertaking of Socony-Vacuum and Powell Duffryn. Vacuum Oil was formerly Socony's British selling agency, but when Powell Duffryn sold the Coryton oil storage and blending business of its subsidiary, Cory Brothers, to Socony, it acquired in return a half interest in Vacuum Oil.

The capital cost of the Coryton project is put at about £10,000,000, a proportion of which has been provided by the Finance Corporation for Industry, and the plant is due to come into operation at the beginning of 1953. It differs from most other British lubricating oil plants in not operating on "topped" crude, that is, crude oil from which the light motor and diesel fractions have already been removed. Certain types of crude from Pennsylvania and to a lesser extent Venezuela and Texas, are peculiarly suited for lubricating oils, while others, notably Middle East crude, lack certain constituents necessary to produce the full range of lubricants that the market needs. Because of these differences in the physical composition of the crude, there is a considerable import of finished lubricating oils and of topped crude for further processing into lubricants from the Western Hemisphere. The accompanying table gives some indication of the trade in lubricating oils.

PRODUCTION AND CONSUMPTION OF LUBRICATING OILS IN BRITAIN
(Million Gallons)

	1947	1948	1949	1950
Total consumption	152·3	156·7	173·9	183·0*
Home production	84·0	90·2	92·0	104·0*
Imports :—				
Total	85·1	86·4	72·7	120·0
United States	66·2	79·0	62·7	95·0
Netherlands W. Indies	18·5	7·3	9·9	21·0

* Provisional

The Coryton plant is to operate on Middle East crude alone, and will use about 18,000 barrels a day. This means that the refinery will work up the light fractions of the oil as well as the heavy lubricant fractions and Vacuum will for the first time undertake the re-forming and marketing of motor spirit and diesel oils. Socony's own design of catalytic cracker is being built to get the maximum motor spirit yield but the distillation process that initially separates the crude oil fractions is designed with the needs of lubricant production as the first consideration. This should give Vacuum closer control over its lubricant feedstock than would topped crude. On the other hand, the composition of Middle East crude imposes certain limitations on the range of lubricants that can be supplied from Coryton. Vacuum will still have to import refined lubricating stocks from the Socony plants in the United States for blending with the Coryton lubricants. The company has two blending plants at Birkenhead and in Wandsworth where this process will be carried out.

Railway Wages

The three railway unions have rejected the offer of the Railway Executive, and their claim now goes to the Railway Staff National Tribunal, which meets next Tuesday. All three unions, railwaymen, footplate staff, and salaried staff, presented a joint claim for a 10 per cent increase for all grades, which would cost about £19 million in a full year. The Railway Executive's offer would have involved about half this sum, and itself could have been provided only by a further increase in charges. But it was essentially different in character from the unions' all-round demand, in that the increases offered were greater for grades where the shortage of labour is most acute. The minimum weekly rate would have been raised by 4s. 6d. to 107s. but for locomotive and permanent way staff the increases offered by the Executive would have provided a differential that would have assisted the recruitment of staff in grades where they are urgently needed. Thus it represented an attempt to meet the men's case—which on several grounds was a reasonable case—and at the same time to go some way towards restoring the differentials that have been reduced by the more rapid advance of wages in the lower grades.

The Executive's offer puts on record its desire to use wage incentives to bring train crews and permanent way gangs nearer to normal strength. Whether the National Tribunal will be responsive to this principle, and whether its findings will be accepted are two important matters that have yet to be disclosed. The Executive, it will be noted, has made no attempt on this occasion to associate the question of wage increases with productivity. This feature of the February award, in which a promise "to discuss" the more effective use of labour was associated with the wage increase then imposed on the Executive, has not justified the hopes that were placed on it. There has been agreement about van guards and "knockers-up," but none on lodging turns. The channels of discussion remain open, but nothing seems likely to flow through them.

* * *

Hope and Coal

One of the few encouraging signs that have begun to appear in the coal industry in the last few weeks is the way its new chairman talks about production. It is the harder work of the miners, certainly, that has provided the evidence for Sir Hubert Houldsworth's confidence and this greater hope is still heavily qualified. Though the men in the industry are steadily falling in numbers, they have raised 200,000 tons more than last year in each week of the past month. Words are easier to produce than coal. But it would have been easy and safe for Sir Hubert to join the chorus in the dirge that has been chanted over coal this summer: and it may be a good thing for the morale of the industry that he has chosen not to.

Even a continuance of the better performance of the last month, however, would not provide the "safe" stocks of 18 million tons by the beginning of the coal winter in November, assuming that consumption in the next six weeks runs at something like the level of last year. Inland consumption may well be 7,000,000 tons higher over the full year; it has already risen by 5,000,000 tons over that in the same period of 1950, at the expense of parlous cuts in coal exports to Europe. There is a disposition to accept the decline of Britain as a major exporter of coal with some complacency, and it is certainly true that without some turn in the trend of manpower and production the present low level of exports can hardly improve. But it is impossible to over-emphasise the damage that this failure is doing to Britain in European economic relations, and the need for early results from the technical developments that Sir Hubert Houldsworth so often mentions is no less pressing for exports than for use at home. Imports for this winter are still being canvassed: but there is a feeling in the industry that the Government, having delayed its decision so far, simply could not get the coal shipped in time.

Since the end of April the industry has lost 5,000 men, and since mid-May it has lost 2,300 from the coalface. After the welcome but brief increase of the winter and spring, the manpower graph of the industry seems to have resumed its secular decline. Up to this week the National Coal Board had brought 662 Italian workers for the mines to Britain; 543 were still learning the language, and 112 had reached the coalfields, mainly still in training; very few are as yet working underground. For the moment, the Board's intentions seem to be limited to bringing in about 1,000, and the present difficulty of placing the Italians is already beginning to affect the numbers it can take from Italy. Sir Geoffrey Vickers some weeks ago spoke of the need for possibly 5,000 Italians that was being frustrated by the unwillingness of many mining lodges to accept the foreign miners; at the present rate of arrival, considering the capacity of its reception and training "pipeline," the Board could hardly have brought in half that number by the end of this year. Nevertheless, rank-and-file mining opposition, most exactly measured in Yorkshire but evident to varying degrees throughout all the four divisions most seriously in need of manpower, is hampering this method of reinforcing mining manpower. Though the National Union of Mineworkers is giving what official assistance it can in this direction, some of its leaders sometimes speak in a way hardly calculated to improve the willingness of their members to receive the newcomers.

* * *

Lancashire and Japan

When Sir Raymond Streat, chairman of the Cotton Board, said in Holland this week that although Japanese cotton exports were still only half their prewar volume, they now accounted for 20 per cent of the world's trade in cotton goods, he was expressing a concern that has been current in Lancashire for many months. Japanese output and exports have been expanding rapidly this year and—more important

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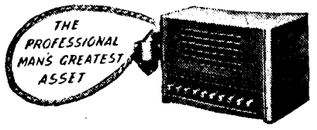

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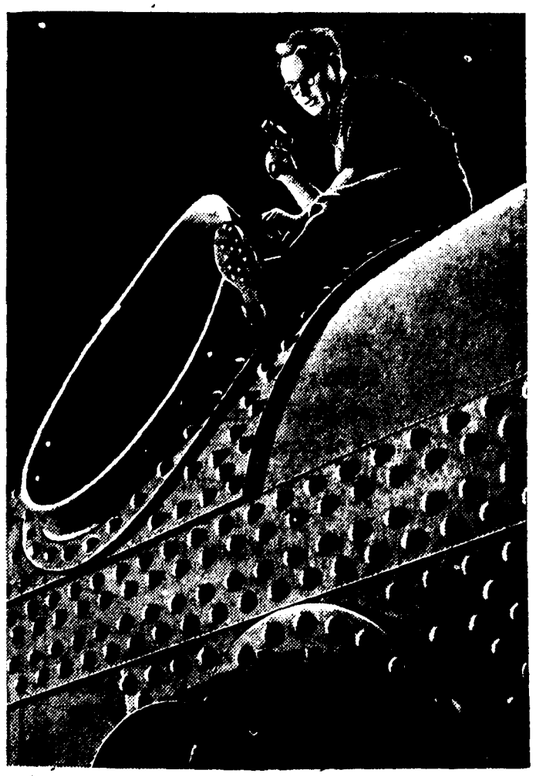

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Foresight on blue glass

LONG BEFORE THE PAPER was made on which today's news appears Albert Robbins* had all the information he needed. In charge of the giant grindstones which reduce logs to pulp at the only groundwood mill in the United Kingdom—one of the group of Bowaters' mills in Kent—part of Robbins' job is to ensure that the wood is ground to give exactly the right fibre for the manufacture of good paper. Every few minutes he scoops samples from the watery pulp flowing from the grinding machines and examines them on a blue glass under a strong light. Largely upon Robbins' skill and practised eye depends the satisfactory operation of the newsprint machines.

Drawn by A. R. THOMSON, R.A.

The hum of the grinders drowns the cries of the gulls wheeling over the mud flats of the Thames Estuary, and the siren blasts of distant ships. Thoughts of his hobbies—the allotment, his football team and the bowling green—do not distract his attention. As he chats Robbins' eyes and ears are alert. For each of the five great paper-making machines at Kemsley consumes some 10,000 spruce trees every week—the raw material of newsprint for the free press of the democratic world.

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* *Fictitious name for a real character.*

—the emphasis has shifted from the export of grey to that of printed cloth. The Cotton Board's statistical review shows that in twelve months since the limitation of 4,000,000 spindles was lifted from the Japanese industry, the number of spindles installed has risen from 3,885,000 to 5,055,000. The output of piecegoods averaged 461,900,000 square yards in the first quarter of the year compared with a quarterly average of 385,500,000 square yards in 1950, and the second quarter's output is expected to be even higher. This rising output is being reflected in Japanese exports, which rose from 256 million square yards in the first quarter to 342 million in the second. By the middle of the year, one-third of these exports consisted of printed piece goods compared with only a quarter in June, 1950. The percentage of grey cloth exports has fallen in the same period from 46 per cent to 23 per cent.

In the first half of 1951, Japanese exports to Britain, which consist largely of grey cloth, and provide one of the foundations for the finishing industry, represented less than 40 million yards out of a total Japanese export of nearly 600 million square yards. Meanwhile, British merchants in London supplying Empire markets are getting more and more Japanese samples, the majority of them of much higher quality than before the war, at prices 25 to 30 per cent lower than those of the equivalent British goods. The steady growth in the volume of goods coming from Japan can hardly be said to have taken Lancashire by surprise, but there is no sign that it has any new policy with which to meet it. The cry of protection against cheap labour, which is voiced equally by Ministers and by some spokesmen for the industry, is certainly not the answer.

* * *

Slightly More Steel

Steel output is beginning to reflect the benefit of the larger imports of iron ore that have been coming in for the last two months: but it is still well below last year's level. August production figures, published this week, show that an annual rate of 13,855,000 tons of ingots and castings was maintained, compared with the July rate of 13,317,000 tons; but this compares with August output in 1950 at the annual rate of 14,530,000 tons. Pig iron output in August was at an annual rate of 9,409,000 tons, rather lower than in July but higher than in August last year. Stocks of scrap, imported ore, and home ore at steelworks are beginning to rise; but there seems little likelihood that they can be built up to the levels held at the ends of 1949 and 1950.

Mr Gaitskell's request in Washington for an allocation of 800,000 tons of steel next year was to be expected. Whatever the final level of production attained this year, the cut in supplies of German scrap—to some 30,000 tons a month, as it now appears—must curtail output next year, and throw all the greater pressure upon supplies of home and imported ore. Steel allocation, to be introduced in December, may tend to limit non-essential demand: but now that the rearmament programme is gathering pace, "essential" demand for steel may well be ahead of supplies early next year. Imports from America are now about 3,000 tons a month and consist of certain special types. A more direct form of assistance from the American steel industry to Western Europe, it may be noted, would be the import by American steel producers of less ore from the sources that normally supply European steel producers. But given the present state of steel demand in the United States—domestic requirements are being cut and some opposition is being raised to larger exports for Europe—this second form of relief does not seem likely to materialise as yet.

* * *

Trend of Employment

The total working population increased during July by 39,000, of whom 25,000 were women. The steady increase in the working population during this year continues a trend since 1948, which is described in the annual report of the Ministry of Labour for last year. In 1950 there was an increase of 218,000 in the total working population, of whom 127,000 were women. From the middle of 1948 to the end of July of this year there was an increase of 462,000 in the total working population from 22,904,000 to 23,366,000, the bulk of the increase being accounted for by women, of whom there were 306,000 more compared with 156,000 more men. The numbers of young people entering employment remains low because of the low birth-rate in the 1930's and is unlikely to increase significantly until about 1957.

For the first time during this year the total of registered unemployed rose between 16th July and 13th August. In mid August the total was 204,900, representing 1 per cent of the estimated total number of employees. Of the 19,000 increase, however, 13,700 were summer school-leavers who normally swell the August figures. In the development areas, Scotland, Wales and the Northern area, the unemployment rate ranges between 1.9 and 2.3 per cent. Among the principal changes in civil employment in July was the loss of 1,000 more workers from colliery books. The textiles industries are also losing workers. Three thousand were lost in July, compared with 4,000 in June and 2,000 in May. Here also there was a gain in the early months of 1951, but now the numbers, at 1,030,000, are below the end-1950 figure. The metals, engineering and vehicles industries also lost workers as in May and June. There has been a seasonal gain in agriculture and fishing, as in June and significant gains in transport and communication, public administration, professional and miscellaneous services, and food, drink and tobacco. Thus in spite of the increase in the numbers of the working population there have been losses in the basic industries and gains where the need is not urgent. In metals, engineering and vehicles this is offset by some shortage of materials. Nevertheless, labour is not moving where it is most urgently needed.

* * *

The Deficit Grows

Any hope that the trade deficit might be on the point of improving received a sharp setback last month. The preliminary trade figures for August show a deficit even larger than those for July. The adverse balance of £128.4 million brings the deficit for the first eight months up to the extraordinarily high figure of £807.7 million. In the corresponding period of 1950 it was only £270.2 million; in 1949 £290 million, and 1948 £321 million. These figures tend to exaggerate the true deficit in that imports are calculated c.i.f. and exports f.o.b. But the trend they reveal is far from satisfactory. Exports showed a fair increase in value during the month from £231.8 million to £239.8 million in August, while imports were also increased from £358.5 million in July to £368.2 million in August. Both the July and August trade figures compare poorly with those for May despite the improvement of the terms of trade up to July. Imports in August are often high, and this year are believed to have been augmented by purchases for defence purposes, particularly from western European countries. At this stage, it can only be hoped that the trade deficit for the whole year will not reach the alarming figures suggested by the deficits for August or for the eight months to date.

TRADE TRENDS (£ mn.)

	Exports (f.o.b.)	Imports (c.i.f.)	Deficit
Average Jan.-March	204·6	283·0	78·4
April	241·2	311·5	70·3
May	241·2	338·0	96·8
June	208·6	357·5	148·9
July	231·8	358·5	126·7
August	239·8	368·2	128·4

Imports may be reduced in future months as a result of Governmental limitation, but the main shortcoming is that the rate of exports is not sufficient. Coal exports are perhaps

the most obvious failure, but manufactured exports are not adequate. Workers are again being lost from the textiles industries and apart from pottery no other consumer goods industry has shown that its exports can be expanded and the full effect of rearmament has still to fall on the engineering and vehicles industries.

* * *

The "Air Coach"?

The International Air Transport Association had on the agenda of its annual general meeting that was held in London this week, the first serious inter-airline discussions on the introduction of "coach-class" air travel at reduced fares. No airline can alter the fares that it charges on any of the recognised routes without the consent of IATA, and a body of this kind is by its membership pre-disposed to weigh very carefully any such reduction. During recent years a growing body of opinion in the aircraft industry, as well as among airline operators, has come to the conclusion that a really big reduction in fares is the only way by which air transport can be put on the broad popular basis that offers its only prospect of solvency. In their reports published last month, the two nationalised and subsidised British airlines both came out strongly in favour of the introduction of a dual tariff.

Tourist air travel is commonly described as "austerity" travel; this phrase brings to mind the strictly functional lack of amenities of a troop transport, but it would be much better to compare standards in the "air coach" to travel in a road coach as distinct from an express with restaurant and other amenities. Except for the free food and drinks, the benefactions that the airlines have pressed on their passengers in an attempt to attract them from other operators do not add to the cost of operating the aircraft; but food is more costly and needs space for carrying and eating and stewards to serve it. The economic argument for the air coach is to put to use older aircraft that are sub-standard only by comparison with the latest types and to carry more passengers in them, thus spreading their flying costs over a greater number of tickets. The test of "first" and "second" class would thus depend particularly on seating density and this in turn would depend on the duration of the flight.

No aircraft is permitted to fly above the maximum all-up weight specified by its designers. Therefore if it were sought to carry more passengers on an aircraft already at the maximum load, the permissible weight of fuel and freight would have to be correspondingly reduced. A tourist class airliner crossing the Atlantic might for this reason need to re-fuel at both Iceland and Gandar. Under present regulations the passengers must be disembarked while the fuel is pumped, and there would need to be a delay of up to an hour for each re-fuelling stop. The fare, however, could be reduced from £242 to £180 for a return ticket.

* * *

Ups and Downs in Tin and Rubber

The little flutter in the rubber and tin markets that attracted public attention last week has died down. Tin at one point (a week ago last Thursday) reached almost £1,000 a ton; it is now only £930 a ton. After many false reports, it has been officially confirmed that the United States has signed a provisional 30-day contract for Bolivian ore at $1.12 a lb. (£896 a ton), including smelting charges. The contract can be extended up to 90 days and the price is subject to revision. A joint mission of the State Department and the Reconstruction Finance Corporation (which is responsible for the Texas smelter) is at present studying current costs of producing tin in Bolivia. If it is satisfied that the provisional price is too low, the new price will be paid on all shipments after May 31, 1951, when the last RFC contract ended. Once this study of costs has been completed, the American authorities are expected to sign a long-term contract with Bolivia. In the United States, however, a long-term contract usually implies one of twelve months duration. In view of the speculation about what the new price for Bolivian ore might be, it is not surprising to see the price of tin in the London market hovering between £930 and £1,000 a ton.

The interest in rubber last week arose from the implication in a report of a Senate sub-committee that the stockpiling authorities had not been buying sufficient natural rubber. The price rose from 3s. 8d. to 4s. 2½d. a lb. in one week. It has since dropped back to 3s. 11d. a lb. There is still no indication from the United States that the tempo of buying for the stockpile will be increased. For some months past, the authorities have been more concerned with price than with supplies and unless the political situation deteriorates suddenly, this policy is unlikely to be altered. On the other hand, it seems very probable that the control on the use of natural rubber for civilian purposes in the United States may be relaxed next year. This view is supported not only by certain unofficial reports, but also by the fact that the production of synthetic rubber is now reaching the limit of existing capacity. If total rubber consumption continues to rise, the additional supplies will have to come from the natural rubber producers.

* * *

Supplies of Copper

The copper strike in the United States has been temporarily settled. An injunction against the strikers was secured last week under the Taft-Hartley Act, and most of the men have now returned to work. The Kennecott Corporation has meanwhile reached agreement with its employees to increase the hourly rates by 15 per cent, and no doubt other copper producers will follow this lead. The question now arises whether, in consequence of this wage increase, the official price of copper in the New York market will be raised. At present two prices exist in the United States: 24½ cents a lb (£196 a ton) for domestically produced copper and 27½ cents a lb (£220 a ton) for copper produced from imported concentrates. The market may well take this opportunity of establishing a single price again, namely 27½ cents a lb. The Ministry of Materials selling price of £234 a ton was already higher than the American export price of 27½ cents a lb to allow for British purchases at free market prices. On Thursday, however, the Ministry reduced its selling price by £7 to £227 a ton, because for the time being it will cease to buy at prices exceeding the American export price.

The strike has had little effect on copper supplies outside the United States, although some 90 per cent of American output was brought to a standstill. The release of 25,000 tons from the American stockpile was sufficient to prevent any immediate shortage, and if the strike had been prolonged no doubt further releases from stocks would have been made. But the present balance between supply and demand for copper is so delicate that it could be easily upset. For that reason, the copper-lead-zinc committee of the International Materials Conference has been considering for some months the feasibility of allocating copper among participating countries, and quotas for the fourth quarter of this year are expected to be announced shortly. Most of Britain's supplies are covered by contracts with Rhodesian and Canadian producers, and these contracts are unlikely to be affected by any action taken in Washington. But international allocation might well prevent the Ministry of Materials from buying supplies for its stockpile from outside sources, and this would seem to be the inference of the Ministry's recent decision to reduce its selling price. Is British stockpiling to be stopped or will it be continued at the expense of current consumption?

* * *

Optimism of British Lion

Financial success in film-making is too closely bound up with the quality and fortunes of individual films for any one company to reflect the industry's general prosperity—or more often adversity—very closely. But British Lion Film

Monroe

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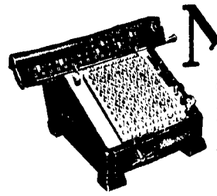

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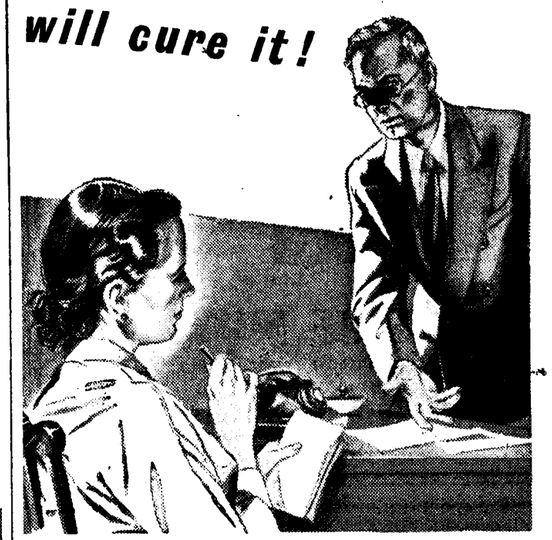

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Corporation, as one of the largest companies in the industry not directly linked with cinema ownership, may give some pointers. Its results this week would seem to confirm the outsider's impression that the internal economies carried out by producers, in conjunction with the external assistance that the Government has been providing in the past two years, are bringing the production side of the industry into a slightly better state of health.

The British Lion results would not justify more than very cautious optimism. Once again the directors have had to increase their estimate of losses likely to be incurred on films completed on or before March 31, 1949—this time by an additional £798,219 on top of the £1,388,797 already provided. On the year's trading the company made a net profit of £19,384; but with the extra provision mentioned above and the accumulated loss brought in of £1,142,990, the debit carried forward amounts to £1,921,825.

The company's investments in film productions are now £3,037,656, against £3,956,772, reflecting the amount written off; and there has similarly been a slight decrease in indebtedness to bankers and "others" (among whom the largest creditor is, of course, the Government's National Film Finance Corporation). Bankers' advances have dropped from £1,494,881 to £1,178,701; advances from "others" have increased from £3,202,884 to £3,429,055. The National Film Finance Corporation loan of £3,000,000 is due for repayment this autumn: in the review published with the balance sheet the chairman, Mr Harold C. Drayton, makes no reference to any arrangements discussed between the company and the Corporation. He is able to tell shareholders that several of the films released last year are proving successful, and will contribute profits to the company this year and next, while the Eady schemes, given a fairly steady continuance of business, may bring British Lion an extra £500,000 a year for the three years from August 5, 1951. Given the present burden of loss, the company has little interest for investors. A film is unlikely to earn profits for a year or more after it is completed, so that the internal economies the company has been carrying through will not bear fruit for some appreciable time.

* * *

Britain's Prewar Liabilities and Reserves

The Treasury and the official statisticians deserve congratulation for their efforts in recent years to present steadily more comprehensive estimates of Britain's external balance of payments and the trend of external reserves and liabilities. The latest, and very welcome, contribution—presented for the benefit of the many economists and others who try to get a reliable long view of such trends—sets out (in Cmd. 8354) quarterly figures of Britain's gold holdings and half-yearly figures of external liabilities for the war years and for the prewar period extended back to 1931-32. Some of the data for these periods has been published previously, but never before has it been possible to observe an uninterrupted series. Now, in effect, the Treasury presents aggregates of virtually all the data on these matters that it has at its disposal, since much of the relevant information was not collected at all until after the work of the Macmillan Committee in 1930-31 and the creation of the Exchange Equalisation Account in 1932. Naturally, the 20-year series, now obtainable by linking the new figures with those published in recent years in the half-yearly White Papers on the Balance of Payments, are not strictly continuous in the statistical sense. This is true even of the new information, since the figures of external liabilities for the period 1931-41 are based on different material from those more systematically collected subsequently. For this reason, the scope of the figures is somewhat narrower than that of later estimates, and the broad geographical classification does not align with the quite detailed breakdown that is now available. There is a similar, though less significant, break in the series on gold reserves, since until the outbreak of war the total gold holding was divided between the Bank of England and the Exchange Account, whereas since September, 1939, virtually the whole of the gold has been concentrated in the Account. These qualifications should be borne in mind when examining the accompanying table, which assembles, for yearly intervals only, the salient portions of the data over the whole period.

UK Reserves and Liabilities
(Year-end Figures: £ million)

	Gold and Dollar Reserves*	UK External Liabilities: British Empire†	Total
1931	171§	195	411
1932	206	246	468
1933	372	275	538
1934	415	316	580
1935	493	346	600
1936	703	358	721
1937	825	387	808
1938	615	339	598
1939	545	362	517
1940	108	544	680
1941	141	924	1,170
		Sterling Area	
1941	141	665	1,272
1942	254	987	1,642
1943	457	1,433	2,350
1944	601	1,914	3,015
1945	610	2,454	3,688
1946	664	2,417	3,747
1947	512	2,288	3,985
1948	457	2,361	3,822
1949	603	2,352	4,001
1950	1,178	2,734	4,333
1951	1,381‡	...	...

* At values current at each date. Excludes Bank of England holdings after 1939, since when the amounts have been negligible. † Includes mandated territories and Egypt. ‡ At June 30th. § Figure shown in Bank of England return of December 30,19 31, re-valued at market price on that day.

One of the most striking facts that emerges is the extent of the growth of external liabilities in the pre-Munich phase. Between 1931 and end-1937, the total liabilities rose by nearly £400 million, and slightly less than half this inflow comprised British Empire balances. In the subsequent two years of approaching war, no less than £266 million of the foreign money was repatriated; over the same period Empire balances dropped by only £25 million. It should be noted, too, that these annual figures do not reveal the full extent of the strain upon Britain's gold in the opening phase of the war. In the six months from end-December, 1940, the reserves dropped from £108 million to only £65 million—and all but a tiny part of that small holding was earmarked against immediate debts, so that the barrel was indeed being scraped. Thereafter, Lend-Lease gave relief, and the gold reserve was steadily replenished, principally because of the large expenditures of American forces stationed in British territories.

Company Notes

Furness Withy.—The very satisfactory achievement of record profits by Furness Withy and the company's dividend policy, which gave rise to an interesting question of interpretation of the White Paper on dividend control, were discussed in *The Economist* on August 18th. The chairman's statement throws a fresh light on the advance in profits, for it shows that although gross earnings in the shipping industry have been on a higher level in recent months, these earnings "have been very largely offset by violent increases in operating expenses and inordinate delays in port"; indeed in the past financial year 1,299 ship days have been lost through "industrial disputes and kindred occurrences."

The chairman, Sir Ernest Murrant, provides a thorough analysis of the whole problem of ship replacement. Furness Withy's combined fleet account stands at £19,824,940, including payments of £1,191,822 on ships building; in addition the liability in respect of uncompleted shipbuilding contracts was £5,106,177 on April 30th. The ships are, of course, worth a great deal more than this; indeed £11,618,590 has been written off first cost in the last four years alone. Such figures as these indicate the magnitude of the burden of replacement at present costs. Sir Ernest drives the moral home by pointing out that if one-twentieth of the fleet were

replaced each year, it would cost at current values some £3,500,000 a year. The recent rise in steel prices will increase these replacement assessments still further. The relief given by the Chancellor which permits the application of initial allowances to ships ordered before the date of the budget statement is welcome so far as it goes—which is not very far. Since high construction costs and the high level of taxation are likely to be with the industry for some time to come, no shipping lines chairman—or shareholder—is likely to regard this concession as being enough.

	Years to April 30, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	4,369,467	4,646,996
Total income	4,795,407	5,009,581
Depreciation	1,966,780	1,969,163
Taxation	938,314	774,895
Group earnings for ordinary stock	*783,569*	*943,673*
Ordinary dividends	264,000	291,375
Ordinary dividends (per cent)	8	9½
Retained by subsidiaries	436,886	627,003
Added to carry forward	52,683	25,295
Cons. Balance Sheet Analysis :—		
Shipping property, etc., *less* depreciation	18,914,957	19,824,940
Debtors	2,233,091	2,923,009
Cash, etc.	6,736,895	6,311,125
Reserves	13,648,461	13,788,098
Ordinary capital (*a*)	6,000,000	6,000,000

£1 ordinary stock at 34s. 6d.xd yields £5 7s. per cent.

(*a*) Includes subsidiaries' holdings £743,713 (£1,004,029).

There are, however, some factors in Furness Withy's favour. The recent earnings record of the company—as indeed of the whole shipping industry—is encouraging. Secondly, some 46 ships out of a fleet of 70 have been built during or since the war; Furness Withy's fleet is thus comparatively new, so that part at least of the replacement problem will not arise for a few years.

★

Kelsall and Kemp.—The painful reversal of the fortunes of Kelsall and Kemp caused by the fall in wool prices and the revaluation of stocks at market instead of cost price was discussed in a note in *The Economist* of September 1st. The full accounts add a few more details about the circumstances that have transformed a group trading profit of £410,964 into a loss of £14,596. Group stocks appear at £1,488,013, against £1,004,076, an increase that prompts speculation about their original cost and the burden of revaluation. The fact that the group borrowed £801,818 from the banks last year must be primarily due to heavy stock commitments. The chairman, Mr J. N. Walsh, suggests that while the severe fall in wool prices has been "generally attributed" to the cessation of US stockpiling, "it has unquestionably been accentuated by consumer resistance to the purchase of woollen goods at the inevitably high prices which,

	Years to June 30, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	410,964	*Dr14,596*
Depreciation	34,460	34,409
Taxation	164,953	22,140
Parent company's net profit	142,016	*Dr.52,098*
Ordinary dividends	43,312	37,444
Ordinary dividends (per cent)	17½	12½
General reserve	60,000	*Dr.60,000*
Added to carry forward	3,304	*Dr.37,242*
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	442,773	463,007
Net current assets	1,193,635	923,571
Stocks	1,004,076	1,488,013
Cash	297,166	210,537
Reserves	747,876	489,140
Ordinary capital	450,000	450,000

£1 ordinary stock at 37s. 6d.xd yields £6 13s. per cent.

however, never reached replacement cost." It was a fear of short-time working that prevented the directors from cutting wool purchases drastically and Mr Walsh now draws attention to two factors which add to the difficulties of maintaining a skilled and trained labour force. These include the high labour mobility of European volunteer workers and the attractions that employment in the armament industries holds out to labour, particularly to women workers. These comments, however, hardly lessen the pertinence of the question whether the best adjustment to "highly competitive conditions" that a firm can make is to hold on to its labour force whatever is the cost in terms of short-run losses. And there is no consolation to be found in Mr Walsh's remarks that: "trading at the time of writing is at a standstill. Confidence has completely disappeared and consumer resistance continues to be world wide." It is hardly surprising that the £1 ordinary shares are now a difficult market at 37s. 6d.

★

International Tea.—Recovering from its 1949-50 trading setback, International Tea has achieved a new record turnover and an increase in group trading profits from £1,700,907 to £1,817,917. Increased prices have made a substantial contribution to this new record, but the volume of sales has been greater than ever.

Satisfaction with these results will, however, be somewhat tempered by the cautious tone of the chairman's statement. Mr Frank Wilson points out that while costs are increasing "gross profit percentages" in the grocery trade are contracting. Furthermore the burden of financing stocks, which have risen from £3,954,410 to £4,651,767 in the latest year, is becoming more and more onerous; in consequence "reserves, large as they undoubtedly are, are used almost to the limit in financing our essential day-to-day needs." The chairman then admits that the appropriation of some £150,000 to group general reserves is "quite insufficient" to meet all requirements in these days of mounting costs. The directors had, therefore, decided—before the publication of the White Paper on dividend control—against increasing the ordinary dividend, which has been maintained at 16 per cent since 1947. Further evidence of the inflationary problem is to be found in the appropriation of £140,000, against £152,000, to a "reserve for improvements to premises, replacement of plant, etc."

	Years ended April 29, 1950	April 28, 1951
Consolidated Earnings :—	£	£
Trading profit	1,700,907	1,817,917
Total income	1,709,004	1,820,965
Depreciation	172,406	205,750
Taxation	677,085	878,505
Group earnings for ordinary stock	*295,792*	*297,015*
Ordinary dividends	156,400	132,158
Ordinary dividends (per cent)	16	16
Added to group general reserves and carry forward	159,392	164,910
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	5,106,452	5,161,505
Net current assets	3,591,470	4,305,299
Stocks	3,954,410	4,651,767
Cash	444,951	399,500
Reserves	4,861,207	5,865,535
Ordinary capital	1,550,000	1,550,000

5s. ordinary stock at 16s. 3d. yields £4 19s. per cent.

Rash optimism about the future is therefore out of place, but the earnings record of the company and its reasonably strong financial position are such as to prevent undue anxiety. The company is enjoying some success with the establishment of self-service stores and is planning to add to their number. The final outcome of this policy will be awaited with some interest, but Mr Wilson's statement includes a reminder that the backbone of the business is still the "service" branches.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Sept. 5, 1951	Price, Sep. 12, 1951	Net Yield, Sept. 12, 1951 (*n*)	Gross Yield, Sept. 12, 1951
			£ s. d.	£ s. d.
War Bonds 2½%...	101⅛	101⅛	...	...
Mar. 1, 1951-53			0 8 1	1 12 3*f*
War Bonds 2½%...	101⅛	101⅛	...	...
Mar. 1, 1952-54			0 12 4	1 16 2*f*
Exchequer Stk. 2½%	101⅛	101⅛	0 11 7	1 13 5
Feb. 15, 1955				
War Bonds 2½%...	102⅛	103⅛	0 4 6	1 8 5*e*
Aug. 15, 1954-56			0 13 2	1 16 11*f*
Funding 2½%.....	102⅛	102⅛	...	0 9 10*e*
June 15, 1952-57			1 1 7	2 8 8*f*
Nat. Defence 3%...	103⅛	103⅛	0 9 4	1 19 0*e*
July 15, 1954-58			1 2 0	2 10 9*f*
War Loan 3%.....	104⅛	103⅛*	0 15 7	2 2 11*e*
Oct. 15, 1955-59			1 3 2	2 10 10*f*
Savings Bonds 3%..	97⅛	97⅛	2 3 6	3 13 0*e*
Aug. 15, 1955-65			1 15 2	3 4 3*f*
Funding 2½%.....	97⅛	97⅛*	1 18 4	3 11 11*e*
April 15, 1956-61			1 12 ¾	2 16 1*f*
Funding 3%.....	94⅛	93*	2 11 7	4 0 10*e*
April 15, 1959-69			2 0 10	3 10 4*f*
Funding 3%.....	94⅛	94⅛	2 0 6	3 10 3*e*
Aug. 1, 1966-68			1 19 6	3 9 4*f*
Funding 4%.....	103⅛	103⅛	1 14 1	3 13 3*e*
May 1, 1960-90			1 19 8	3 17 6*f*
Savings Bonds 3%..	92⅛	92⅛	2 9 11	3 19 10*e*
Sept. 1, 1960-70			2 0 11	3 10 10*f*
Savings Bonds 2½%	90⅛	90⅛	2 3 8	3 9 8*e*
May 1, 1964-67			2 0 7	3 6 6*f*
Victory Bonds 4%..	103⅛	103⅛	1 15 10	3 12 11*s*
Sept. 1, 1920-76				
Savings Bonds 3%..	89⅛	89⅛	2 9 0	3 19 6*e*
Aug. 15, 1965-75			2 2 6	3 13 1*f*
Consols 4%.....	98	97⅞	2 11 6	4 10 11*f*
(after Feb. 1, 1957)				
Conversion 3½%...	87⅛*	87⅛*	2 1 10	3 19 7*f*
(after Apr. 1, 1961)				
Treasury Stk. 2½%..	64⅞*	64½*	2 0 10	3 17 8*f*
(after Apr. 1, 1975)				
Treasury Stk. 3%...	75½*	75½*	2 1 8	3 19 3*f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	95⅛	95⅛	2 1 7	3 16 4*e*
June 15, 1977-80			2 1 2	3 15 11*f*
Redemp. Stk. 3½%..	82½*	82½*	2 6 1	3 18 4*e*
Oct., 1986-96			2 3 9	3 16 2*f*
War Loan 3½%.....	87⅛	87⅛	2 2 3	4 1 0*f*
(after Dec. 1, 1952)				
Consols 2½%.....	65⅛*	65½*	2 0 2	3 16 5*f*
Brit. Elect. 3%, Gtd..	90½*	90¾*	2 5 5	3 15 6*e*
April 1, 1968-73			2 2 7	3 12 9*f*
Brit. Elect. 3%, Gtd..	89⅞*	89⅛*	2 3 6	3 14 0*e*
Mar. 15, 1974-77			2 2 4	3 12 1*f*
Brit. Elect. 3¼%, Gtd.	96⅛	96⅛	2 0 8	3 15 5*e*
Nov. 15, 1976-79			2 0 4	3 15 1*f*
Brit. Tpt. 3%, Gtd..	83⅛	83⅛	2 8 3	4 0 6*e*
July 1, 1978-88			2 4 8	3 17 1*f*
Brit. Tpt. 3%, Gtd..	90⅛*	90⅛*	2 5 6	3 15 8*e*
April 1, 1968-73			2 2 8	3 12 1*f*
Brit. Gas Gtd. 3%...	83⅛	83⅛	2 4 7	3 17 5*e*
May 1, 1990-95			2 3 6	3 16 5*f*
Brit. Gas Gtd. 3¼%..	98⅛	98⅛	1 19 5	3 13 3*e*
Sept. 10, 1969-71			1 19 2	3 13 0*f*
Brit. Iron & Steel				
3½%.....	94⅛	94⅛	2 2 0	3 16 7*e*
Feb. 15, 1979-81			2 1 9	3 16 4*f*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields are calculated after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years 5 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Sep. 5, 1951	Price, Sept. 12, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	30	Anglo Am. 10/-..	1⅛	8¼	5 13 10
30	30	Anglo Iran £1..	5⅞	5¼	5 9 1
20	17½	Assoc. Elec. £1..	86/6	86/6	4 12 6
27½	25	Assoc. P.Cem £1	107/6	107/6	5 2 4
35	30‡	Austin 5/-.....	31 10½	31 3	5 12 0
25†	23·4	Bass £1.....	150/-	150/-	6 6 11
40	20 *m*	Boots 5/-.....	26/- *	26/- *	3 16 11*h*
10	—	Br. Celanese 10/-	30 9	31/-	3 4 6
20	20	Br. Oxygen £1..	96/- *	96/- *	4 3 4
12½	12½	Coats £1.....	59	60 9	4 2 4
11½	9‡	Courtaulds £1..	48 6	49	4 11 10
22½	21½	Distillers 4/-...	22/3	22/3	4 0 11
17½	16‡	Dunlop £1.....	66/3	66/3	5 5 8
12½	11½	Ford £1.....	57/6	57/6	4 6 11
22½	20	Gen. Elect. £1..	92 6*	92 6*	4 17 4
32	30½	Gommes £1.....	143 9	143 9	4 9 0†
32½	31 *m*	Hawker Sid. 5/-.	38/-	38/3	5 4 7*h*
12	11	Imp. Chem. £1..	51	51	4 14 1
32	32	Imp. Tobacco £1	105/9	105	6 1 11
12½	11½	Lancs. Cotton £1	15 7½	15	5 11 1
13½	11‡	Lever £1.....	53 1½	53 9	5 0 5
15	15	Lon. Brick £1..	60*	60	5 0 0
75	65½ *m*	Marks & Sp. £1 5	95/-	95	3 18 11
16	14	P. & O. Def. £1..	67/-	66/6	4 16 3
25	25	P. Johnson 10/-..	46/-	46	5 8 8
12½†	9·71	"Shell" Stk. £1..	90/-	90	5 5 9
25	25	Tube Invst. £1..	6½	6½	3 17 0
20	17½	T. & Newall £1..	96/3	96	4 3 1
10	9	Union Castle £1	37/6	37/6	5 6 8
50	33‡	U. Sta Beton £1	65/9	65/7½	15 4 9
12½	9‡	Vickers £1.....	48/6	49/-	5 2 0
42½	38‡	Woolworth 5/-..	47/3	47/-	4 9 11

(*h*) Yield basis 20%, after capital bonus. (*l*) Yield basis 10%. (*m*) Allowing for capital bonus.
* Ex dividend † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 8, 1951, total ordinary revenue was £63,265,000 against ordinary expenditure of £56,272,000 and issues to sinking funds £710,000, including sinking fund allocations of £8,720,000, the surplus accrued since April 1, 1951, is £21,746,000 compared with a surplus of £91,818,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Sept. 9, 1950	April 1, 1951 to Sept. 8, 1951	Week ended Sept. 9, 1950	Week ended Sept. 8, 1951
	£'000				
Ord. Revenue					
Income Tax	1624750	352,244	404,021	8,004	10,021
Sur Tax	128,000	32,300	32,800	900	800
Estate, etc., Duties	180,000	81,350	87,600	3,300	2,800
Stamps	55,000	21,800	28,200	800	1,000
Profits Tax	312,650	100,620	136,300	7,800	7,600
E.P.T.		7,100	...	600	...
Other Inland Rev.	500	50	65	...	...
Special Contributn.	1,500	2,555	1,510	75	70
Total Inland Rev.	2302400	598,019	690,496	21,479	22,291
Customs	930,500	381,219	428,163	16,768	21,236
Excise	720,500	314,400	342,800	4,190	3,795
Total Customs and Excise	1651000	695,619	770,963	20,958	25,031
Motor Duties	62,000	10,029	11,602	427	399
Surplus War Stores	20,000	10,488	9,238	1	8
Surpl's from Trading	50,000	30,974	57,500	...	...
P.O. (Net Receipts)	5,400	4,700	6,400	*Dr 300*	200
Wireless Licences..	13,600	3,750	4,000	...	...
Sundry Loans.....	27,000	16,533	18,980	8,766	8,695
Miscell. Receipts..	105,000	32,925	25,245	6,216	6,641
Total Ord. Rev...	4236400	1403038	1594424	57,547	63,265
Self-Balancing					
Post Office	179,431	70,400	76,700	4,000	2,400
Income Tax on E.P.T. Refunds	4,900	4,339	2,355	165	171
Total	4420731	1477777	1673479	61,712	65,836

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Sept. 9, 1950	April 1, 1951 to Sept. 8, 1951	Week ended Sept. 9, 1950	Week ended Sept. 8, 1951
	£'000				
Ord. Expenditure					
Int. Man. of Nat. Debt	535,000	231,717	231,996	3,460	3,811
Payments to N. Ireland.....	38,000	15,949	16,089	1,281	1,361
Other Cons. Funds	11,000	4,173	4,423	5	...
Total	584,000	251,839	252,508	4,746	5,172
Supply Services ..	*3425640	1051267	1311451	49,000	51,100
Total Ord. Expd.	*4009640	1303106	1563959	53,746	56,272
Sinking Funds ...	...	8,113	8,720	380	710
Total (excl. Self-Bal. Expd.)....	4009640	1311219	1572679	54,126	56,982
Self Balancing					
Post Office	179,431	70,400	76,700	4,000	2,400
Income Tax on E.P.T. Refunds	4,900	4,339	2,355	165	171
Total	4193971	1385958	1651734	58,291	59,553

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £177,529 to £3,369,525, the other operations for the week increased the National Debt by £2,109,991 to £26,382 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921..	8
Coal Industry Nationalisation Act, 1946, s. 28(2)..	1,397
EPU (Financial Provisions) Act, 1950, s. 3	185
Receipts under ECA	3,000
	4,588

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	875
E.P.T. Refunds	211
Export Guarantees Act, 1949, s. 3(2)	70
Local Authorities Loans Act, 1945, s. 3(2)	4,450
New Towns Act, 1946, s. 12(3)	952
Cotton (Centralised Buying) Act, 1947, s. 21(1) ...	6,000
Finance Acts, 1946 and 1947: Postwar Credits ...	247
	12,805

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	23,833	2½% Def. Bonds...	870
Nat. Savings Certs.	400	Other Debt :—	
3% Def. Bonds....	236	Internal	2,965
Tax Reserve Certs.	2,553	External	1,203
		Ways & Means Advances	19,875
	27,022		24,913

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950	£	£	£	£	£	£
Sept. 9	5120·0	1898·1	417·3	...	475·0	5910·4
1951						
June 9	3220·0	2114·4	370·4	...	320·0	6024·8
,, 16	3220·0	2090·9	385·4	...	345·0	6041·2
,, 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
,, 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
,, 14	3230·0	2129·1	373·2	...	344·5	6076·8
,, 21	3230·0	2161·9	335·4	...	344·5	6071·9
,, 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
,, 11	3220·0	2164·2	280·2	...	379·5	6043·9
,, 18	3230·0	2212·0	296·6	...	355·0	6093·6
,, 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3230·0	2287·7	326·7	...	290·0	6134·4
,, 8	3230·0	2311·5	306·9	...	290·0	6138·4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Sept. 8	240·0	313·4	240·0	10 3·22	70
1951					
June 8	260·0	355·2	260·0	10 2·80	62
,, 15	250·0	344·0	250·0	10 2·88	62
,, 22	250·0	344·0	250·0	10 2·81	62
,, 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
,, 13	250·0	345·2	250·0	10 2·81	61
,, 20	230·0	323·8	230·0	10 2·84	60
,, 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
,, 10	260·0	354·1	260·0	10 2·78	62
,, 17	260·0	341·4	260·0	10 3·02	68
,, 24	260·0	318·7	260·0	10 3·36	77
,, 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66

On September 7th applications for 91 day bills to be paid from September 10 to September 15, 1951, were accepted at dated Monday to Saturday as to about 66 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million are being offered for September 14th. For the week ending September 15th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 22 Weeks ended Sept. 2, 1950	Totals 22 Weeks ended Sept. 1, 1951	Week ended Sept. 1, 1951
Savings Certificates :—			
Receipts	36,200	77,900	2,200
Repayments	57,100	62,100	2,400
Net Savings	*Dr20,900*	15,800	*Dr 200*
Defence Bonds :—			
Receipts	7,580	21,589	1,375
Repayments	22,659	28,241	2,250
Net Savings	*Dr15,079*	*Dr 6,652*	*Dr 875*
P.O. and Trustee Savings Banks :—			
Receipts	271,986	286,049	12,452
Repayments	301,680	362,307	13,806
Net Savings	*Dr29,694*	*Dr76,258*	*Dr 1,354*
Total Net Savings	*Dr65,673*	*Dr67,110*	*Dr 2,429*
Interest on certificates repaid	12,415	15,118	600
Interest accrued	52,837	53,173	2,404
Change in total invested	– 25,251	– 29,055	625

BANK OF ENGLAND RETURNS

SEPTEMBER 12, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt ...	11,015,100
In Circulation	1352,764,827	Other Govt. Securities ...	1385,804,388
In Bankg. Department ...	47,591,996	Other Secs. ...	669,124
		Coin (other than gold) ...	2,511,388
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs. ...	327,307,853
Rest.	3,938,996	Other Secs.:—	48,446,424
Public Deps.:—	16,507,471	*Discounts and Advances...*	*24,340,297*
*Public Accts.**	*35,425,890*	*Securities ...*	*24,106,127*
H.M. Treas. Special Acct.	*1,081,581*		
Other Deps.:—	389,201,351		
Bankers ...	*294,618,441*	Notes	47,591,996
Other Accts...	*94,582,910*	Coin	854,545
	424,200,818		424,200,818

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

COMPARATIVE ANALYSIS

(£ million)

	1950	1951		
	Sept. 13	Aug. 29	Sept. 5	Sept. 12
Issue Dept. :—				
Notes in circulation	1294·2	1358·0	1353·2	1352·8
Notes in banking department	56·2	42·4	46·8	47·6
Government debt and securities*	1346·6	1396·2	1396·3	1396·8
Other securities	0·7	0·8	0·7	0·7
Gold and Coin	3·0	3·4	3·4	2·9
Valued at s. per fine oz...	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	14·1	18·5	17·3	15·4
Treasury Special Account	246·5	0·9	3·2	1·1
Bankers	283·2	273·6	279·0	294·6
Others	96·1	98·9	95·1	94·6
Total	639·9	391·9	394·6	405·7
Securities :—				
Government	548·6	302·0	318·6	327·3
Discounts, etc.	24·5	29·7	23·0	24·3
Other	24·9	35·8	24·3	24·1
Total	598·0	367·5	365·9	375·7
Banking dept. res.	60·5	42·9	47·1	48·5
	%	%	%	%
"Proportion"	9·4	10·9	11·9	11·9

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 6...	78·5	90·16	No Trading	
,, 7...	78·5	90·16	188 3	113 2
,, 8...	Markets Closed		187 12	112 11
,, 10...	78·5	90·16	187 14	111 13
,, 11...	78·5	90·16	188 0	111 7
,, 12...	78·5	90·16	187 12	111 1

COMPANY MEETINGS

FURNESS, WITHY AND COMPANY

SIXTY YEARS OF CONTINUOUS EXPANSION

SIR ERNEST H. MURRANT'S STATEMENT

The sixtieth annual general meeting of Furness, Withy and Company, Limited, will be held on September 28th at Furness House, Leadenhall Street, London, E.C.

The following is an extract from the statement by Sir Ernest H. Murrant, K.C.M.G., M.B.E. (the chairman), which has been circulated with the annual report and accounts for the year ended April 30, 1951.

As stockholders are aware, we have reached a landmark in the history of the company, this being the sixtieth year since incorporation as a public company. The record has been one of continuous expansion and today we are able to present accounts which reveal the results of a long period of careful husbandry and enterprise.

The statement by the Chancellor of the Exchequer in his Budget speech that it was intended to withdraw the initial allowances was a severe shock to the shipping industry as it was felt to be an unfair handicap in respect of shipbuilding contracts already entered into in good faith for deliveries which may extend well into 1954, or even beyond that date. Fortunately the Chancellor received the industry's immediate representations with considerable understanding and sympathy, with the result that amendments were accepted which will permit the application of these allowances to shipbuilding contracts placed before the date of the Budget statement.

NEW TONNAGE

The combined fleet account stands at the increased figure of £19,824,940, which includes payments on account of ships under construction amounting to £1,191,822. In the course of the year six new ships have been brought into commission, being part additions to the combined fleets and in part replacements of three ships withdrawn from service. For the purpose of writing down at once part of the excessive initial cost of this new tonnage, a transfer has been made from the fleet replacement account.

Notwithstanding the substantial payments already made on account of new tonnage, the liability in respect of uncompleted shipbuilding contracts at April 30th was £5,106,177—approximately £840,000 in excess of the corresponding figure a year ago. Eight ships are either under construction or on order; some will not come into commission until well into 1954 and it is inevitable that in the interval other new ships will need to be ordered if the group fleet is to be maintained. Being well aware of the revolving necessity to build for replacement alone, your directors are deeply perturbed at the continuing increase in the cost of construction and the very long period which elapses between ordering and obtaining delivery of new tonnage, and as things stand today it is not true to say that because we are building faster, better and more expensive ships, we can make two do the work of three. On the contrary, in the majority of our long distance trades, the voyages are taking longer time, notwithstanding faster speed at sea and improved cargo handling facilities.

LOSSES CAUSED BY INDUSTRIAL DISPUTES

It is perhaps appropriate at this point to mention that our records show that in the past financial year ships of the combined fleet have been idle for no fewer than 1,299 ship-days in various parts of the world through industrial disputes or kindred occurrences.

TRADING RESULTS

The gross profit from ships trading and all other ancillary businesses amounted to £4,646,996. Of this amount £1,969,163 has been provided for depreciation of wasting assets; £774,895 is required for current income tax (here and abroad) and profits tax, and a further £730,482 is required to provide for the future taxation liability in respect of initial wear and tear allowances. The result is that the net amount brought into the parent company's account is £696,982, of which £340,000 has been transferred to fleet replacement account.

As stated in the directors' report, a dividend of 9¼ per cent. on the ordinary stock of the company is recommended, being the average of the gross distributions for the past two years. But for the Chancellor's statement and the White Paper issued on July 27th, which foreshadowed legislation limiting the dividend permitted to be paid on equity or risk-bearing capital, it had been your board's intention to recommend the payment of 10 per cent. on this occasion. It is claimed that dividend limitation is necessary to arrest inflation; in fact it is merely another political expedient—one of a long series of such expedients.

We regret that our 12,000 ordinary stockholders are among the many who must suffer from the effects of the increased cost of living without being permitted to enjoy any compensating increase in income on their savings.

THE OUTLOOK

Whilst the U.K. has more than recovered its pre-war volume of tonnage, the position is not so satisfactory if expressed in terms of the percentage of world tonnage.

It would seem therefore that both from the point of view of national defence, and the domestic necessity of maintaining our fleet, it is right to continue to build new ships for the requirements of our various trades, notwithstanding present inflated costs. It follows that we must continue to put aside large reserves for that purpose. It equally follows that there must be a gradual decline in our ability even to maintain the present volume of tonnage if taxation and methods of assessment continue on the present level and basis. It is therefore to be hoped that the Royal Commission on the Taxation of Profits and Income will take serious and understanding notice of the representations which have been made by the shipping industry, and will bear in mind that while it is practicable to shear a sheep once a year, skinning it has dire consequences.

In recent months gross earnings of the shipping industry have been on a higher level, but it should not be overlooked that gross earnings have been very largely offset by violent increases in operating expenses and inordinate delays in port.

As regards the earnings of the Furness Group of Companies, a substantial proportion is derived from businesses other than shipowning, and outside the United Kingdom, added to which some of our ancillary businesses abroad have derived benefit from the devaluation of sterling.

Our current business continues to be satisfactory; we have good tools to work with, an enthusiastic staff and a widespread organisation. We also have confidence in the future of British shipowning provided the achievements of the past and hopes for the future are not shattered by the introduction of doctrinal theories such as have resulted in costly disillusionment in other key industries.

CONSOLIDATED TIN SMELTERS

INCREASED TONNAGE TREATED

The 22nd annual general meeting of Consolidated Tin Smelters, Limited, was held on September 13th in London, Mr Ernest V. Pearce, A.M.I.M.M., (the chairman), presiding.

The following is an extract from his circulated statement:—

Production of tin in concentrates for the calendar year 1950, as revealed by the Statistical Bulletin of the International Tin Study Group, totalled 168,000 tons as compared with 162,000 tons in 1949. The Far Eastern producers—Malaya, Thailand and Indonesia—each showed an increase in their production while the production of Bolivia and Nigeria declined. The tonnage of concentrates treated in both of our smelteries during the year under review was in excess of that treated in the preceding year. No prospecting of any moment has been carried out in Malaya for years, and this factor, if it continues, must have serious results on the production of tin there.

In my last review I referred to a request to the Secretary-General of the United Nations by the Tin Study Group for a conference on tin. This United Nations Tin Conference was held in Geneva from October 25th to November 21, 1950, and was attended by delegations from twenty countries. A draft agreement, referred to as the Paris Draft, proposals relating to the formation of a buffer stock, control of exports and action in the event of a tin shortage were debated and considered. Various opinions were expressed on the proposals submitted, but as these differed so widely, particularly as between consumers and producers, the Conference was adjourned, the delegates having concluded that further examination by Governments was necessary. This seems to me to leave the industry in a state of uncertainty, and it is to be hoped that member Governments can settle their differences amicably and to the ultimate benefit of producers and consumers.

TIN PRICES

The London Metal Exchange and the Singapore market operated throughout the year. The outbreak of the Korean war in June, 1950, resulted in an increased demand for tin, and prices on the London and Singapore markets advanced gradually for a time. The desire of some countries to obtain tin for stockpiling further increased the demand and forced the price to a record figure of £1,615 per ton on the London Metal Exchange on February 14, 1951. This rapid increase can only be ascribed to the rush for tin by certain countries. Fortunately for the industry this high price operated for one day only and a recession started on the next day. I venture to suggest that no responsible tin producer in the world had any desire to see the price maintained at so high a level, knowing as they did that such a high price must bring its own unfavourable repercussions.

Producers are, however, entitled to a fair price for their tin, and in deciding what is a fair price due regard must be given to the fact that tin is a wasting asset and there are no means of replacing it once it has been mined.

The net revenue of the company is £309,125 compared with £236,227 for the preceding year. Your directors have decided to recommend for approval a dividend on the ordinary stock of 2s. together with a bonus dividend of 6d., making a total of 2s. 6d. per £1 stock.

The report was adopted.

PINCHIN, JOHNSON & ASSOCIATES, LIMITED

RECORD PRODUCTION AND SALES

SATISFACTORY YEAR'S TRADING DESPITE MATERIAL SHORTAGES

MR G. R. T. TAYLOR'S STATEMENT

The annual general meeting of Pinchin, Johnson & Associates, Limited, was held on September 12th at the Connaught Rooms, Kingsway, W.C.2, Mr G. R. T. Taylor (the chairman) presiding.

The following is the chairman's statement circulated with the report and accounts for the year ending March 31, 1951: Before reviewing the results of the company's trading for the year to March 31, 1951, I must refer to the grievous loss sustained by the P.J.A. group of companies in the death of Mr E. P. Thompson.

Mr Thompson became secretary of the company in 1927 and was partly responsible for the details of the amalgamations with many of the present associated companies. In 1934 he was elected a director and became a joint managing director in 1939. In 1949 he retired from his managing directorship and continued as financial director. Shortly before his death he was elected vice-chairman of the board.

The gap created by the loss of Mr Thompson's services will not be easily filled, but the additional burdens of my fellow directors and myself had been previously moderated by the appointment to the board, on October 11, 1950, of Mr T. S. Dally and Mr P. Evans. Both of these gentlemen have very successfully filled for many years important executive positions with the company, and we are confident that their long experience of our industry will be of the utmost value in dealing with problems which we still have to face.

I will now refer to items in the accounts which may need clarification.

ACCOUNTS

The total profits of the group, after providing for all charges, amount to £1,494,153, against £1,201,351 for the preceding year.

Included in the figures for the period ending March, 1951, is the sum of £25,813 in respect of exchange profit applicable to previous years. This has occurred by the conversion of overseas profit and loss account balances at the official rates of exchange ruling on March 31, 1951, the profit arising therefrom as a result of the devaluation of sterling, not having been dealt with in our accounts to March, 1950.

Total taxation has absorbed approximately £185,000 more than in 1949-50, while minority shareholders of our subsidiaries have taken a larger sum, leaving the parent company's proportion of net profits, after deduction of tax, £552,116 against £485,234, an increase of £66,882.

The parent company's portion of transfers to reserves in the subsidiary companies' accounts are shown in the consolidated profit and loss account. Assuming that the final ordinary dividend of 17½ per cent. is approved, it will be noted that our portion of undistributed profits carried forward in the consolidated profit and loss account is increased by £132,865.

You will be pleased to learn that the increase in net profits has been almost equally divided beween (*a*) the parent company and (*b*) our overseas subsidiary companies. The company's interests are widely spread throughout the world, and most of our associated companies have improved upon their previous results.

The parent company's balance-sheet reveals that there were further expenditures during the year under the headings of "Investments—subsidiary companies" and "trade investments" amounting to approximately £396,000. The value of these assets considerably exceeds the book value. Shares in subsidiary companies shown "at under market value" at £931,882 are quoted and at March 31, 1951, had a market value of about three times their book value.

With regard to floating assets, you have doubtless observed that stocks and debtors show large increases over the previous year. The present world-wide inflationary pressure on the level of prices is responsible for a much larger working capital being required to finance current trading and the cost of capital projects continues to rise. While this pressure exists, and bearing in mind that a reaction in the price level may occur in the future, it is your directors' constant care that the funds of the company be conserved as much as possible.

The consolidated balance-sheet shows that shareholders' funds, based on book values, amount to £7,101,639, each ordinary share of 10s. being covered over two and a-third times by tangible assets at book value.

This valuation is extremely conservative, ignoring as it does the very considerable excess of the real values of fixed assets over the book values.

The increase in the consolidated share premium account from £1,850,620 to £1,918,975 is due to premiums obtained on the recent issue made by our Australian company.

The alterations in the other consolidated reserves, not detailed in the accounts, are caused by adjustments due to the conversion of overseas reserves at the official rates of exchange ruling on March 31, 1951.

GENERAL REVIEW

The directors' report has referred to the production and sales records which were again achieved in the past year. This satisfactory position has been made possible by the modernisation and extensions of our main factories which have taken place in the last few years.

Shortages of some raw materials were, and still are, retarding our full development programme, but our technicians made profitable use of those materials which we were able to secure, with the gratifying results disclosed in the accounts.

You will be interested to know that in this festival year, a considerable volume of your company's products were used for the decorations at the South Bank, London, exhibition. We are also pleased to record that we were called upon to meet increased demands for our surface coatings by an ever increasing number of the industrial undertakings in the country.

In common with most other manufacturers in the great majority of industries, we have been forced to increase selling prices to meet part of the additional cost of raw materials and other expenses of production. We regret the necessity for such action but any other course would bring disaster to your company.

Competition in the industry remains keen and the rate of profit per unit of output is low.

I said last year, and I reiterate, that profits can only be maintained by a larger volume of sales. It is therefore particularly pleasing that the volume of sales again achieved a record in the past year.

EXPANSION ABROAD

Between December, 1950, and February, 1951, I visited the plants of your companies in Australia. I was impressed by the progress being made by these companies, and especially by the tremendous scope for our industrial specialities in the Australian market. Mr P. Evans, one of the directors recently appointed by your board, is now in Australia where he will be fully occupied for some months on the company's business.

The development of Australia's secondary industries is gathering momentum and our companies there are recording a large increase in turnover despite the difficulties they are having in obtaining sufficient raw materials to enable them to plan their production in the most advantageous manner. The income we have derived from our Australian companies has increased during the past year and it is probable that the additional capital recently invested will earn a reasonable rate of profit in the future.

During the past year some of our overseas companies have been partially reconstructed and this process is still continuing, involving re-capitalisation in the coming months.

The pages attached to the annual report may serve to illustrate to shareholders some of the overseas ramifications of your company.

THE PAST YEAR AND FUTURE OUTLOOK

The year under review has been one of consolidation and expansion both at home and abroad. Increasing demands for our materials—both decorative and industrial—is an encouraging sign of the wide acknowledgment of their superior quality; manufacturing consumers recognise that the use of first-class finishes on their own products provides an important stimulant to their sales and we are confident that this old-established undertaking is better equipped than ever before to maintain our lead in the industry.

In conclusion, I am sure you will agree that our thanks are due to the management, members of the staff and all other workers throughout the world for their co-operation and loyalty.

The report and accounts for the year ended March 31, 1951, were adopted and a final dividend of 17½ per cent. (less tax) was declared on the ordinary shares, making 25 per cent. (less tax) for the year.

The retiring directors were re-elected and the auditors' remuneration was fixed.

RICHARD THOMAS AND BALDWINS

ANNUAL GENERAL MEETING

The annual general meeting of Richard Thomas and Baldwins, Limited, was held on September 6th at 47, Park Street, London, W., Mr E. H. Lever, chairman and managing director, presiding.

The chairman moved the adoption of the report and accounts for the year ended March 31, 1951, and the payment of a dividend at the rate of 15 per cent. per annum on ordinary stock, less income tax, for the period February 15 to March 31, 1951.

The chairman of the Iron and Steel Corporation of Great Britain seconded the resolution and it was carried unanimously.

Mr E. H. Lever announced that owing to illness Sir Andrew Agnew, C.B.E., did not wish his name to go forward for re-election, and the chairman of the Iron and Steel Corporation expressed his regret.

The remuneration of the Auditors, Messrs Peat, Marwick, Mitchell and Company, having been duly fixed, the proceedings terminated.

THOMAS DE LA RUE AND COMPANY, LIMITED

IMPROVED RESULTS

MR B. C. WESTALL ON SUCCESS OF BOARD'S POLICY

The fifty-fourth annual general meeting of Thomas De La Rue and Company, Limited, was held on September 12th in London, Mr Bernard Clement Westall, C.B.E. (chairman and joint managing director) in the course of his speech, said:—

The net profit for the year, before taxation, shows an increase from £503,953 to £623,103. This increase is entirely brought about by an improvement in the trading results of the industrial side of your company.

During the course of the year new contracts were obtained for the security printing division. It should be borne in mind, however, that the contract for the printing of all documents of monetary value for the Dominion of Pakistan will be transferred gradually to the Pakistan Security Printing Corporation at Karachi, in which the company holds a 40 per cent. interest.

EXPANSION OF INDUSTRIAL SECTIONS

As long ago as 1943 your directors foresaw the possibility of a contraction in the security printing division, and so, with a view to meeting such a situation, they decided on a policy of expansion of the industrial section of the business. The scale of expansion of the plastic and gas divisions was such that it was inevitable that a considerable passage of time should elapse before these large undertakings could reach a profit-earning basis. For the first time a substantial proportion of the profit for the year has derived from the industrial divisions. I am of the opinion that during the current year the major part of the profits will derive from this side of the company's interests.

In the plastics division sales were double those of the previous year. In particular, there has been a big expansion in the export of laminated plastic products which are sold under the trade names of Formica and Delaron, and from the orders on hand your board has reason to believe that even a greater proportion of sales during the new financial year will be for overseas. With the volume of raw materials at our disposal, we have good reason for confidence in the results of the current financial year.

The stationery division showed a somewhat better result for the year and contributed a modest profit. In due course it is hoped that this section of the company's interest will be expanded, but the nature of the business will make such an expansion rather a slow process.

THE GAS DIVISION

The prospects of the gas division for the current year are also good. The new gas cookers which we have designed have met with an excellent reception and the output of the factories has been sold for a long time ahead. Production of the Multipoint heater has been transferred to the Tynemouth factory with beneficial results and sales have slightly increased, chiefly for export.

I think stockholders will agree that the policy which has been consistently pursued by the board of expanding and developing the industrial side of the business, sometimes in the face of setbacks and difficulties, has now been proved to have been a wise one. Insofar as it is possible for any human to foresee the future in these difficult days, it would appear to me that there is every prospect that the scale of profits and the rate of dividend can be maintained.

The report and accounts were unanimously adopted and a final dividend of 35 per cent., less income tax, making 50 per cent. for the year, was declared.

ARTHUR BALFOUR AND COMPANY, LIMITED

YEAR OF GREAT ACTIVITY

LORD RIVERDALE'S REVIEW

The fifty-second annual general meeting of Arthur Balfour and Company, Limited, was held yesterday at Capital Steel Works, Sheffield, 3, Lord Riverdale, the chairman of the company, presiding.

The secretary, Mr W. H. Eyre, A.A.C.C.A., read the notice convening the meeting and Mr J. Wortley, of Joshua Wortley and Sons, read the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1950:

This is the first annual general meeting since the conversion of this enterprise into a public company. I am glad to be able to report the completion of a successful year's trading.

The accounts of the group show a profit, before taxation, of £483,889. The year has been one of great activity, but some profit is due to a strong and especially favourable wind, which has already abated, and may even change its direction. For this reason your board have decided to increase the reserve for stocks and contingencies by an amount of £25,000 to make a total of £100,000, and this is additional to a substantial increase in general reserve. The ever-present possibility of a head wind in this world of disturbances such as might be caused by a sharp fall in material values or selling prices, whether or not accompanied by trade recession and the consequent effect upon the values of stocks and work-in-progress, make a cautious policy the more desirable, if not indeed a necessity.

By December, 1950, the full effects of the rise in prices, of alloys in particular, and the difficulty or restriction in the supply of raw materials had not taken effect to the degree under which we are now operating. The company must suffer from some handicaps in this respect during the present period.

The present excessive rate of taxation is bound to constitute a drain on the capital required to replace stocks, maintain the volume of business and the sales organisation.

The needs of the rearmament programme, while likely to ensure active trading, must eventually cause some dislocation in the export trades which are an important part of the operations of your company. Every effort will be made to safeguard the selling organisation with a view to the future.

CURRENT YEAR'S PROSPECTS

While endeavouring to take a prudent and cautious view and fairly assess the uncertainties of today, I am happy to tell you that the operations of your company in the first six months of the present trading period have been maintained at a high and satisfactory level, comparing favourably with the same months of 1950. I and the board share the view that we can look forward to the future with reasonable confidence. In our long experience the widespread nature of our operations has, in the past, withstood many strains and stresses, and I see no reason to doubt our ability to maintain our position in the future.

The possibilities of further expansion in overseas activities are under continual and active review, and preliminary steps are now being taken to augment the capacity of a producing unit in the Dominions.

The subsidiary companies have had a satisfactory year and made an increased contribution to the results shown in the accounts. A steady policy of re-equipment and improvement has been pursued and will be maintained so far as restrictions permit.

I should like to pay full tribute to the excellent work of management and staff, and indeed all employees of our companies. There have been instances of enterprise, ingenuity, and merit, but realising that such results as shown by the accounts cannot be achieved without the team as a whole, I am sure you would desire me to thank all at every level at home and overseas in the parent company and the subsidiary companies of the group.

The consolidated profit and loss account showed a net profit for 1950 of £180,630 after deducting £287,576 for taxation, as compared with £162,253 for 1949 after deducting £143,254 for taxation.

The report and accounts were adopted and a final dividend of 10 per cent. (making 16 per cent.) plus a bonus of 1½ per cent. on the Ordinary shares were approved.

The retiring director, the Hon. F. H. Balfour, was re-elected, as also were the Lord Riverdale and Mr S. Meggitt, who retired in accordance with Section 185 of the Companies Act, 1948.

Messrs Peat, Marwick, Mitchell and Company, chartered accountants, Sheffield, were appointed joint auditors of the company.

GEORGE WEST (WEATHERPROOFS)

FURTHER EXPANSION BOTH HOME AND OVERSEAS

The twenty-fourth annual general meeting of George West (Weatherproofs) Limited was held at Aquascutum House, 100, Regent Street, London, W.1, on September 12, 1951.

Mr Gerald M. Abrahams, the chairman, presided.

The following is an extract from his circulated statement:—

I am happy to report the conclusion of another satisfactory year's trading. Our sales have expanded, both on the home and overseas markets, and, with the improved results, your directors are pleased to recommend a dividend of 12½ per cent. for the 12 months ended January 31, 1951, which represents an increase of 2½ per cent. per annum over the rate paid last year.

The expansion of turnover and higher prices for raw materials have caused further increases in stocks and debtors, and here I can inform you that our raw material stocks were purchased in the main just before, or at the beginning of, the price rises in wool in the autumn of 1950, which put us in the favourable position of not having to buy when prices subsequently rose very much higher. In the circumstances, our stocks can be considered satisfactory.

Further progress has been made in the sale of your company's products in the many overseas markets we now serve, and I can report good results from our own Canadian subsidiary company, which, you will recall, only commenced operations two years ago. In the United States of America, we established during the past year our own American subsidiary companies in order to effect the most efficient distribution in that country, and we are confident that these new arrangements will increase the sales and give added strength to our export business. However, the difficult and competitive nature of the market, together with the price controls which affect imported merchandise there, make it unlikely that this will be a very profitable business for some time to come; but, in the national interest, your directors are continuing to use their best endeavours in every way possible to increase your company's dollar earnings.

Of our well-known brand names, the sales of good quality rainwear at popular prices by Telemac Limited and Mattamac Limited continue to increase. At the same time, our retail shop in Oxford Street, George West Limited, further enhances its reputation with probably the finest selection of inexpensive rainwear available in London. The name Aquascutum, however, which is celebrating its Centenary this year, and which became a member of the group in 1933, has now become one of the best known names for quality throughout the world; therefore, your directors consider it appropriate that the name of the parent company should be changed from George West (Weatherproofs) Limited to Aquascutum and Associated Companies Limited. A resolution to this effect will be put to an extraordinary general meeting to be held immediately after the conclusion of the annual general meeting.

Since business is affected at short notice by world and domestic political considerations beyond our control, it is not possible to forecast what will happen in the future. However, I can report that our sales to date, in the current year, show an increase over those of the year under review.

I cannot conclude without expressing, on behalf of myself and my colleagues on the board, our appreciation to the staff of all our companies for their continued loyal service.

The report was adopted and the resolution for change of name to Aquascutum and Associated Companies Limited was approved at the extraordinary general meeting which followed immediately after the annual general meeting.

WESTERN MINING CORPORATION LIMITED

SATISFACTORY DEVELOPMENTS

The Annual General Meeting was held on September 6th in Melbourne.

Sir Walter Massy-Greene (the chairman), in the course of his speech, said: The appropriation account balance brought forward at April 1, 1950, was £A455,544, which, adding the net profit for the year of £A101,611, gives a total of £A557,155. After deduction of dividend No. 8 of 6d. per unit, £A69,859, there is a balance to carry forward of £A487,296.

The affairs of the companies in which Western Mining Corporation has substantial interests have recently been reviewed at the annual meetings. Developments, though varying from mine to mine, have, in general, been very satisfactory.

Over the last few years the Corporation has been dependent for its profits on dividends from Central Norseman Gold Corporation N.L. and Gold Mines of Kalgoorlie Ltd. and occasional profits on the sale of properties. The two dredges of Central Victoria Dredging Company N.L. have now been brought into commission and it is expected that dividends from this Company will be received during the current year. New Coolgardie Gold Mines N.L. has nearly finished its construction programme and we may look forward to the gradual repayment of its debt. At Great Western Consolidated N.L., it appears that the mine will come into production in the latter part of next year.

Apart from the various capital expenditures on plant, etc., the circumstances of the last few years of steadily rising costs and uncertain dates of delivery have led to an increased lock-up of capital by the various companies in stores. Taking into account these factors and the expected results of the various operating companies it is anticipated that the Corporation's revenue in future will increase.

The report was adopted.

ALLIED SUMATRA PLANTATIONS

INDONESIAN PROBLEMS

MR A. L. MATHEWSON'S STATEMENT

The twenty-fifth annual general meeting of Allied Sumatra Plantations, Limited, will be held on October 17, 1951, at the offices, 1-4, Great Tower Street, London, E.C.

The following is an extract from the statement of the chairman, Mr A. L. Mathewson, which has been circulated with the report and accounts for the year ended December 31, 1950:—

The difficulties with which the estate owner in Indonesia has to contend are now so well known to the investor here as scarcely to require recapitulation. Apart from the present insecurity under which the staff are working, crop thefts often reach as much as 50 per cent.; labour strikes and unrest are skilfully fomented by Communist dominated trade unions and there is general unwillingness to give a fair day's work, despite, or because of, the exaction of ever higher and uneconomic rates of pay and of free issues in kind. Fiscal burdens in Indonesia alone absorb not merely half of the estate's profit but today are the equivalent of half the value of the product. We are faced with continually mounting inflation.

Looking for a bright side to a sombre picture I think there is now a growing awareness of the critical nature of the situation. Indonesia is not without intelligent and patriotic leaders. It is unthinkable that, alive to the danger, they should fail to exert themselves to the utmost to arrest the present decline and to counteract the schemes of communistic agents actively seeking to dominate Indonesia and her 75 million people. Indeed, the numerous arrests recently reported in Djakarta, Medan and elsewhere would appear to provide welcome evidence of official determination to deal firmly with subversive activities.

ESTATE TITLES

If, as we earnestly hope, these efforts lead to the establishment of law and order and conditions conducive to the efficient operation of the plantation industries, one of the major questions to which it seems to us the Indonesian Government would be well advised to give especially careful thought is that of estate titles. We learn that it is the intention of the authorities to tackle this particular problem now in so far as it concerns North Sumatra, where they apparently contemplate negotiating and substituting new titles for old. Speaking generally, while a few leasehold titles have between 30 and 40 years unexpired, with, in some cases, an option to renew for a further 50 years, others have recently expired and a large number have relatively short remaining lives.

Under present conditions more and more countries appear to be studying ways and means of attracting investment from overseas. From every point of view therefore it would seem desirable that before definite provisions governing the issue of estate titles are written into the Statute Book, the Indonesian authorities should take steps to ascertain that whatever provisions they contemplate are such as will attract and encourage foreign investment on the requisite scale.

For instance, it is reported that a maximum term of 30 years for new leasehold estate titles has been mooted in official quarters. That, or indeed anything shorter than the renewal option period to which I have referred, can be shown to be quite inadequate for long lock-up investments like plantations of rubber, tea, oil palms, etc., and I have no doubt that inquiry in competent quarters here would readily establish that serious informed investors would regard such a term as an unattractive basis for a venture of that nature.

COAST LINES, LIMITED

SUCCESSFUL TRADING YEAR

The thirty-eighth annual ordinary general meeting of Coast Lines, Limited, was held, on September 11th, in London, Captain A. R. S. Nutting, O.B.E., M.C. (chairman of the company) presiding.

The following are extracts from his circulated statement:

We have enjoyed a successful year of trading. The consolidated net profit, subject to taxation, amounted to £1,036,584, against £684,616 last year, an increase of £351,968. The profit of the Group, less taxation, amounts to £430,207, of which £12,042 is attributable to outside shareholders in subsidiaries. The net profit of Coast Lines, Limited, available for dividends and reserves is £335,825, an increase of £162,059 over 1949. An interim dividend of 5 per cent., less income tax, was paid upon the ordinary stock on July 23, 1951. The directors recommend no further payment for 1950.

The board has come to the conclusion that steps must be taken to equip the group with adequate vessels to replace those whose useful life will be ending in the next few years. In furtherance of this policy, orders have been placed in 1951 for the construction of a passenger vessel to relieve our passenger liners while undergoing overhaul and survey, a cattle carrier and two cargo ships.

We are encouraged by the progress which has taken place, and we hope that your company's interests will over the years yield a satisfactory and increasing income. Our trading profits for the months of the year 1951 encourage the hope that the improvement in 1950 will be maintained.

The report was adopted.

INDIAN COPPER CORPORATION, LIMITED

SATISFACTORY RESULTS

The twenty-seventh annual general meeting of the Indian Copper Corporation, Limited, was held on September 12th in London, Sir Godfrey Fell, K.C.I.E. C.S.I., O.B.E., chairman and managing director, presiding.

The following is an extract from his circulated statement:

The gross profit for the year 1950 was £612,682—£19,130 more than in 1949. The proposed dividend is 12½ per cent., less tax. The financial results for the year may be regarded as satisfactory. 386,156 short tons of ore were treated in the mill. This is the highest since 1941, when 397,390 short tons were treated. The production of refined copper increased by 224 long tons. On the other hand, the output of rolled metal was lower by 1,863 long tons.

Although the total footage driven was 229 feet less than in 1949, the payability increased by 5.4 per cent. to 63.5 per cent., the highest since 1945, owing to development in more favourable ground. The increase of 288,765 short tons, bringing the total of the estimated ore reserves to the record figure of 3,087,195 short tons, is most gratifying.

The possibility of recovering sulphur products at Moubhandar was the subject of prolonged consideration prior to the outbreak of war in 1939. Your directors came to the conclusion that the project was, at that time, uneconomic: The problem, which is now of considerable importance, is being reconsidered, and an eminent expert is now visiting the property to report and advise on the project.

The report was adopted.

Factory sites in Canada

Our Foreign Business Department can assist you in finding suitable factory sites in Canada. This department is a ready source of information on markets, sources of supply and kindred subjects of vital interest to business men.

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UNIVERSITY OF LONDON

DEPARTMENT OF EXTRA-MURAL STUDIES
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The following are some of the evening courses arranged for the Session 1951-52, commencing in September:

Price Determination in Theory and Practice
British Foreign Policy
Economics of Distribution.
Human Problems of Industry

Many other University Extension Courses in arts and sciences, some residential will be held at centres in London and the Home Counties. Further information may be obtained from the Director, Extra-Mural Department, University of London, Senate House, W.C.1.

UNIVERSITY OF ABERDEEN

APPOINTMENT OF SECRETARY TO THE UNIVERSITY

The University Court will, in the Autumn, 1951, proceed to the appointment of a Secretary to the University which office will become vacant on September 30, 1952. It is intended that the person appointed should take up duty some months before the present Secretary demits office.

Salary at least £2,000 per annum with F.S.S.U. and Children's Allowance. The University pays a proportion of removal expenses.

Further particulars and form of application may be obtained from the Secretary, with whom applications should be lodged not later than September 30, 1951.

H. J. BUTCHART, Secretary.

The University, Aberdeen.

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Next Session begins October 2nd.

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October 25th

IT is just two years since the devaluation of sterling prompted speculation that Mr Attlee might go to the country in the autumn rather than wait for the following spring. An election campaign has been running almost continuously ever since. In five weeks' time, unless the mischance of an indecisive result is repeated, it will be ended at last. That is the chief importance of Mr Attlee's decision on an October election. Whether the Conservative or the Labour party can provide the better political leadership for these times is by comparison a minor issue. It may be that in very quiet times the country could be well governed with as small a Parliamentary majority as Mr Attlee has commanded for the past nineteen months. As things have in fact been, no party could have governed well. The difficulties facing the British people are now growing harsher. The firm and effective government required to meet them can come only from a party firmly established in power and able to look beyond immediate popularity when the need is for measures that will show their good results in two years' time rather than next month.

Mr Attlee deserves praise for his recognition, belated though it is, of this need. Power is the purpose of politics and no party leader can be expected to surrender power easily, however much it appears to be to the long-term advantage of his party as well as of the nation. It cannot be taken for granted that Labour will be defeated. Yet it is extraordinarily hard to see any method by which the floating voter can now be won back. Last year the differences between the parties concerned means, not ends, and within that setting both were essentially on the defensive. The Tories campaigned not on their own policies but on the discontents experienced under a Labour government; and Labour, for its part, campaigned neither on what it had done nor on what it had left to do, but on the memories of prewar discontents under Tory rule. The economic situation—discussed in a succeeding article—now makes it more unrealistic even than it was in 1950 for either side to promise better things soon. But prewar memories have grown fainter and present discontents have grown greater. If the campaign is again to be negative, Labour has little chance indeed.

One thing it is appropriate to say at once. These columns will be concerned with analysis, not exhortation. *The Economist* will not presume to take sides or to advise its readers how to vote. The function of an independent journal of opinion is to comment on particular matters on their merits. It sees good and evil in all parties. Since 1946, and particularly in the past two years, the weaknesses of the Labour government have required unremitting criticism; but it cannot lightly be assumed that a Conservative government would on balance be better. The task of the commentator is to examine carefully all the various weights that lie on each of the two scales. How they point the balance is the decision that each voter must make for himself on October 25th.

The Balance of Achievement

NOW that a peace treaty has been signed by nearly all the countries that went to war against Japan, it is worth once again considering how the free world stands with Russia and the Communist powers—none of which signed the treaty. The present is a particularly suitable moment to look at the assets side of the balance sheet. There have been a good many items to the credit of the West during the past year which are all too often overlooked, and the treaty with Japan rounds off a situation in which the Russians have, at least for the time being, driven all three of their ex-enemies—Germany, Italy and Japan—into the arms of the West.

Perhaps the most striking feature of the scene at this moment is Russia's failure to prevent Japan and Germany, inevitably two of the pivotal countries of the world, moving closer to the western alliance. Many of those in the western countries who fought against the Germans and the Japanese only six years ago are not a little worried that too much is now being done, and done too quickly, to strengthen both these incalculable and formidable peoples. But whatever reservations there may be in the West, they are at least offset by relief that Germany and Japan are not drifting Moscow-wards. For the Communists themselves there is no such comforting reflection. This is very largely the achievement of the past twelve months. A year ago there could be no certainty that a peace treaty could be achieved with Japan against the will of Russia and favourable in virtually all respects to the American point of view ; Mr John Foster Dulles had not even begun sounding other friendly powers on their willingness to accept a liberal treaty which would enable Japan to rise again. Today Japan is to return to the international scene as a definite partner in the American sector of the free world. At present its people are predominantly anti-Communist and, if the West plays its cards right, there is no inherent reason why they should not remain so. As yet it is impossible to tell how many of the outward forms of democracy, planted by the Americans during the occupation, the Japanese may root out in the months to come. The prospects are not too encouraging, especially in the field of industry and labour relations. But that is a long way from meaning that the Japanese Communist party will be able to seize power—particularly if Japan is allowed the economic scope it needs to develop its overseas trade.

Over Germany, too, the period of disagreement which began in earnest with the meeting of the western foreign ministers a year ago has finally been brought to an end. Last week's decisions to put relation between the Federal German Republic and the western powers on a contractual basis and to recruit Germans for a European army are a milestone in the postwar world. They have been greeted with considerable enthusiasm in Western Germany by the forces behind Dr Adenauer. How strong those forces are, in opposition to the increasingly bitter and vocal nationalism of both the Left and the extreme Right, it is too soon to say. But there is at least ground for hoping that the Germans will accept the equality they are offered—and that they will accept it in respect of the obligation to rearm as much as in the proposed ending of the occupation statute. If they thus regain their sovereignty much earlier than anyone could have expected, they owe it to the Russians, who have forced the western powers to agree on the terms of a virtual peace treaty that will place Western Germany as firmly in the ranks of the western powers as the eastern zone is now being cemented into the Soviet bloc.

Compared with the Japanese peace terms, the Italian treaty of 1947 is now clearly obsolete, and it is no accident that Signor De Gasperi, the Italian Prime Minister, who is in Ottawa for the Atlantic Council, will go to Washington this week end to seek American agreement for revision of this treaty. For the moment it would be impractical to give him more than a declaration of principle, since the difficulty still has to be overcome of getting round the fact that Russia is also a signatory to the treaty. Nor is the actual revision momentarily urgent, since the Italian contribution to western defence is still well within the limits of armament permitted by the treaty. But this matter now transcends merely technical clauses, and the case for removing even theoretical restrictions on the Italians if they are to pull their weight with their allies is overwhelming. This again shows a change from two years ago, when Signor De Gasperi and Count Sforza were still engaged in a hard fight both at home and abroad to secure Italy's membership of the Atlantic Pact. And once again the change has been due to Moscow's pressure tactics.

★

So much for the peace treaties. Present relations with all three of these countries represent an outward and visible sign of western success in denying the bulk of their resources to the Communist bloc, a success which was by no means a foregone conclusion when the western countries took up the Soviet challenge some four years ago. The feeling is growing that the Russians are losing the diplomatic initiative. It may well be that, in spite of all the perplexities and dangers and in spite of the immense effort and care now required if the western powers are to continue on the course they are setting themselves, 1951 will turn out to be the turning point in the cold war. Today, as the signing of the Japanese treaty has shown, not only are the Russians no longer always setting the pace, but they sometimes give the impression that they do not quite know how to react to the moves made by the western powers.

It is now clear, for instance, that the Kremlin has not been able to make any particular propaganda success out of the abortive meetings of the foreign ministers' deputies in Paris earlier this year. Least of all has the original design in the Russian mind, to put a brake on German rearmament, been in any way fulfilled. The West has gone ahead with consolidation in Europe and so far has lost nothing by doing so. Nor can it be denied that the Communists, having turned to Asia for success, have so far fumbled their tactics in Korea. This is true at present whatever may happen in the future. The original aggression in Korea itself has failed ; the western world has been alerted ; the United Nations have developed a more definite and costly policy than ever before without sacrificing their unity—rather the reverse ; and any intention that the Russians may have had to use the Kaesong armistice talks as a weapon at San Francisco has patently not come to anything.

In the rest of Asia and the Middle East, the recent Communist performance has been little better. In Indo-China the Vietminh have reverted to guerrilla warfare, in Malaya the government's campaign is at last paying higher dividends, and in Burma, if the war is not going better, it is at least going no worse. The Indian Communists, owing to internal divisions, have been singularly unsuccessful during the past year, and in the Middle East it is remarkable how silent the Russians have so far been, in view of the acute Anglo-American embarrassment in Persia and the very difficult situation which has arisen on the Suez Canal.

It is essential, when so much is at stake and it is all too easy to be pessimistic, that these things should be recognised and a balance of achievement struck. There may, of course, be a series of grave disasters just round the corner. The Russians' present relative inactivity may be deceptive. Even without the ultimate calamity of world war, the western peoples will never achieve full peace of mind until military parity is achieved with the Soviet empire, and that is certainly not something which can be accomplished this year, or possibly next year either. But the fact is that for one reason or another, in this crucial period through which the world is at present passing, the Russians have so far done surprisingly little to counteract the historic steps now being taken towards greater western integration and the establishment of a western defence framework that may well last for very many years. At this moment, as the last days of the summer campaigning season of 1951 run off, that is a reflection for which the free world should feel profoundly thankful.

A dangerous Russian move could yet come overnight in Berlin or Jugoslavia or Persia or elsewhere, and at the least it could embarrass as well as hasten western efforts to achieve military parity. Whether it does come or not, however, it cannot now invalidate either the achievements or the lessons of the past year. For the Russians, it is clear that nothing like the events in Korea can be repeated without an even greater risk of world war. For the West, the lesson is that to meet the challenge with vigour and courage is the only chance of defending the peace in the end.

There is no doubt where the major credit for the achievements of the past year belongs. The western world as a whole can claim some of it, most particularly the ordinary people of the western countries who (save for one brief moment last winter) have kept their nerve most admirably. But in looking back over the twelve months, what has been most impressive is the balance that has been secured between strength and restraint, and for that the credit belongs to the much-abused architects of American policy. Mr Truman, Mr Acheson and General Marshall have been told by some people, chiefly outside their own country, that they have been too aggressive and too reckless. In America they have had to listen to a flood of accusations of weakness and appeasement. Just how wrong both sets of critics have been can be seen by trying to imagine what would have happened by now if their wishes had been followed. Had the western policy been weaker, the Soviet advance would not have been checked. Had the bombers been let loose *à la* MacArthur, there might well have been total war. If the aim is to contain Communism without another world war (and it is perhaps a good thing to remind the Republican firebrands that no other aim will command the material or moral support of the free world) the balance has been about right. The task now is to keep it so. Peace cannot be secured by either arms or diplomacy alone, but only by both together.

The Third Crisis

THE third economic crisis since the war is now plainly in sight. While the political parties are preoccupied with electoral calculations the gap between Britain's imports and exports becomes more disturbing every month. This summer the country has lived almost as far beyond its income as it did in 1947, at the peak of postwar dislocation. The fact has naturally made little impression on the public mind ; no more did the payments deficit of 1947—until its consequences were expressed in the suspension of sterling convertibility, savage cuts in imports, and harsh increases in taxation. The economic crisis of 1951-52 is now at an early stage. There is none the less clearly at work a process that threatens to destroy the sober hopes of 1950 as thoroughly as the brave plans of 1945 were shattered by the realities of 1947.

A heavy responsibility rests on the politicians. They are not compelled to treat the first emergence of a deficit in overseas payments as a crisis, a point when policies must be changed. The crisis comes later, when it is impossible to sustain the deficit, when the rest of the world becomes unwilling to supply Britain with more goods than Britain exports in return. While it can be sustained, the deficit is red meat and strong wine for weary politicians. It subsidises their constituents, providing a higher standard of living than the country is earning. It means that the consequences of their inflationary policies are borne—for a time—by the rest of the world, which does not vote at a British general election.

The unpleasantness is not in living on the overdraft but in repaying it. And the rest of the world certainly will not allow this country to overdraw without limit. If the British deficit continues at its present rate, it is unlikely to be many months before confidence in sterling is broken as it was in 1947 and 1949. Foreign countries will not only refuse to go on extending new short-term credits to Britain ; they will also demand goods or dollars in exchange for some of the large sterling balances they already hold. At that point, if nothing is done before, the crisis will come overnight. But only those who resolutely refuse to read the signs will believe that, as Dr Dalton claimed in 1947, the storm has blown up suddenly. Its brewing is plain enough.

In the first eight months of 1951 the visible trade gap, the difference between the recorded values of imports and exports, was £800 million. For two reasons this exaggerates the true deficit on overseas payments. First, the values of imports are reckoned including the costs of insurance and freight, which are in fact paid largely to British firms rather than to foreigners. Secondly, no account is taken of invisible transactions—payments for services rather than goods—which yield a net surplus to Britain. These two factors can be roughly allowed for.

The true deficit in the past eight months was rather bigger (at an annual rate of £380 million) than the deficit incurred in 1946, the year when demobilisation was in progress, when the civilian labour force was three millions smaller than it is now, when many export industries had not been turned over from war production or rebuilt after wartime concentration.

The deficit was small at the beginning of this year and has grown rapidly. In the past four months alone it has been, so far as can be calculated, equivalent to a rate of £630 million a year. The deficit in the great year of crisis, 1947, was £545 million.

This comparison is misleading, because prices have risen since 1947. In the table the balance-of-payments figures for each postwar year are revalued according to the changes in British export prices. The final column of figures measures, in constant prices, the quantity of

BRITISH BALANCE OF PAYMENTS

	Surplus (+) or Deficit (−)	Index of British Export Prices	Surplus or Deficit Revalued at 1947 Prices
	£ mn.		£ mn.
1946	−344	91	−380
1947	−545	100	−545
1948	− 30	110	− 25
1949	+ 30	113	+ 25
1950	+229	120	+190
1951 annual rates during :—			
8 months, Jan. to Aug.	−380	139	−275
4 months, Jan. to April	−130	133	−100
4 months, May to Aug.	−630	145	−435

goods that it would have been necessary each year to add to exports—and so take away from the British consumer—in order to balance overseas payments. It shows that for the past four months the deficit has been bigger in real terms, as well as in money value, than it was in 1946; it has been only one-fifth smaller than in 1947. For all the postwar expansion in production and exports, the British economy is almost as far from paying its way as it has ever been. Although export values will rise, there is little hope that on balance the final four months of 1951 will yield any better results than the middle four months. And it has to be pointed out that the exports of 1947 were those made after, not before, a winter of fuel shortage. The danger that the economic stringencies of 1952 will be even more severe than those that have gone before is patent.

The public mind has grown accustomed to dramatic swings from crisis to recovery and from recovery back to crisis. So far they have made remarkably little difference to the living standards of ordinary people. To talk of a payments deficit is now to suggest, at most, another dreary round of import cuts, new shortages, tighter restrictions and higher taxation. That is serious enough: each successive bout of restrictionism is bound to cut more deeply into the foundations of incentive and innovation on which the prosperity of the British economy depends. But the danger is also more immediate. In 1947 and 1949 production and living standards were recovering rapidly from the effects of war. The crises were interruptions in the trend; thanks to American aid, which provided time for gentle remedies to take effect, the payments gap could be closed without any actual reduction in living standards. Both the trend and the aid are uncertain now. A deficit of the proportions of 1947 is far more serious when it occurs in the conditions of 1951. If it is allowed to run on unchecked to the point of crisis, the consequences can only too easily be severe dislocation to industry, unemployment, and a lower standard of living.

The new crisis comes when exports have almost reached the famous "target" of 75 per cent above the 1938 volume, which was supposed to balance British payments in the postwar world. There are people who seem to conclude that Britain therefore has nothing more to do, that the fault lies with foreign countries for making the things Britain imports so dear, that the British deficit must be removed by mysterious international action to reduce commodity prices. This is a classic demonstration of how rigidly set the minds of planners may become. The hard fact is that the postwar world has turned out to be an even more difficult place than was foreseen in 1945. The terms on which exports can be traded for imports are likely to remain unfavourable to Britain. If they were more favourable—if this were a less inflationary world—it is doubtful whether British goods would be competitive enough to sell in their present volume, and the gap would still exist. It is a complete fantasy to suppose that Britain would benefit from a world depression.

In the world as it is, and as it must be accepted, this country is not exporting enough to pay its way. It is not exporting enough because the pressure of inflationary demand in the home market is too strong, and the only effective policy for reducing the payments deficit before it leads to crisis is disinflation. This is not a matter of theory and commonsense alone. The recovery of Western Germany this year, as well as that of Britain in 1948, has demonstrated clearly the effectiveness of the disinflationary remedy. There is no reason to think that the British people will now shrink from such a remedy when the facts are made plain to them. They understand well enough that a payments gap has to be closed eventually and is better closed earlier and less painfully rather than later and more painfully. It is the politicians who must be blamed for lack of foresight and weakness of will. Those who find the courage to adopt a realistic policy are not only more likely to save the country from a crisis if they are in power; they are also more likely to be entrusted with power next month.

THE AGE OF INFLATION

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An Army in Embryo

THAT there should have been a chorus of approval for the idea of a European army from men of such eminent and varying capacities as General Eisenhower, Mr Acheson, Mr Morrison and now Mr Strachey is something of a miracle. A few months ago every staff officer in Europe had his little joke about the practical difficulties of any such plan; now the sceptics are silent and the enthusiasts hold the field. Behind the idea, and determined that it shall be made to work, stands a group of men who cannot by any stretch of argument be described as starry-eyed; among them are fighting soldiers from Korea who have helped to create in most unfavourable circumstances a United Nations army and a Commonwealth division. Moreover, since the Washington conference of American, British and French foreign ministers the idea has become western "policy" in a sense that it has never been before. An impromptu French aspiration has become part of a deliberate programme. It remains as true as ever that the sight of the French Deputy for Nato, M. Alphand, explaining the French thesis to an audience of military correspondents is like watching an art master defending his subject before a sceptical education committee. Yet the European army, once regarded as a luxury, is becoming a necessity.

It is as well to recall why this has happened. It is not because the political urge for European unity has swept all military objections away; although it is true that many American military experts have been inspired by the Strasbourg gospel. Nor is it because anybody regards the European army as a good thing in itself in present circumstances. It is quite simply because the western allies faced this dilemma: to defend Western Europe and to provide against the day when American land forces will be withdrawn from it, another ten divisions are required in addition to the available Nato forces, and they can only come from Germany. As the French want Europe defended but will not—indeed, a French Government dare not—give Germans the right to recreate an independent *Wehrmacht*, the integration of German divisions in a European army has become the basis of a political compromise. In other words the motive of the plan is not the confidence of French and Germans that they can work together in such intimacy—though men of goodwill on both sides are hoping to do so—but French distrust and fear of Germany. This is not necessarily a weak point in the scheme; for political arrangements that do not recognise political facts are useless. But it is a point that should not be lost from sight if wishful thinking is to be avoided. It is safer and wiser to talk of the European army not as a means of uniting Europe but as a function of Franco-German relations.

If the fears and hopes that underlie this enterprise need realistic appraisal so do its military aspects. The present proposal is that a complete, practical plan for the European army should be ready in about six weeks' time for consideration by the governments of the North Atlantic Treaty Organisation and by the Federal Government of Germany. If agreement and approval were secured, then in the New Year the German pledge of a contribution to Europe's defence could be formally exchanged for the west's recognition of German independence.

It is most unlikely that the time schedule will be observed, whatever hopes have been encouraged by statements from Washington and Ottawa. In the first place the military experts of the five governments interested in the plan of an integrated European army are deeply divided on essential practical points. For example, only the arbitration of General Eisenhower's headquarters is likely to achieve an agreement between the French desire for small divisions and the German desire for large—an argument that might well be compromised on the basis of national divisions 12,000 strong. Secondly, if the military experts are divided on military matters it is far from certain that the political experts can agree on political matters. Both in France and Germany public opinion is only just waking up to the fact that what is being proposed is the extinction of purely national armies and the surrender of national sovereignty in defence policy. In Germany a powerful opposition with every prospect of one day gaining power is bitterly attacking the plan; and in France both extremes of political opinion, Gaullists and Communists, will fight the idea tooth and nail in the Chamber. In Germany, too, it is noted with irritation that there is still to be an army of North Africa under the control of Paris and an army of the Congo under control of Brussels; but it is proposed that Bonn will control nothing and have an incomplete general staff minus operations and intelligence departments. Thirdly, it is inconceivable that what is called the political part of the defence plan—the superstructure of executive commission, deliberative assembly, secretariat, budgetary committee and so on—will be set up between now and the end of the year. It took nine months to agree on the Schuman Plan organisation, and the issues then raised meant little to the ordinary politician and man in the street. But the Pleven defence plan affects every able-bodied man under 45 west of the Elbe. Above all, it raises the question of how the European army is to be paid for.

On the face of it, therefore, it looks as if the plan for a European army is politically desirable, but psychologically unrealistic and militarily superfluous. It looks, too, as if the political organisation which the French insist on having agreed with the Germans before they will consent to the recruitment and training of German soldiers will keep officials and statesmen arguing for months; whereas what Nato wants is urgent action—a German division by the end of 1952, five divisions by the end of 1953 and eight to ten divisions and a tactical air force by the end of 1954. The prospect of sufficient Franco-German agreement to get this integrated defence organisation started is therefore gloomy. But the remarkable fact remains that those who know the difficulties best and are responsible for overcoming them—that is to say the international staff at Shape and its political masters—believe success is possible and intend to work for it. Indeed, it is true to say that the Supreme Commander gives priority to this political task over all military problems. And even the most confirmed sceptic must recognise that to overcome traditional enmities, to insist that wartime memories shall be buried, to urge new and close relations between suspicious neighbours is precisely what Marshal Rokossovsky is trying to do in Poland and Eastern Germany. It cannot be seriously argued that nothing of the kind is possible in Western

Europe if the Americans have made up their mind that it is.

This contrast between the unpleasant facts and the vigorous American and European will to overcome them puts British policy into a difficult position. So far it has been content to send rather undistinguished and disinterested observers to the conferences in Paris. They have stood on the touchline and commented in whispers. Now that Mr Morrison and the highest authorities of the western world have given the Pleven plan their blessing the British will have to speak up. Clearly, so long as it is their policy, as it is the Americans' to support but stay out of this European defence organisation, they can neither barrack nor cheer wholeheartedly. Yet, as the strongest military power in Western Europe, with an unprecedented peacetime force on the Continent, they are entitled to speak and to be heard with respect.

What then are they to do and say? First, they can usefully act the judicial role. They can point out persistently that the military preparations needed for Europe's defence and the political experiments needed for Europe's unity should be kept apart at every point where they might clash. Otherwise the latter will frustrate and delay the former. It is, for instance, possible for the British—and only for the British—to remind General Eisenhower that Paris would be secretly delighted if two years hence there were not a single German regiment under arms. Likewise, the British can see to it that the drive for a European army—from which Denmark, Holland, Norway and Portugal still stand aloof—shall not divert attention and energy from the need to integrate the much more powerful Nato forces. The British, too, can make much of the fact that the European Defence Organisation, even if it came into being within the next three years, could afford neither the naval forces, nor the strategic and tactical air forces, nor the ground defence against air attack adequate to make them independent of British collaboration.

In short, the British must and should reserve judgment about their own relationship to this defence organisation until it is clear beyond any doubt what is involved. For no other decision is possible so long as two questions remain unanswered: first, will the embryo army—for it is nothing more—becoming a living thing? Second, what exactly are American military intentions for the future? And reserving judgment must mean for Britain staying outside the proposed defence organisation but helping it along, which is precisely what the Americans are now doing. It is possible that five years hence the problems of Western Europe's defence will have been transformed, and that it will be revealed that General Eisenhower worked so well that Europe can dispense with everything American save the latest weapons and scientific advances, the strategic air force and the formal ties of the Atlantic Treaty. In that case Britain will be glad it stayed outside, for it can then concentrate on its duties to Nato and the Commonwealth. But it is also possible that the defence organisation, after a year or two of experiment, will break down on the reefs of the German problem. For the time being the role of Britain is that of understudy to the United States as it tries to supply that outside encouragement and pressure and leadership without which no European organisation will work. If it one day has to play the role itself, it will play it all the more effectively for having, like the Americans, given its support to the European Army from outside.

Booksellers' Price War?

(By a Correspondent)

WHEN he announced the Government's intention to abolish resale price maintenance, the President of the Board of Trade said that this legislation would not necessarily apply indiscriminately to all trades; there might be some that could make out a good case for exemption. The obvious exceptions are those—such as the sellers of wireless sets and electrical apparatus—that provide technical services. A more difficult, and perhaps a marginal, case is the book trade, which is covered by a tight system of resale price maintenance under the Net Book Agreement.

This agreement is the sheet anchor of the whole trade, for it marked the transition from a period of hard struggle to comparative prosperity. There was a time when university booksellers—now honoured academic institutions—habitually wore their customers' cast-off clothing. It may be regarded as symbolic that the first "net book" was Marshall's "Principles of Economics," published in 1890. The experiment was successful enough to lead to the general adoption of the system ten years later.

The net book agreement stipulates that all booksellers shall sell at the retail price fixed by the publishers, and includes provisions about fixed dates of publication and the length of time that must elapse before books may be sold as second-hand or reduced in price. The members of the Publishers' Association agree that they will supply books to any bookseller who breaks the agreement only at the full net price that he must charge to the public. A policy of price-cutting would thus soon lead to the extinction of the offending firm.

The argument for abolishing resale price maintenance is that it prevents the public from benefiting from free, or more or less free, competition. In general that argument is overwhelmingly strong. But the book trade's claim for exemption is not based solely on the self-centred belief that the abolition of net books would throw it into confusion and damage its interests. It is also based on the fact that from the nature of the market there cannot in any event be free competition in the retailing of books. It is not at all certain that the abolition of the agreement would reduce prices and benefit the public in the long run. For price competition to be effective in reducing retail prices a "market" fulfilling two conditions must exist. The purchaser must be able to compare prices and choose his price; the retailer must also be able to compare prices in order to calculate his own. Without these conditions the argument that competition will reduce distributive costs and prices becomes shaky. There are two reasons for believing that these conditions do not exist in bookselling: first, the fact that so many books are published, and secondly, that competition in the book trade tends to be at a distance.

In 1950 alone 11,211 new books and 5,334 reprints were published. How many works were in print altogether is not known, but in 1940 there were 600,000. Few bookshops will attempt to deal with all these books, but many have stock lines running into several thousands. At present the bookseller can discover the prices of all these books from catalogues. It would be a formidable task if instead he had to watch the prices of every book to see that it was competitive.

Competition varies with distance. Even if there were no net book agreement the bookseller in a small town would have little incentive to reduce his prices. His is often the only bookshop in the town, and the nearest competition is several miles away; the number of customers that even the smallest bookshop can economically serve is much greater than that on which most small retailers can subsist; and it is the size of the shop rather than the number of shops that varies with the demand. A bookseller of this kind might perhaps reduce his prices in expectation of increasing demand and higher profits. But the demand is comparatively inelastic, at least in the upward direction; for much of any short-term increase in reading will be absorbed by the local library, while a short-term decrease will first be felt by the shop.

A bookseller in a larger town has competition on his doorstep; and at considerable cost he might be able to compare his prices with those of his competitors. But this extra cost might be sufficient to prevent him from making any worthwhile reductions in his prices. The rate of production of new books and the complexity of demand facing the general bookseller in a large town have already led to specialisation, reducing the competition between different shops in the range of books they keep in stock. Price competition would aggravate this tendency.

Specialist bookshops—among which the best known are the university booksellers—offering as they do a specialised knowledge and a high standard of service, would fit particularly badly into a competitive free-for-all. They rely not only on sales across the counter, but also on postal business over a wide area; one of them has said that a good bookshop should be able to operate behind closed doors. The specialist bookseller's market is on the librarian's desk and his showroom is a catalogue. It is a high-cost business; the staff must be suitably paid for its knowledge, and a high proportion of the stock retails at comparatively small discount. It would add impossibly to his costs if he had also to provide a staff to check the price lists of, say, twenty other bookshops, competing in price in a number of titles which might range from two or three to ten or twelve thousand.

Cutting across the structure of the trade are the very large, heavily capitalised bookshops and the chain stores. Both might profit from the abolition of the net book agreement, for they could probably sell books as though they were boot-polish, at a low overall margin of profit. This would undoubtedly lead to a great reduction in the number of bookshops. At first sight that would seem desirable, as a means of avoiding wasteful duplication and stimulating economies in sales methods; but the reduction in the service which the book trade now gives would be damaging in other ways. It is in the public's interest, as well as that of the trade, that books should be shown, as now, over a wide area, and that the bookseller should render, as he frequently does, services without sale and without visible recompense. It is, moreover, by no means certain that the economic advantages of lower distribution costs would be permanent. In the first stage of a price war the smaller booksellers would disappear. The struggle would then continue between the larger ones; but because of the heavy capital required to enter the business there might afterwards be a trend towards monopoly prices.

That the abolition of the net book agreement would lead to lower prices is not borne out by experience in the United States where no such agreement operates. The English bookseller makes 33⅓ per cent on most general books, 25 per cent or less on textbooks. His American counterpart expects more than 40 per cent on general books, about 25 per cent on textbooks, and in addition scores of complicated bilateral agreements between publishers and retailers must be set up where the British book trade works efficiently on one. The second-hand market in this country is another case where there is no agreement, and it is noteworthy that most second-hand booksellers expect to make a larger percentage of profit on a second-hand copy than on a new one, and will not buy unless they can do so. Distributive costs appear to be quite as high, if not higher, where there is no net agreement.

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The complaint is often heard, however, that even at 33⅓ per cent the bookseller's margin is too high. It seems at first sight absurd that on the sale of a 10s. 6d. novel the bookseller probably makes 3s. 6d., while the author makes only a few pence and his publisher, after paying his overheads, little more. But the bookseller does not make this profit without considerable risk. If he buys three copies of this novel, he will pay a guinea for them, and he thus makes no profit at all until such time as he sells the third copy. The sale of the first two does not even cover him, for it does not pay a penny towards his overheads. The reading public is fickle, as any bookseller knows, and this means that his stock is, in a sense, highly perishable. A book which is selling like hot cakes today may be just dead stock in a month's time. The stock is perishable too in the sense that copies are on show to be read and frequently deteriorate rapidly from handling, perhaps becoming unsaleable. In another sense, however, books are far too durable from the bookseller's point of view. The satisfied toothpaste purchaser comes back for another tube; the satisfied book buyer treasures his copy, may lend it to friends, and rarely requires another copy for his own use.

The bookseller is human and fallible; to judge the probable sale, through his shop, of even the few thousand titles which are shown to him by the publishers' travellers during the year must involve errors which, unless he is remarkably good at his job as a buyer, will show up in the form of expensive dead stock at his annual stock-taking. This stock represents a considerable amount of capital invested for little or no return. It takes up valuable space, a commodity which is always, somehow or other, at a premium in any bookshop, thus reducing the shop's capacity for more saleable books. After he has held the stock for two years the bookseller can cut prices, since he is then no longer bound by the net book agreement to sell at the published price. Or he can auction his dead stock off to anyone who cares

to buy it—to second-hand dealers, for instance, for a fraction of his original outlay. Books that are unsold during the period when they enjoy public interest will hardly sell at any price at all later.

Enough has been said to show that the bookseller cannot be accused of making what the White Paper on resale price maintenance calls "profit without risk." He has, compared with other retail traders, a large amount of capital tied up, in stock which is mostly, for one or another reason, perishable. He must be extremely careful of overbuying, because of the high capital value of his stock. And yet he cannot be too cautious, for to underbuy is to lose the sales which must support him. He is buying, and trying to sell, a great many untested articles, on which little or no market research may have been done, and on which he may have little time to do his own market research. In these conditions price competition would operate in an unusually hit-and-miss fashion. The choice is between evils. The present arrangement keeps the less efficient bookseller in business and book prices high enough to yield him a moderate return. On the other hand, there is no doubt that the abolition of the net book agreement would throw the trade into considerable difficulty and confusion; bookshops would become, as they are sometimes accused of being in the United States, mere stalls for the disposal of best sellers, and the well-stocked shop, in which it is a pleasure to browse, would disappear. That might be worthwhile if the effect were also substantially to reduce the price of books. It seems more likely that the reduction would be small, and it is even possible that after a time the retail prices of many books would be higher (in relation to publishers' prices) than they are now. There can certainly be no confidence that on balance the public would gain; and that is perhaps a strong enough argument for leaving things as they are.

NOTES OF THE WEEK

The Decision

Mr Attlee has decided to grasp the nettle and appeal to the country on October 25th because no one could show him why he should not. The greatest weakness of almost all modern Prime Ministers is that they rarely have time to think. And without reflection the instinct of political self-preservation, the instinct to do as little as possible and cling to office in the hope that something will turn up, is dominant. It was dominant throughout the summer in spite of the demoralisation of Mr Attlee's administration last winter and spring. But in the quiet of his Norwegian holiday Mr Attlee had time to take stock. It seems that he came back in the mood to decide on an autumn election unless any of his close advisers could offer strong reasons against it. He saw that Labour had nothing to wait for. He knew that the country required strong government such as no party could provide on a trifling Parliamentary majority, and with its eye continuously on an election to come. He saw that the Government would face an increasing risk of losing by-elections, and of being defeated in the House of Commons by illness among its supporters; yet once the autumn had gone, winter hardships would compel it to try at all costs to avoid facing the electorate before June.

When these arguments had settled in Mr Attlee's mind, as they seem to have done last month, they were clearly overwhelming. His colleagues and the party organisers could set against them nothing but the wish to stick to office, the moral feebleness of nursing slender hopes, the perpetual reluctance of careful organisers to put their organisation to a sharp test. These are not the qualities of Mr Attlee's own mind. Once an issue has commanded his full attention he can be, as he has shown before, bold in decision. And he possesses also a modest self-confidence. It is perhaps a conviction that, whatever they tell the public opinion pollster beforehand, when they come to the ballot-box the British people, like the American people in 1948, feel safer with a little man trying to do his best.

It seems unlikely that Mr Attlee finally rejected the opinions for delay—some of them expressed across the Atlantic—until last week-end. But once the decision for an autumn election was taken there was no point in leaving it until November, and it would not have been in Mr Attlee's character to delay the announcement while hints and speculation inevitably gained currency. He has given his own party as well as the Opposition just five weeks in which to decide what the issues are and put them before the voters.

The Way of the Meteor

Mr Bevan is now unimportant enough to be judged by his friends more than by his own actions. He seems, indeed, to be letting the friends do the running in the campaign that is still doctrinally so vague as to have no name but Mr Bevan's own. They are not a co-ordinated group; so many have let themselves be nominated for the next Labour party executive committee that in the voting at Scarborough they are likely to defeat each other. That may be attributed to too much enthusiasm or too much ambition, but it is not the only evidence of their political inexperience.

"Going Our Way," a pamphlet continuing the argument of "One Way Only," was published this week. Mr Bevan contributes only a brief and vague introduction; he appears to have had little to do with the rest. One of the anonymous contributors has let himself be so carried away by the journalism of personalities that a main section of the pamphlet is devoted to a verbose attack on those trade union members of the Labour executive who have supported Government policy—and, in particular, the executive's statement of Labour doctrine in "Our First Duty: Peace"—although their own unions have opposed various points in the policy. It is charitable to conclude from this that Mr Bevan has lost interest in the movement associated with his name. He can hardly have been guilty of so gross a blunder as to fire guns that can be turned with the greatest ease against himself. He has not resigned from the Labour executive and therefore shares responsibility for the policy statement published in its name. Yet it is he and his immediate friends alone, not the unions, who in their other statements reject that policy almost in its entirety.

For the rest, the pamphlet fails to make its authors' argument any more coherent or relevant than it was before. There are perfectly good grounds for arguing about the level of armaments that the West would be wise to have in 1953. But if the need for rearmament is admitted at all (and Mr Bevan's friends continue to admit it), then plainly the effort can achieve its purpose of deterring Russia only if it is made as quickly as possible. This year and next, it can hardly be too great. The pamphleteers continue to ignore the obvious and to suggest that less rearmament should be done now as well as in 1953. By this one consistency they have lost any right to serious consideration that their status in the Labour movement once gave them. "Bevanism" has proved to be a strange meteor in a dull summer sky. It is almost burned out now.

Secret Sessions at Ottawa

There has been a very proper secrecy about most of the figures and some of the arguments put before the foreign, defence and finance ministers of the Nato governments at Ottawa. For not only are many of the problems before them, such as the medium-term defence plan, of crucial military importance but many of the demands made and arguments used could be politically embarrassing to ministers in their own countries. The attempt to find some method of sharing and adjusting the costs of rearmament is proving even more difficult than was expected; and Mr Gaitskell has found himself in the position of agreeing with the French that the Americans should be asked to slacken the pace from a gallop to a canter.

In general there seems to have been in Ottawa a tendency for the weaker members to ask the stronger members to be a little less tough and rather more sceptical of the immediate threat from the Russians. The Norwegians and Danes, it is true, have given way to the military arguments for bringing Greece and Turkey into Nato, but without surrendering the sound political arguments against pretending that the Near East can be regarded as part of what the conference is increasingly calling the Atlantic community. And ministers from other countries have been complaining that the drive for results and efficiency will give the Big Three too much power in an ostensibly democratic body.

These complaints are not new and should be treated with sympathy; but the answers will not be obvious until the ministers have done some fresh thinking about the future scope and organisation of Nato. That they should have gone into committee for this purpose is one of the best pieces of news that have come out of Ottawa.

* * *

Mossadegh Keeps His Stance

Even those who most deplore Dr Mossadegh's lack of constructive policy must admit that he is masterly at keeping critics at bay. He can no longer muster a quorum in the Majlis but he is full of devices which show how well he knows his public. These include slow-motion play with his "ultimatum" to Britain (to which Mr Harriman has sensibly refused to give endorsement), his stream of announcements of profitable oil sales about to be negotiated, and his conjuring up of plots—new or old—against the regime and royal house. He gauges to a nicety Teheran's famous capacity for turning a crumb of rumour into a whole meal. He remains in office, therefore, as the hero who got rid of the Anglo-Iranian Oil Company.

Those who wish for his replacement by someone more ready to treat with the west must not be dismayed by the time it is taking. Their purpose would be defeated if he were to be pushed from office while still wearing the halo of patriotism—a potential martyr. They will gain their end only if he falls in circumstances which make it clear to the Persians that he has stopped the wheels of their oil industry, lost them markets and virtually halved their revenue.

If British judgment of psychology were good, nothing would be said or done to lessen the chances of facts sinking home. Naturally the British ban on delivering "scarce and dollar-worthy commodities" has been represented in Teheran as a sanction, and—though it has heartened Dr Mossadegh's political opponents—it has provided him with a fresh propaganda item for the anti-foreign smoke-screen in which he cloaks his failings. But a few non-deliveries of steel-rails have little impact on the man in the street. Much more important is the fact that the ban includes one staple article of daily diet—sugar. Persia grows some of its own sugar, and it has ample stocks. Its total import has in the last few years never exceeded 150,000 tons. The maximum dollar cost of 150,000 tons of sugar, delivered, is under three-quarters of a million dollars. Even if all the import came from this country (which it does not) this would be a cheap price to pay for depriving Dr Mossadegh of the chance to blame every flaw in sugar distribution upon Britain. Some over-zealous dollar-saver in Whitehall has blundered, and has made the Tudeh party a gift of the argument that Russian sugar is readily available.

* * *

Japanese Attitudes to the Peace Treaty

In spite of the remarkably generous spirit of the San Francisco treaty, with its lack of humiliating phrases or permanent restrictions of sovereignty, it has (together with the supplementary American-Japanese security pact) evoked some strong criticism in Japan. This is not to be attributed merely to cantankerousness in a people now free to talk after a period of foreign tutelage and suppression. The Japanese cannot help feeling nervous at a treaty which formally binds them to the distant United States while leaving them treaty-less in relation to their two most powerful Asian neighbours. Even though the new security pact assures them of assistance in the defence of their country against possible attack, it also seems to them to increase the risk of being involved in war—particularly a war which might break out between America and the Soviet Union over an issue which did not concern Japan. The Japanese have shown remarkable martial qualities in what they believed to be the service of their emperor and country; but the outcome of the last war deflated militarism and produced a sense of helplessness, combined with a desire to withdraw into the national shell and keep clear of the quarrels of a world which still remains full of strife. There is envy of the position of India, whose position on the fence in the current world conflict seems to many Japanese the one which their country should try to imitate.

The peace treaty has, of course, to be ratified by the Diet, and even if this is done—which should be assured by the majority commanded by the Liberal and Democratic parties, both represented on the delegation sent to San Francisco—the debate and the voting will indicate the political strength of the opposition. The Prime Minister, Mr Yoshida, evidently takes the matter seriously, for the Liberal Party is organising a campaign with meetings all over the country to explain the treaty to the people and counter the criticism of it.

A Japanese periodical, commenting on the treaty, has argued that, as current American sympathy for Japan is due to anti-Communism, it is liable to disappear either if there should be a Soviet-American reconciliation or if Japan failed to "act in line" with American policy. It is for the American Government—and Congress, which holds the purse strings for Asian economic development—to demonstrate in practice that the American attitude towards Asia is not merely strategic and selfish, but is based on a real interest in the welfare of Asian peoples. Otherwise that anti-western, Pan-Asian sentiment which is so widespread in the Far East and so cleverly exploited by the Communists may gain a hold on Japan so strong as to deprive the peace treaty of its intended effect.

* * *

Dr Dalton's Boycott

The protests wrung from the textile trade by Dr Dalton's attempt to instigate a buyers' strike are probably music to his ears, since they suggest that the attempt will succeed. So, within limits, it may. A purchase postponed does often prove to be a purchase abandoned, and so represents a net reduction in demand. Thus an expectation of lower prices, however unwarranted by the existing state of supply and demand, may be to some extent self-justifying; the arousing of such expectations may to that same extent

be an effective method of reducing prices. The kindest thing one can say of Dr Dalton is that he may realise, and be acting on, this fact. His manœuvre remains none the less an obvious exercise in buck-passing and an irresponsible piece of electioneering.

It is buck-passing because control of the volume of home demand is properly the Government's responsibility. When, as now, it is desirable that fewer goods—textile or other—should go to home consumers, and more for export, the obvious and effective course is to deflate home incomes. The result, it is true, will be a certain amount of frictional unemployment, but identically the same result must follow on any adequate reduction in home demand by exhortations like Dr Dalton's. The difference is that in the first case Government policy can plainly be held responsible, while in the second case the chain of cause and effect is less obvious to the unsophisticated. Or, of course, one can ration; but a return to rationing and its inconveniences would, once again, bring odium to the Government. Renouncing both methods in favour of hit-and-miss exhortation, Dr Dalton descends to the level of a Ramsay MacDonald exorcising the slump by incantations of "on and on and on and up and up and up"—but without MacDonald's excuse of lacking any other proved prescription.

Dr Dalton's manœuvre is also irresponsible electioneering, because only a little of its effect will be to put off some purchases for ever. The greater part of the fall in selling prices, which is a response to mere postponement of demand, must be temporary. Such a passing trough in the trend provides, if it is properly timed, handy election material; but it is provided at the cost of business stability. Price fluctuations genuinely registering the underlying changes of demand and of costs are the normal stuff of rational business decision; price fluctuations generated by artificially induced aberrations in consumers' behaviour reduce business to a gamble. The case for the planned economy has always rested largely on its supposed (though, to put it mildly, unproven) ability to abolish irrational price fluctuations and ensure that price trends conform to basic economic realities. Deliberately to increase fluctuation is a piece of irresponsibility verging on sabotage of the planning Dr Dalton loves.

* * *

Controlling the Hospitals

The hospital service has come to the parting of the administrative ways. That is the general conclusion of the report of the Select Committee on Estimates on the regional boards and management committees (HMSO, 12s.). It was originally intended, both by the Government and by Parliament, that the boards and committees were to enjoy as much financial independence as possible. In fact, in the three years since the health service was introduced, the freedom of the boards and committees has become smaller and smaller and the Ministry of Health's control ever tighter.

Thus the major question of policy that has to be decided is whether the regional boards are really necessary as executive bodies. If the Ministry of Health wishes to exercise an increasingly direct control over hospital finances, then many of the boards' functions become redundant and their presence as a supernumerary controlling authority between committees and Ministry merely causes irksome delays. They should therefore become purely planning and advisory bodies, and in matters of hospital budgeting the Ministry should deal directly with the management committees. If, on the other hand, the Ministry does not wish to dispense with the regional boards, it must be willing to give them greater scope and responsibility than they have at present.

The Select Committee could not itself make a recommendation on this matter of policy. But there is no doubt from the recommendations it does make where its sympathies lie. For instance, it recommends that the power to allow management committees to transfer expenditure from one subhead in their estimates to another should be restored to the regional boards. On unspent balances, it recommends that if hospital authorities have been able to make real savings on their estimates, they should be given some recognition of the fact in the approval of their subsequent estimates. Both these recommendations, if carried out, would go some way towards the principle of financing the hospitals by means of block grants—a principle urged by nearly all the witnesses examined by the Select Committee. The committee itself does not go so far as to recommend the block grant system. But it is sympathetic towards the proposal—which is all the more significant because the Ministry of Health's main objection to the block grant is that Parliament would never agree to it.

* * *

Too Much Meat

This week the country has experienced a grave new problem. The meat ration is too large. The butchers say that it has not been fully taken up, and they therefore object to paying to the Ministry of Food a surcharge of 10d. in the £ on the wholesale price. This surcharge is part of the strange system by which the butchers pay the Ministry when the ration is above 1s. 8d., and the Ministry pays the butchers a rebate when the ration falls below that level—the general aim being to give the trade a fair profit in the light of what it earned before the war. With the ration at its present level, the shop assistants must work overtime and this, with the higher surcharge, is said to reduce the butchers' gross profits. The Ministry has agreed to an investigation of their costs.

The problem, however, has found its own solution. The 2s. 2d. meat ration ends this week, for the peak period of home killings is over. (Actually the peak was lower than had been expected, owing to strikes of Irish dockers and British slaughterers, and Mr Webb's promise of a 2s. 2d. ration was kept only by drawing on imported supplies.) Next week, when the ration is 2s., the butchers still expect to be left with some surplus meat, but with the surcharge at only 6d. and less overtime, gross profits will be perhaps 1 to 1½ per cent higher than their present level of about 14 per cent.

It would be hard to imagine a combination of more absurdities than the system which gives the butchers a vested interest in handling less meat, pays them for not selling it, freezes the trade at its prewar size, although the quantity of meat to be handled is much less, and leaves meat piling up at some butchers while others, in wealthier districts, could sell twice as much. Never was scarcity organised with such intricate care.

* * *

Towards German Equality

The British, French and American Foreign Ministers announced on September 13th their agreement to "transform completely" the relationship of their states with the German Federal Republic. There is no reason to doubt that they intend to grant the Germans treatment as liberal as the Japanese received, in so far as the division of Germany permits. But, were full sovereignty to be conferred in a peace treaty it would mean abandoning the Allied rights which are based on four-power agreements with the Russians. In particular, their forces would no longer have a legal claim to occupy Western Berlin. The Allies will therefore retain special rights in questions affecting Berlin and Germany as a whole. In other words, they will continue to deal with Moscow and General Chuikov, in consultation

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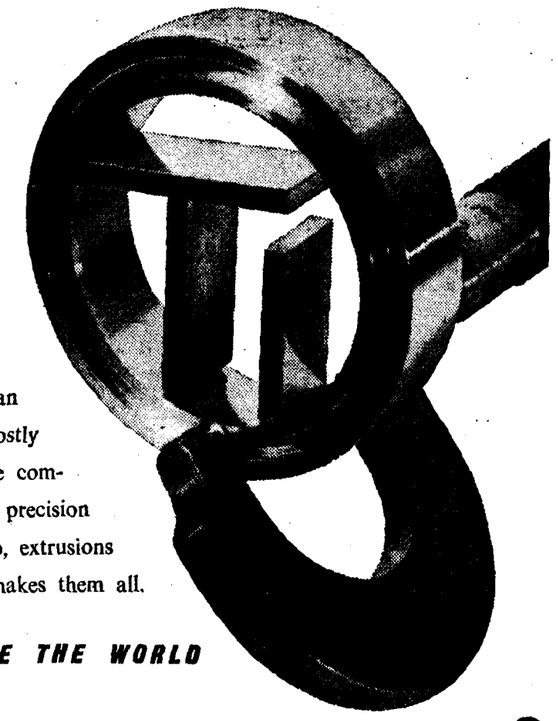

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with Dr Adenauer or his successor. There will be no German Ambassador to the Kremlin. Finally, they will retain certain rights to safeguard the security of their forces in Germany.

The contractual agreements which will be concluded with the Federal Republic will not be a *Diktat* in the Versailles manner. They will be freely negotiated with Dr Adenauer and his advisers. The guiding principle that has been followed is, indeed, as the communiqué states,

> the integration of the Federal Republic on a basis of equality within a European community, itself included in a developing Atlantic community.

The High Commissions will be transformed into embassies (which will presumably become a charge on their respective treasuries instead of the German budget); the armies of occupation will have the status of defence forces stationed in Germany.

The Allied embassies will no longer have the right to interfere with German legislation or other domestic affairs. On the other hand, the Allied Governments will ask the German Government to undertake not to undo the reforms which have been imposed upon them. It is easy to forecast that trouble will arise over the Allied decartelisation measures, which the Americans regard as essential to democratic freedom. The Japanese have already indicated that they intend to repeal similar regulations made in Japan, so the Bonn Government will probably continue to evade the issue. In any case price rings flourish even under the eyes of the American High Commission.

The Allies will also retain the right to resume powers in an emergency. This decision is intended as a safeguard against a Communist *coup-d'état*, though German democrats hope that it would also be used to protect the state against overthrow from the extreme right.

The Washington communiqué makes it clear that Western Germany is to join the Atlantic defence forces at the same time as it regains its liberty. Dr Adenauer has again welcomed this proposal; he sees the European army and the Schuman Plan as means of linking Western Germany with the West before it is united with the Soviet Zone. But Dr Schumacher is once again blindly opposing him.

* * *

No Heirs for Dr Adenauer

Dr Adenauer is due to visit this country in the middle of October. It is to be hoped that, if the election campaign should interfere with this arrangement, his visit will only be postponed for a very short period. The Federal Chancellor has been to Paris and Rome since the war, and he is constantly in touch with the American High Commissioner, Mr McCloy; but his relations with Britain have not been so close. This is a reflection of the fact that Britain is not taking part in either the Schuman or the Pleven plan, to which the German Chancellor devotes so much of his attention. For Dr Adenauer is a genuine West European, one of the few Germans who do not simply mean "Germany" when they say "Europe," and "my own interests" when they say "Germany." Inevitably, he exasperates the other members of his government by the concessions he makes to their political opponents—notably the Trade Union Federation—and by his tendency to make decisions over their heads. He is no economist, and is too easily impressed by the last pundit he has happened to speak to. But when all is said and done, it is more important that the German Chancellor keeps clearly in view his overriding aim—to link Western Germany firmly with its neighbours as quickly as possible, because time is short.

Time presses not only for Western Germany, before it joins with the Sovietised east, but for Dr Adenauer personally. The British are too much inclined to act as though Dr Adenauer were there for ever, instead of being a seventy-five-year-old politician with a mounting opposition against him. The Bonn coalition has frequently been strained of late, but has survived for fear of the common enemy—Socialism as represented by Dr Schumacher. At best, however, elections cannot be postponed beyond 1953, and will come much earlier if Dr Schumacher has his way. Then Dr Adenauer may well go down under the charge of having "capitulated" to the French and the Trade Union Federation.

In any event, the Chancellor's age suggests that, vigorous though he is, he should be appointing a successor in the Christian-Democrat ranks. Unfortunately, events in Germany since Hitler have eliminated the younger generation in politics—the *Nachwuchs*. After 1945, recourse had inevitably to be made to the survivors of the Weimar Republic; the rest had been Nazi party officials, or nothing. The Russians faced this situation and made no bones about it; they have simply passed over the lost generation, and have given authority to the young men of twenty, who learn as they make mistakes under the eyes of their elders. Their policy has much to be said for it. It is, however, too ruthless for the West. London, when it greets Dr Adenauer, should realise that he has no heirs.

* * *

First Case for the Battle Act

While Mr Morrison was explaining Britain's trading policy with the East to a still sceptical American public, the British Government was illustrating his thesis by concluding a contract for one million tons of grain from the Soviet Union (discussed in detail on page 704). As the Foreign Secretary stated it, the doctrine was simple and sensible; restrictions on East-West trade, beyond the point where goods of direct strategic significance were involved, will entail a loss to the West far greater than the corresponding gain to the East. In other words, Britain does not trade with the Russians and their allies out of cussedness and political wrong-headedness, but as a business proposition deemed to the advantage of the West as a whole. But a complication has crept into the grain contract; for, like the timber contract which preceded it, it contains a clause under which Moscow may suspend or reduce deliveries if it cannot spend on sterling area rubber the sterling earned under these contracts.

This clause—which appears, perhaps deliberately, to be as vague as vague can be—has still to be interpreted. In the last two years, the Russians have imported rubber at the rate of about 55,000 tons this year, 82,000 tons in 1950, and 100,000 tons in 1949. Britain, on the other hand, is publicly committed to the principle that no goods of strategic value shall pass through the iron curtain; and it has equally accepted the principle that, while rubber in itself is not a strategic commodity, rubber in quantities in excess of normal requirements becomes a strategic commodity. It looks as though Moscow's normal requirements must be assessed at somewhere between 50,000 and 100,000 tons; but the combined proceeds of the timber and grain contracts will, at present prices, provide sufficient sterling to buy roughly 100,000 tons of rubber.

This is the measure of the possible political complications. The vagueness of the conditional clause suggests that Britain has decided to face it only when it arises, and not before. But with the advent of the Battle Bill, this ceases to be a question with which Britain alone is concerned. In fact, before the Bill is cold from the lips of Congress, before it is even ratified, its still unknown administrator is already provided with a classic model of the tasks before him.

There is, of course, an alternative for Britain: it is that it should buy American grain. But there are no longer any ECA dollars which could be used for the purpose, and Britain itself is heading for a new crisis in its dollar balance of payments. It is already buying as much as it can from non-Russian, non-dollar sources. What alternative has it but to make up the balance from Russia?

* * *

Emaciated Technology

The Government has now published in a White Paper* its views on the vexed question of higher technological education. It cannot be said to have produced any clear-cut policy. Technological education outside the universities is to advance, in so far as it advances at all, in the hands of the local authorities. Such is the outcome of the prolonged discussions and numerous reports during the past six years.

The universities are to continue to expand in their own way and in their own time; no new technological university is to be provided; selected technical colleges, almost all of which are local authority institutions, are to receive increased financial assistance; a new body (to become Royal as and when it grows to a sufficient stature) is to be set up to grant a new award of associateship to technical college students who take "approved" courses.

This hotch-potch of decisions will offend no one. It is designed not to. It may even effect some gradual improvement in the technical colleges over the years. But the White Paper evades the knotty problems with a suavity which must itself call forth admiration. The universities have strenuously opposed the setting-up of any rival institution such as the Massachusetts Institute of Technology; the Government has contrived to please them while tactfully doing so on grounds of economy—that an investment of some £6,000,000 with a return some ten years hence is not justifiable at the present time. Will any time be right and a hopeful experiment ever be made? The result is that the Government relies too heavily on the technical colleges. The White Paper says that the national advisory council on education in industry and commerce will shortly announce the details of their proposals for making improved financial assistance available for selected colleges and courses. Final judgment must await their publication, but it is difficult to feel confident that the advisory council will be strong enough to resist the claims of a multitude of colleges. Its temptation will be to spread the resources too widely and too thinly, to promote too many colleges from third-class to second-class status and to have none in the top rank. This is a policy which will please local education authorities. It will not help technological progress.

* * *

Focus on the BBC

The BBC's annual report† demonstrates, as usual, an impressive range of intellectual effort and technical achievement. Among the good and interesting things recorded are the increased contributions of the Regions to national programmes, the expanding audience for serious entertainment, the growth in North America of the habit of rebroadcasting BBC programmes, and the desire to interest the public in radio experiments. Among the bad things are the highly conventional handling of news bulletins, the most unsatisfactory wave-length position under the Copenhagen agreement, and the reckless belief that television should penetrate every hole and corner of national life.

The people's taste in the age of the common man still presents some curious features. Twelve million people now listen to the fairly serious Saturday Night Theatre, and promenade concerts can be heard on the Light Programme;

* Higher Technological Education. HMSO.

† Annual Report and Accounts of the British Broadcasting Corporation. Cmd. 8347. HMSO. 4s. 6d.

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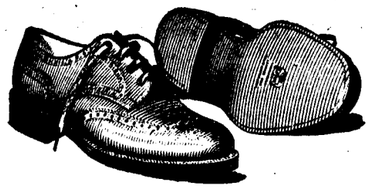

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INJUSTICE

IF you offer money, out of the goodness of your nature, for a specific charitable purpose, is it really to be tolerated under the law of England that authority can make you hand it over against your will to be used for something else ? With one voice every member of the public who believes in liberty and justice must say No. But somebody at the Ministry of Health has been trying to say Yes—as far as money collected before July 5, 1948, is concerned.

At stake is part of £24,000. It was raised by the Peanut Club, and that, in the vernacular, ain't peanuts. It was contributed during the war by well-meaning people for one object and one object only—a children's wing at the world-famous Queen Victoria Hospital at East Grinstead, in Sussex.

But, apparently, the Ministry of Health took the attitude that they cannot promise to use the money for the purpose for which is was subscribed. In those regrettable circumstances one would suppose that the sum must remain where it is, in the control of the organisers. That is not the Ministry officials' idea. *They have claimed that the law establishing the Health Service gives them the right to demand this money and use it for general health purposes.*

Clumsy Handling

We find it hard to believe that the courts would have to uphold a claim so clearly against the common good. *But if the Ministry are right and the legal position is as they say it is, then there is only one thing that must be done. That is to change without delay a law which is morally wrong, a law which deserves the description of robbery.*

The clumsy handling of this case has roused the town of East Grinstead. It will rouse the people of Britain. It is not enough to find a way out that may satisfy East Grinstead. The principle is of national importance. *It must be laid down that the Ministry have no right to seize such private funds, even if it needs an Act of Parliament.*

Reprinted from the editorial column of the Daily Mirror of Sept. 19. The Daily Mirror's net sale—over 4,400,000—exceeds that of any other daily newspaper in the world.

but any evening between 6 and 10 p.m. out of every 100 listeners 63 are taking the Light Programme, 36 the Home Service and one the Third. Likewise the serious talk of the thirties is quite obviously giving place to the bonhomous technique of "Any Questions," and the controversial standards of the third-class carriage are displacing those of the Brains Trust.

Indeed, this prickly question of how to present controversy is one of the most interesting topics of this report. It is clear from remarks contributed to the report by North Region that not everyone is happy about the present trend towards slapstick. Certainly the invitation to "have a go" that the BBC issued to politicians and intellectuals last summer has had bad as well as good effects. In the radio programme called "Argument" and in the television programme called "In the News" there have been quite shocking examples of bad manners, intellectual clowning and downright misleading statements which go uncorrected. If a politician talks boorishly or inaccurately in the House of Commons or in public there is some chance that he will be corrected, and the correction will appear in Hansard or the press. In broadcast controversy, which aims above all at pace, liveliness and high tension, this will not happen, and some debaters take advantage of the fact. The desire to entertain and show off is an essential ingredient of good talk and lively argument; and the BBC is to be congratulated on the experiments it has made. But observance of the simple rules and good manners of debate is an important part of the British *mores*, and the common man and his family should not be encouraged to think that they do not matter.

* * *

Malaya Sets Its Sights

That the founding in Malaya of a political party with independence as its aim should receive an official blessing is something peculiarly British. There is no reason to believe that the blessing is not genuine, and there is every reason to hope that Dato Onn's new Independence for Malaya Party which was launched on Monday will prosper. For there are at least three clear points in its favour. In the fullness of time the colonial status of the Federation is bound to change, and it is best that this should happen through the gradual evolution of experienced political parties working within the present constitutional framework. The appearance of the new party represents a historic step in Malaya, since it is the first to cut across communal boundaries with any real chance of success and to make its appeal to all races equally—Malays, Chinese, Indian, and indeed Europeans and Eurasians. Last, but by no means least, this is the first attempt to offer an alternative to the banned Malayan Communist Party as a focus for nascent nationalism.

A host of questions present themselves which only time can answer. It is most doubtful, for example, whether Dato Onn's idea of independence within seven years is practicable, and it would be wrong for anyone to count on it or for the British to make any definite statement on the matter at this stage; there can certainly be no satisfactory state of independence unless Malaya achieves the racial accord at which the party aims. Nor is it clear that independence is to be within the Commonwealth. Dato Onn declares, quite rightly, that no decision can be made today. Then there is doubt about how much support the Independence Party will get from the various communities. Dato Tan Cheng Lock, president of the Malayan Chinese Association, presided at the inaugural meeting, and the other main backing at present comes from the Malayan Indian Congress and the Malayan Trades Union Council. Many of the leaders of the Malays are now prepared to follow Dato Onn, even though he has reversed his former view that "Chinatown," the colony of Singapore, should be kept separate from Malaya. The outlook is good for this statesmanlike venture which, in the words of a correspondent, aims at giving Malaya a soul.

Signor De Gasperi in America

Italy has been both lucky and unlucky in the way its relations with the Western Big Three have developed. On the credit side Rome must place the fact that its request to rescind the peace treaty is being favourably received. On the debit side is the fact that the Jugoslavs are competing hard for western support in disposing of the perennial problem of Trieste. These two matters at present take up a great deal of attention in Italy, and this is a factor which cannot be ignored when calculations are made about its contributions to Nato. Indeed, many Italians are apt to judge the value and progress of western co-operation by the success which their Prime Minister may now achieve over these two questions in his talks with western colleagues at Ottawa and Washington.

The difficulty about revising the peace treaty is that the Russians are most unlikely to agree to any change, and are vetoing Italy's entry into the United Nations, whose machinery the treaty provides as the only method for revision. And it is, of course, absurd in any case that Italy should not now be a member of Uno. This week at Ottawa Signor De Gasperi made a statement showing how the treaty might be "abolished." He asked the Great Powers to make a general declaration denouncing it and then to re-negotiate individual clauses with Italy in the light of today's requirements. This, however, would be to fall into the error of making an illegal unilateral denunciation and will have to be avoided at all costs. It would play not only into the hands of the Russians, but into those of nations everywhere—the

Constitutional Monarchy

Our English Queen reigns not only over the throne of these wide realms, but in the hearts of all her subjects; wherever she moves through the length and breadth of the land, her progress is a *spontaneous* ovation; and old men, who have lived through three reigns without seeing a Sovereign to whom they could worthily and heartily bow down, rejoice to have been able to experience, once before they die, the sentiment of genuine loyalty! . . . By what spell has our Queen thus won the love and devotion of all ranks, classes, and parties of her subjects? It is not mere youth and beauty. . . . It is not mere domestic virtues and the decorums of a well-regulated life—respectable as these are always, and fascinating as they are in a lofty rank, and amid the dazzling and intoxicating splendours of imperial station. . . . It was these things in part, but not these alone. In addition to these and more than these, Her Majesty's popularity is due to her rigid adherence to and observance of the constitutional principles of Government; to the cheerful promptitude with which she has waived personal predilections . . . in deference to that safe and healing maxim of English law which requires the Sovereign to govern in conformity with the wishes of the Parliamentary majority; and perhaps still more to that ready sympathy with the feelings and sufferings of her people . . . which she has manifested on every possible occasion, and in every possible manner which etiquette and salutary custom would allow . . . and to the conviction which has thus grown up in the heart of the nation that she is, life and soul, devoted to the furtherance of their welfare. The People—taking that scandalously narrowed and misused word in its widest signification—feel that their Queen is with them—*is on their side;* not, as on the Continent, a hostile and controlling power, but a friend, a comrade, and a fellow-labourer.

The Economist

September 20, 1851

Persians and Egyptians occur at once to mind—who seek to tear up their international agreements. What the western powers would have every justification in doing, now that Italy has given proof of a genuinely democratic and peace-minded attitude, is to waive their rights to individual clauses.

Signor De Gasperi's other two objects in going to Washington are to seek more American economic aid and more progress towards a settlement in Trieste. The latter is perhaps her most vital task. During the past two years relations between Italy and Jugoslavia have much improved for obvious reasons. Marshal Tito, however, gave solemn warning a few days ago in a Note to Rome that this did not mean he would abandon any of his claims to Trieste. His protest was timed to coincide with Signor De Gasperi's arrival in America and it certainly faces the western powers with a very delicate choice. It is obvious that neither Rome nor Belgrade can now give way on this question without possibly very serious political embarrassment. On the whole, however, Marshal Tito stands to lose less prestige and to gain more solid diplomatic and military support than Signor De Gasperi by a partial compromise over Trieste for the sake of opening a new era of friendship between their two countries. A friendly instead of a hostile Italy would secure his rear, and this is what the west must seek to bring about during the next few weeks.

* * *

From Blackboard to Screen

Those who view the television habit with fear or with distaste will welcome frigidly the scheme announced by the BBC and the School Broadcasting Council this week. Yet after school broadcasting, school television is a logical step; the spread of scientific discoveries cannot be stopped at the schoolroom door. In due course, therefore, television will be added—in some form and to some extent—to the list of methods of school instruction, however reluctant some may be to see its use.

The day when this will happen on any large scale is still at least as far ahead as the autumn of 1954. The immediate proposal is to conduct a pilot experiment among a small sample of secondary schools near Alexandra Palace. If this is successful, a larger experiment will be tried the following year. Meanwhile the authorities remain uncommitted to any final decision.

The development of school television has been hampered so far by three difficulties. The first has been the absence of the necessary knowledge of techniques; this the experiments are intended to provide. The second was the restricted geographical area covered by television. Thirdly, no receiving sets have yet been manufactured which would enable a whole class of 30 or 40 children to see the screen without eye strain; the prospects of overcoming this difficulty now seem much nearer, provided that manufacturers can expect a reasonable demand from the schools.

While the stage seems to be firmly set for the development of school television, the BBC is at pains to emphasise the tentative nature of the present proposals. The technical questions are less important than careful thought about the distinctive contribution television may make to education. It is fatally easy for these aids to teaching to be used as substitutes for education, for the easy inlets of the eye and ear to deprive the child of the wish either to read or write. Those who advocate school television must make their case that education is better and not just easier with its assistance. Success requires not only skilful programmes but also highly skilled teachers. Unless the schools know clearly what they are trying to achieve, it is the teacher who will be the weakest link in the chain.

Books and Publications

The Personality of Castlereagh

Castlereagh. By Ione Leigh. *Collins.* 383 pages. 21s.

"The more I study the matter the more I consider it makes Castlereagh greater and Canning less." With these words of Lord Morley, the revival of Lord Castlereagh's reputation may be said to have begun at long last, though Lord Morley's perception was not quickly followed up. It was not until 1931, more than a century after his death, that Castlereagh's foreign policy was accorded serious historical treatment, and not until 1936 that one of the greatest of British Foreign Secretaries was granted an adequate biography. Since then his stature has generally been appreciated among historians; but he remains no more than a name—if that—to the wider public.

Miss Leigh's new biography would be welcome if only because it sets out to remedy this public ignorance; it must also be welcomed for merits of its own. Her book, consciously aimed at a wide audience, is so effectively constructed and readably written that it should easily gain one; and its fresh and sympathetic yet accurate drawing of its subject should do much to widen the appreciation of Castlereagh as a man and as a statesman. She has taken measure of the serious difficulties and has solved them to a large extent.

For Castlereagh is not an easy subject for biography. By temperament he was elusive and aloof; his mind was cautious and balanced rather than dramatic; as a House of Commons man he was an indifferent speaker though a courageous and skilful organiser; and while he has left us no glowing phrases as an orator, his public career was dogged by controversy and overshadowed by mighty contemporaries and even mightier events. Napoleon, Wellington and Castlereagh were all born in 1769. Castlereagh's first public office, as Acting Chief Secretary for Ireland, involved him in the suppression of the rebellion of 1798 and the passing of the Act of Union of 1800, and thus embroiled him—both with contemporaries and with historians—in that monumental controversy that is the Irish Question. His acknowledged model in foreign affairs was no less a person than the Younger Pitt, though he did more than work on Pitt's lines in this field. And, though he was not interested in domestic matters, he was less successful than Pitt in avoiding contempt and odium for his association with the repressive measures of the governments of his time. And if the other Prime Ministers under whom he served were no more successful in this than he was himself, Addington, Perceval and Liverpool were nonentities; while Castlereagh's work abroad—in initiating the Peninsular War, in organising the coalition which finally overthrew Napoleon and as the chief architect in the subsequent Vienna settlement—has been belittled because of his unpopularity at home as well as on account of the modesty of his methods and of the complexity of the events with which he had to deal.

To unravel these controversies and events, to isolate and assess the contribution which Castlereagh himself made, and to delineate the true character and temperament of a man who was not one to assert himself—these are the formidable tasks facing Castlereagh's biographer; and Miss Leigh has risen to them most competently. Castlereagh as a person emerges fully and clearly from her book: this is its most original part, for the unpublished papers used by the author are chiefly of a personal character. In dealing with Castlereagh's contribution to public life and events her book has, understandably, little to offer by way of original material; but it provides an adequate and well-balanced statement of the facts. And if, in compiling this statement, Miss Leigh has usually been content with narrative rather than argument and analysis, this is forgivable in a book which does not aim at becoming a standard work for historians and which succeeds as the popular account of Castlereagh that has long been wanted.

The Inflationary Gap

A Study in the Theory of Inflation. By Bent Hansen. *Allen and Unwin.* 262 pages. 18s.

This is a book written by an economic theorist for his fellow theorists. Its argument is abstract and rigorously presented, and the layman will find no ready-made remedies for our present troubles or more than illustrative references to recent events. For the specialist, however, it is a valuable addition to the literature of the subject.

The first three chapters deal with the relationships between such aggregates as the prospective demand for and supply of all finished products and labour, prospective investment and prospective saving. The discussion is a development and application to inflationary conditions of the system of concepts given in Part One of Professor Lindahl's "Studies in the Theory of Money and Capital" (which was published in the same series) and though largely a matter of definitions is by no means useless. The chapter on the inflationary gap is particularly interesting; Dr Hansen shows that the size of the gap bears no simple relationship to the magnitude or even the sign of the difference between prospective investment and saving. In the past most economists have assumed that the inflationary gap was one and the same thing as the prospective excess of investment over saving; it is now evident that it is important to analyse inflation in terms of the pressure in the labour market and the market for current output, each taken separately, instead of lumping them together in a saving-investment analysis.

The middle part of the book deals with repressed inflation in terms of this improved approach. It vindicates Dr Hansen's claim that the neglect of some post-Keynesian writers to consider separately and explicitly the inflationary pressure in the labour market was a serious defect. Thus he demonstrates how the closing of the inflationary gap by increased taxation or other measures will not necessarily abolish or even reduce the inflationary pressure in the labour market. Even though the output of all firms taken together will then just satisfy total demand, prices and costs may be such that each firm separately would find it profitable to increase its output and so try to bid labour away from its competitors. Dr Hansen also shows the inadequacy of both a "Red" policy (prices fixed and wages free) and of what he a little unfairly calls a "Liberal" policy (wages fixed and prices free) to restore equilibrium, and devotes a whole chapter to considering the effects of changes in productivity. The analysis is original and instructive, though some readers will find the simplifying assumptions a little too sophisticated.

The last three chapters contain, in order, a model of open inflation which is as ingenious but less revealing than the model of repressed inflation, a high-brow and uninstructive analysis of "the problem of homogeneity" in the models, and a discussion of the concept of monetary equilibrium where the analysis is applied to the problem of maintaining full employment without inflation.

As its title indicates, the book is a contribution to the theory of inflation and not a general treatise; many aspects of the inflationary process are hardly mentioned. But it is an original work of great interest, not only because of its subject matter but also because it proves that the Stockholm School is not yet dead.

Smoke Rings

The American Cigarette Industry. By Richard B. Tennant. *Yale University Press. (London: Geoffrey Cumberlege).* 411 pages. $5 or 32s. 6d.

Although it is almost one hundred years since some of the ladies of New York were reported to be smoking "through a weaker and more feminine article which has been most delicately denominated 'cigarette'," the American cigarette industry was not really born until 1890, when the American Tobacco Company was incorporated. It spent its first years in the successive violences of the plug war, the snuff war, the cigar war, the English war (which ended with the formation of the Imperial and British-American Tobacco Companies) and the Turkish war, which saw the quick defeat and absorption of the independent producers of Turkish cigarettes. But in 1911, in the year that it reached its majority, the "Tobacco Trust" was itself defeated by an enemy of exactly the same age, the Sherman Anti-Trust Act.

The tobacco ring, which by then was making 80 per cent of America's cigarettes, was split into three sections, which soon found themselves challenged by a fourth company and in the midst of the "Camel Revolution." Before long the industry was set in the pattern it has followed ever since, with Camels and Lucky Strikes competing for first place, with Chesterfields a fairly close third and, in the last decade, with Philip Morris and Old Gold tagging along behind, and the rest nowhere. In the twelve years between 1913 and 1925 net output was more than quintupled, and in the sixty years of its life the industry's annual production has grown from 2,500 million to nearly 400,000 million cigarettes.

The Camel revolution was two-humped: the new cigarettes were for the first time a blend of Virginian, Turkish and Burley tobaccos, in the now familiar packs of twenty, and the difference between the rival brands was, and is, not in the product or the price, but in the advertising. This brought the industry once again into conflict with the Anti-Trust laws, and in 1946 the three leading companies were finally convicted of criminal conspiracy to monopolise the trade, to fix prices and to limit competition in other ways. But five years later the Government still does not seem to have decided how the industry ought to be reorganised in order to remedy these faults. The explanation, in Professor Tennant's

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opinion, is that, while present practices in the cigarette trade may be the result of collusion between the companies, existing methods of pricing and marketing are the most satisfactory from the point of view of both tobacco producers and cigarette consumers.

Professor Tennant's detailed and exhaustive analysis is intended not only as an essay in economic history but as a study in the economic theory of competition and of public policy towards monopoly. The combined approach produces an interesting and valuable book, although hardly one that will appeal to the general reader.

Philosophy of Freedom

The Law of Freedom as the Remedy for War and Poverty. By Emil Korner. *Williams and Norgate.* Volume I, 562 pages; Volume II, 663 pages. 42s.

This book offers something new and not very interesting in the way of exposition of the doctrine of *laisser faire*. Mr Korner is apparently deeply versed in German metaphysics and the writings of the classical economists, but his command of economic theory is rudimentary in the extreme. His style of writing, too, creates such a wilderness of italics, inverted commas, indented paragraphs, quotations, and cross-references, to say nothing of idiosyncratic concepts, that the reader is often forced to return to Dr Amonn's introductory summary to discover the drift (a word that is only too appropriate) of the argument.

Volume I is largely concerned with the theory of liberty. Assisted by Adam Smith and the concepts of the Ego and the Self, the author reaches the familiar conclusions that individual freedom produces the best economic and ethical results, and that the role of the state is to protect freedom and do only what individuals would like done but cannot do for themselves. An important but questionable part of the argument is that *laisser faire* is only possible in a World State, and that national states are solely responsible for wars, so that *laisser faire* will eliminate war as well as poverty. The author breaks some new ground in tackling the ethics of actions which affect only the individual who performs them, but his conclusion that one should do to oneself only what one would like one's loved ones to do to themselves seems to presuppose the ethical standard it is trying to establish.

Volume II is concerned with specifically economic problems. Unemployment, according to Mr Korner, is attributable solely and simply to the fixing of the length of the working day; his solution, the "working time screw," is to vary the length of the working day so as to share out the available work. The magnificent simplicity of this suggestion is untrammelled even by recognition that unemployment fluctuates differently in different trades. Full employment is to be secured by free trade and free exchange rates, which will permit each country to export whatever it does not consume at home—a blatant fallacy, underlined by the author's admission that exports and imports must pay for each other.

The main theoretical contribution of this volume, according to the author and Dr Amonn, is the discovery of a stable standard of value. The argument, which is tortuous, smothered in obsolete terminology, and completely definitional, leads to the unit of unskilled labour. The practical conclusion that monetary stability can be achieved by fixing the wages of unskilled labour has been developed (for what it is worth) more simply by other writers.

The same comment may justly be made about the book as a whole: it lacks even the readability and realism of good propaganda. Mr Farnell deserves credit for having translated it into intelligible English.

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Shorter Notices

Outer Mongolia and its International Position. By Gerard M. Friters. *Johns Hopkins University Press and Allen and Unwin.* 358 pages. 25s.

The American edition of this book was reviewed in *The Economist* of April 29, 1950. The English edition has enabled Professor Friters to add in his new preface a certain number of facts not available for the American edition. He notes that the Russian press in November of 1948 at last mentioned the existence of the much-rumoured rail connection between Kakhta and Ulan Bator, and he asks whether it is supposed to link up with the more eastern connection of the trans-Siberian railway from Choibalsang (Bayan Tumen) to Boryza, and—still more important—whether it is intended to carry the line on to Paotou in Inner Mongolia, which would give a direct rail connection with Sinkiang. He suggests that the establishment of relations between Communist China and Outer Mongolia in July, 1950, may have been a *quid pro quo* to the Chinese for their recognition of the North Korean régime. Most interesting of all is the fact that Outer Mongolia is now known to have gone over in 1946 to the Russian alphabet. This would have the effect of weakening the links of the Mongols with Inner Mongolia and suggests that Russia's aims are still defensive rather than expansionist. Professor Friters has also added a few general reflections omitted from the American edition which suggests that he is less convinced of the happiness of the Mongols under Soviet influence than is Mr Owen Lattimore in his long and rather curious introduction.

Samuel Butler's Notebooks. Selections edited by Geoffrey Keynes and Brian Hill. *Cape.* 327 pages. 12s. 6d.

This seems likely to be the definitive version of the jottings that Butler himself regarded as the mark of a literary instinct. The editors have been back to the original manuscripts and have found a few worthwhile things overlooked by the two earlier selectors; they have also included some notes previously published only in Festing Jones's "Memoir of Samuel Butler" or in "Butleriana." The notes are now printed as Butler wrote them; this is undoubtedly the best method, but it creates a need for a much better index than this book possesses. The editors have, however, fully succeeded in their primary task of illustrating, by their selections, the range and quality of Butler's mind. And they have therefore provided almost endless material for fascination and stimulation.

Executors and Administrators. By B. A. Milne. *Stevens.* 107 pages. 4s.

This addition to the "This is the Law" series of handbooks for laymen is well up to the standard already set. It steers a useful middle course. It describes and discusses the general run of problems that an executor or administrator is likely to meet. It does not attempt to answer every possible complexity that could arise but it does suggest at which points they are most likely to do so. Even if the layman does intend to rely on legal advice in carrying out his duties, to read this book first will be a great help to him. There is one small point of criticism; the author might have devoted more space to the position of both widow and executor with regard to life policies of various kinds, and pensions and allowances, both public and private, for these play an increasingly important part in the new order of things.

The City of London. Compiled by Raymond Smith National Book League. *Cambridge University Press.* 40 pages. 1s.

This is a book list selected by the Librarian of the Corporation of London. Its publication is part of the Corporation's activities in celebration of the Festival of Britain. The list is restricted to books about the City and the emphasis is on British books in print or available without much difficulty at secondhand. The list is divided into sections, such as history, finance and commerce, government, social services, physical aspects and the pictorial record. The books included will be on exhibition in the Guildhall during the period of the Festival.

Letters to the Editor

Atlantic Issues

Sir,—You have done a great service by focusing attention so clearly on the need for an international executive organ to give decision and direction to the present welter of inter-governmental committees and councils. But if the free world is to confront the Kremlin dictators with the faith and emotion for which you so rightly call, then our own institutions must be democratic and not totalitarian.

We are in the process of signing away to these international committees not only sovereignty, but democracy itself. There is virtually no popular control over what goes on in the international field, because in present circumstances no national parliament could repudiate a committee decision accepted by its government without prejudicing the whole fabric of the free world's co-operation. Those who talk of the political impossibility of transferring some part of sovereignty to an international body are merely ostrich-like, because the transfer has to a large degree already taken place. You, sir, by advocating that the sovereignty transferred should reside in a centralised international executive organ run by Ministers of Cabinet rank nominated by governments, put yourself in the position of abrogating democratic control over how we are to fight the cold war against Communism. Concerted international action and democracy will only be compatible when those who make the executive decisions are responsible to a federal parliament exercising necessary and specified sovereign powers.—Yours faithfully, MARTIN MADDAN

London, W.5

Age of Inflation

Sir,—In the third of his articles your correspondent makes the claim that "rising prices have recently been the chief agent for redistribution of income from rich to poor." The figures which he gives to support this contention are, however, misleading, since they imply that business taxes have no effect on the distribution of personal income.

The figures given show that before personal income tax is deducted the share of wages has increased from 37 per cent in 1938 to 45 per cent in 1949, whilst the share of rent, interest, dividends, etc., has decreased from 37 per cent to 28 per cent. A glance at the 1950 National Income White Paper [Cmd. 8203] reveals that your correspondent has based his calculation on *personal* income from work and property, i.e., after deduction of business taxes and undistributed profits. But unless it can be assumed that business taxes have no effect on the amounts set aside for payment of dividends this increase in the share of wages cannot be attributed solely to inflation. In fact if undistributed profits and business taxes are included in the calculation—we are thus concerned with the distribution of *national* income as distinct from personal income—then in 1949 the share of wages is 41 per cent, salaries 23 per cent, armed forces 2 per cent, rent, interest, profits and other income 34 per cent; the 1938 distribution is almost unaffected. In other words the growth of national income in this period was accompanied by an increase in the share of wages of some 3 or 4 per cent, a gain not at the expense of trading profits whose share also increased substantially (from 12 per cent to 17 per cent), but at the expense of fixed incomes, e.g. rent, professional earnings, etc.

As your correspondent points out, the share of wages is further increased to 48 per cent in 1949 as against 39 per cent in 1938, after deduction of income tax. Thus of the net gain of 9 per cent over the period less than half can be attributed directly to inflation, the remainder being due to taxation plus the restraint upon dividend distribution. Of course the high level of undistributed profits is a consequence of inflation, but even taking this into account it cannot be said that taxation redistributes income less than inflation.—Yours faithfully,

G. W. MAYNARD

University College of Wales, Aberystwyth

★

Sir,—I feel impelled to register a protest against the series of articles to which you have recently given an airing.

The doctrine that inflation is inevitable and permanent is surely not only irresponsible but also highly pernicious; for it is among the primary tasks of government not only to reject inflation with all its attendant injustices but so to arrange our affairs as to achieve stability. The fact that the present regime of overfull employment and low interest rates renders the task much more difficult is no excuse for throwing up our hands in despair.

Your correspondent's own plan for tethering everyone and everything to a cost of living index would on the one hand, as he himself admits, make prices rise faster than ever, and on the other hand promote universal ruin. Some of his more detailed proposals for his brave new world appear to betray a fine ignorance of practical affairs. He talks, for instance, of a new basis for life assurance whereby both premiums and benefits are tied to a cost of living index. How does he think it could be worked?

This letter was written before the appearance of your editorial rejoinder in your issue of September 8th, but I do not think I want to alter it.—Yours faithfullly, G. R. RECKNELL

London, E.C.2

★

Sir,—The new basis for most kinds of whole life or endowment insurance, suggested in your correspondent's article on August 25th, apparently overlooks the fact that increases in the cost of living leave less margin out of which to meet the increasing yearly premium.

Any existing policy holder who might wish to achieve the same effect as that envisaged may always, subject to satisfactory evidence of continued good health, offset the deterioration in the value of money by effecting further policies of such amounts as the individual himself considers appropriate. The additional premium payable on such later policies in view of the policy holder's advancing age is insignificant compared with the amount of such extra sums assured.

Surely the criticism of the present form of insurance contract is largely directed against without-profit policies; the obvious solution to the state of affairs visualised is a with-profit policy which, enjoying the right to participate in the profits of the life assurance society, embodies a natural hedge against the effects of inflation.—Yours faithfully,

M. G. HEPBURN

London, W.C.2

The Tourist Industry

Sir,—In your second article in your issue of September 15, attention is rightly drawn to the extremely guarded nature of the purchase tax concessions to foreign visitors, especially in so far as their complexity results in the loss of dollar sales to American and Canadian visitors. But you go further than is necessary when you suggest that every foreign visitor might be rebated purchase tax on simple production of his passport. One has only to cite what is done in France to discover a solution at which no one could cavil, since it maintains every existing safeguard under the British plan, but cuts out all the formalities and other disincentives which mar it.

All Paris shops likely to attract the dollar-spending visitor, even the smallest, display cards indicating that *if purchases are made in actual dollar travellers' cheques the tax normally charged will be rebated.* The purchaser has to supply his Paris hotel address, his overseas address and produce his foreign passport for the details to be written on the sales slip. That is all. Any small sum over from the exchange of the dollar cheque into francs is naturally given to the customer. The exchange rate applied to the transaction is the full official rate, which the shopkeeper in turn receives back from his bankers. And the traveller can leave France without being stuck with one franc more than he voluntarily changes.—Yours faithfully,

AMERICAN TRAVELLER.

★

Sir,—As a hotel-owner may I be permitted to endorse your remarks regard-

ing our basic preference for Englishmen. Although humorously expressed, your reasons are very near the mark.

One can add the following. Foreign visitors generally only book for one or two nights—useless to a resort hotel—and then often don't turn up. They also generally book through an agency, which demands a percentage roughly equal to half our nett.

I can also say that the preference for English visitors (*when they have any* money) is also shared by most Continental hoteliers of my acquaintance, nostalgically in many cases.

As I do not want to lose favour with the powers that be as a suspected laggard in the drive for dollars, please allow me to sign myself.—Yours faithfully,

INSULAR

Bonus Distribution

Sir,—Since Liberals took up profit-sharing before Mr Gaitskell, may a Liberal endeavour to answer your objections?

(1) The disadvantages of compulsion can be overstated. A disputed wage claim can leave bitterness in its wake. But a change in status applied universally should have no such result. Certainly to get positive advantages out of it, the change must be accepted by management with good grace and by workers with restraint. But this is surely a test of industrial leadership within the particular business. It is wrong to assume that management would necessarily be antagonistic. By and large its loyalty today is less to the shareholders than to the undertaking. Anything which got more co-operation from those engaged in the undertaking should be welcomed.

(2) So long as trade union wage rates are maintained why should it be "inappropriate" that a worker should suffer if his firm has a bad year? Unless the bonus is to be regarded as an unrequited dole it is precisely that which would provide an incentive. As to your further objection that a firm which "passed" a bonus would be "for it," surely this answers your fourth point about the possible rigidity of labour? Would not workers tend to flow to industries and firms where profits were highest, i.e., the most efficient generally speaking?

(3) Whatever the immediate sacrifice, risk-taking in the future need suffer no discouragement. It would *hurt* more to part with 50 per cent of surplus profits amounting to £100,000 than with 50 per cent of £10,000, but it is what's left that matters. Risk-taking requires no absolute rate of interest. If gilt-edged is 3 per cent it will always pay to take a normal commercial risk for 5 per cent and a "super" risk for 7 per cent. Admittedly the margin between gilt-edged and the risk return might be reduced too far, but a reduction from 10 per cent to 7 per cent would not discourage risk-taking unless 10 per cent was still available elsewhere for the same risk element. The margin required is a question of relativity.

The Liberal proposals provide for a higher initial rate of interest to new businesses for a limited period just to encourage risk-taking.

Mr Gaitskell's suggestion contains fewer technical difficulties than do the Liberal proposals, which have a broader scope in that they extend to a share in management for the workers. For this very reason it will lack the same incentive. The Liberal objectives aim not only at a wider distribution of property but at higher productivity at lower cost and better industrial and human relations.—Yours faithfully,

Huby, nr. Leeds S. E. GRAHAM

Price Control

Sir,—Mr Nevin maintains that price control does not increase consumption. This is not true, as you have previously pointed out in answer to Mr Worswick. Even if demand for the controlled goods is inelastic, money saved by buying them at a price below equilibrium will be partly spent on other goods. Therefore total consumption increases. In itself, then, price control may well make inflation worse. "The high incidence of purchase tax" will not, as Mr. Nevin contends, absorb fully the extra inflationary pressure directed to non-controlled goods; the tax must be increased to achieve this.

There seems to be some confusion also about the effect of price controls on exports and armaments. If there are no controls, and demand for exports and armaments remains unchanged, then rises in prices tend to cause diversion from exports and armaments into civilian goods. If the prices of necessities are kept down, and purchase tax is not increased, then the effect on exports has two opposite parts. Exports of goods similar to those controlled will now become relatively more attractive than if prices were not fixed. (They are not increased, but merely prevented from falling.) The extra demand for uncontrolled goods will make them relatively more attractive than exports of similar articles and will cause such exports to decline more than if the prices of necessities had not been kept down.

The net result depends upon the types of goods exported (or used for the defence programme). In any case, exports tend to fall.—Yours faithfully,

Birmingham. M. MCMANUS

Mauritius

Sir,—I do not propose discussing the opinions expressed in the article on Mauritius in your issue of July 21st, but would like to refer to statements of facts on which they are based, which are particularly misleading.

Mauritius with its original population of French white settlers was ceded to Britain in 1814. This population has not "remained French" as stated. The people became British subjects in 1814 and have remained so since. They have fought and died in the British services in two world wars. They could not change their blood or their culture. Clash of ideas with some of the British administrators (modern or ancient) is not special to French white settlers. This is of permanent occurrence in every colony. The United States and many Dominions owe their existence to such clashes, and settlers, "long removed from Europe" or not, could find their lead from this country in discussing administration.

From 1926 to 1939 colonial sugars were bought in this country at miserable prices, usually below costs of production, notwithstanding the recommendations of the Government Commissioners, Sir Francis Watts (Mauritius) and Lord Olivier (West Indies), in 1930. Mauritius, exclusively dependent on sugar to maintain its population and find the costs of its administration, had no revenue to improve its social services during such a period. Increased revenue is fallaciously determined by comparing present trade values with those of 1945, the most disastrous cyclone year in Mauritius history, when production and revenue were reduced by over 60 per cent. Increased revenues are not due to markets guaranteed by Britain. During the last years, colonial sugars could have been sold at higher prices anywhere outside Britain. If the statement "the new era of prosperity is due more to good luck than good administration," is a gibe at plantation owners, sugar production should be examined:

	AVERAGE
1940-43	320,000 tons
1947	347,000 „
1948	391,000 „
1949	416,000 „
1950	456,000 „

If it is a gibe at the British administrator (ancient) notice should be taken of the considerable progress made in social services when financial resources became available to the "modern British Administrator."

It is also stated that white plantation owners "jib against taxation" and that income tax was "only due to be introduced in 1951." Tax on income was introduced in Mauritius in 1932 as a poll tax differing from income tax in providing no allowances relief to the taxpayer. This has now been remedied.—Yours faithfully, J. P. RAFFRAY

London, S.W.1

The Red Sox

Sir,—I am surprised and, as Noah Webster would say, astonished at your unbelievable slip of the pen in your reference to the Chicago Black Sox Scandal of 1919, in the article on "Slaves of the Baseball" in your issue of September 1st.

The Boston American League Club are and have been known as the Red Sox, and their reputation is as unsullied as an umpire's conscience.

I can scarcely credit that your London editorial staff is confounding our Red Sox with Chicago's graceless Blacks (since 1919 rechristened the "White Sox"). Say it ain't so!—Yours faithfully, LEO M. LINEHAM

American Consulate General, Singapore

[It was so; we regret our temporary colour-blindness.—EDITOR.]

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ER KINGS' GR

SECRETARY

The most intimate Royal Memoirs

"... Life at Marienbad was very hard work, as I spent so much time seeing people who were difficult to get rid of. For instance ... a beautiful lady from the half-world in Vienna who wanted to have the honour of sleeping with the King (Edward VII). On being told this was out of the question, she said if it came to the worst she would sleep with me, so that she should not waste the money spent on her ticket; but I told her to look elsewhere for a bed. ..."

★ ★ ★

"... When I persuaded the King (George V) to send a sympathetic message to Ramsay MacDonald on the illness of his wife, all the Conservatives were upset at the King toying with anarchism, as they put it. ..."

★ ★ ★

"... When I attended a 'Court' I was always struck by the incongruous music the band played, and determined to do what I could to have this remedied.

I argued that these popular airs robbed the ceremony of all dignity. A presentation at Court was often a great event in a lady's life, but if she went past the King and Queen to the tune of 'His nose was redder than it was,' the whole impression was spoilt. ..."

Next Sunday the Sunday Express begins publication of the most important and the most fascinating Royal memoirs ever written.

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These enthralling documents will arouse the most widespread interest.

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Begins on Sunday in the

SUNDAY EXPRESS

AMERICAN SURVEY

Washington's Week

Washington, D.C.

WASHINGTON'S *Grande Semaine* is over and the international celebrities who arrived from the San Francisco Festival at one weekend left, during the next, for the Ottawa Games. It takes, however, more than one international conference to make any kind of week in Washington ; there are usually two or three going on in some obscure corner of the city even in quiet periods and there were a good half-dozen between September 10th and September 14th. The little groups who were discussing standardisation of arms and of release of atomic information and such detailed matters were, luckily for them, completely forgotten among the more glamorous gatherings.

It is two years since the annual meeting of the Governors of the International Bank and Monetary Fund was held in the United States and brought Finance, as well as Foreign, Ministers together in Washington. Since then Britain has changed both Foreign Secretary and Chancellor of the Exchequer and there was some curiosity as to how the new Ministers would perform by comparison with their predecessors. Though, as members of a Socialist-Imperialist government, they were never quite free from suspicion, Mr Bevin and Sir Stafford Cripps had made a deep impression which finally deepened into popularity. Their successors had something to live up to. Mr Morrison had not been in the United States for more than five years and had been neglected as a purely domestic figure. Mr Gaitskell's only visit, last year, took place just before he became Chancellor, when few people realised his approaching importance. News of his qualities had preceded him this time, however, and much was expected.

The Foreign Secretary had the easier task, but he made the lesser impression. In the field of foreign policy there were few corners which had not been thoroughly grazed at previous conferences. Agreement between the three Ministers was practically assured on most subjects long before they met last week and those on which there was no agreement did not occupy an important place on the agenda. The results of the meeting of the Foreign Ministers were satisfactory—more satisfactory than usual—as the declaration and the communique showed. But Mr Herbert Morrison created doubts about the future by his slender grasp of his subject, and his unwillingness to take the trouble to learn it. He seemed ready to agree, without too much thought, to any American suggestion which would not cut across the Labour party's shibboleths and risk the loss of votes at home. But fortunately the problem of the Far East had been left behind in San Francisco and that of Spain was not relevant to the week's conversations. East-West trade, the most immediate bone of contention, was more the Chancellor's headache than Mr Morrison's and his reference to it in his speech to the National Press Club elicited little but sour comments from the uneducated.

Mr Gaitskell's troubles sprang from the fact that a hard-luck story, like a funny one, meets with less response after each telling. In the end the Russians may find that the only residual benefit of their Korean adventure is that, by forcing Western rearmament and turning the terms of trade drastically against the United Kingdom, they returned that country to the list of suppliants and caused the United States to lose patience. The Chancellor presented his doleful tale and his statistical proof of it to agency after agency and left the facts to speak for themselves. Much of it was no doubt news to the United States Treasury and, even in better-informed circles, it was a shock to discover that the sterling area would have a large, and continuing, deficit with the European Payments Union. However, confirmation that the bleak figures were not exaggerated—indeed the suggestion that they were underestimates—came from American sources in Europe. But there was criticism that the British party seemed to have no ideas for ameliorating the situation.

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It soon became apparent that the situation was not a British monopoly. M. René Mayer arrived in Washington and explained at once that France would need more help if she was to carry out her planned military expansion and continue her efforts in Indo-China. And soon it was realised that Ottawa would be strewn with the wreckage of well-intentioned, but overambitious, programmes. Most European countries had bitten off more than they could chew and the American Congress had reduced the expected flow of gastric juices. But, as usual, Britain found itself in a special position. Other countries were still receiving economic aid and could make a case for having it increased ; but Britain had stopped getting funds from the Marshall Plan and did not relish the idea of becoming dependent again—even if it was possible to go to Congress for more money—if there might be some way of getting on without it. The fruits of Mr Gaitskell's visit, if there are any at all, are likely, therefore, to be long-delayed and there is no chance that they will be as satisfactory to everybody as the agreements Mr Morrison made.

The Chancellor's problems were made worse by the International Monetary Fund, at whose annual meeting dogma was riding high. Sir Leslie Rowan presented the British case and suggested that the fund would be well advised to use its $8 billion of unemployed resources in areas where they could do some good—helping member countries to avoid price inflation, exchange fluctuation and variations in their balance of payments—rather than hoping for relaxations of trade controls and exchange restrictions in a situation very different from that envisaged at Bretton Woods. There were probably many delegates who agreed with him and many who agreed with the fund's new manager, Mr Ivar Rooth, who was worried that the vested interests created by restrictions would "become an impassable obstacle to a freer flow of international trade and payments." But there is a general attitude of gloomy resignation towards an institution in which the United States, Formosa and a few Latin-American satellites can always provide a majority of votes.

It is only fair to the other American government departments to say that they did not share the views of the Treasury theologians, whose efforts were confined to the fund. The Treasury had written into the President's opening speech, however, an endorsement of its creed, which gave it unwarranted importance. In the end Mr Snyder had grudgingly to admit that nobody would take any notice of his pressure and, announcing that the fund's resources would continue to remain idle, he sentenced it to a further term of impotence.

It is not easy to see what will be the end of the present complicated set of problems. The United States is pressing its allies to do a number of things which, rightly or wrongly, they all agree are impossible, certainly taken together. In Nato, the State and Defence Departments are asking for ever greater efforts ; in the fund, the Treasury is demanding more liberal exchange and trade policies ; Congress, and probably a majority of the country, insist on putting an end to East-West trade and denying Europe one of the few sources of materials which do not need dollars. Exhortation is all very well but it should be accompanied by some understanding of the dangers of pushing everything and everybody too far. There is no economic equivalent of the European army, no reservoir of unmobilised financial Germans to provide for Mr Gaitskell and M. Mayer the satisfactory end to their efforts that Mr Morrison and M. Schuman appear to have reached. The Chancellor will not be able to take back to London anything very tangible in the way of results. It would be better for him not to try ; the eventual cost of anything which could be got at this moment would be high.

'AMERICAN SURVEY' is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect ; all others are the work of the editorial staff in London

American Notes

Fresh Start for Bipartisanship ?

The Japanese peace treaty, the only issue in foreign policy that has recently been kept above the fog of domestic politics, was launched in a blaze of bipartisan sunshine. Put together by the patient work of Mr John Foster Dulles, it was guided down the slipway by the most controversial of Democrats, Mr Dean Acheson, the Secretary of State and Senator McCarthy's favourite target. And thanks to the new transcontinental television network, 40 million Americans, nearly one-third of the population, saw the man who, according to his critics, would never hurt a Communist if he could help it, decisively and repeatedly beat down all Soviet attempts to hold the treaty back, and give Communism its most publicised postwar defeat. Television has brought another star into the homes where Sir Gladwyn Jebb and Senator Kefauver already shine and Americans have at last begun to appreciate why the slurs on Mr Acheson have so shocked the world. As President Truman gleefully said, on his return from the conference, Mr Acheson proved himself "smarter than these guys who have been attacking him."

That tribute was only to be expected, since Mr Truman has always been Mr Acheson's admiring champion, but when such violent enemies of the Administration as the *New York Daily News* and such Republican opponents of its Far Eastern policy as Senators Knowland and Smith went out of their way to praise Mr Acheson's handling of the conference, it began to look as if the bipartisan sun might be going to shine again on other aspects of foreign affairs. Governor Dewey, too, has made a constructive contribution ; after a friendly visit to the White House on his return from his Far Eastern trip, he declared that in his opinion Asia was as important as Europe, although no more so, and that, if further Communist encroachment was to be prevented, closer political and military alliances must be made with countries in the Pacific area, presumably on the lines of the security arrangements that are supplementing the Japanese treaty. When Mr Dewey started his tour it was suggested that he might be preparing to succeed Mr Acheson as Secretary of State, but now there is no likelihood (if indeed there ever was) that bipartisanship will receive this encouragement.

For if Mr Acheson's new popularity is maintained, Democrats will no longer insist that his weight must be taken off their party's shoulders before next year's election. It was very doubtful whether Mr Truman would ever have consented to do this, but now he has stated unequivocally that Mr Acheson will be Secretary of State as long as he is President. A direct counter-offensive against Senator McCarthy's methods of "character assassination" by unsubstantiated insinuation had already at long last been begun both in Congress and in the country, with every indication that the Administration and its supporters intended to base their election campaign on this issue. But if a fresh attempt is to be made to rebuild a bipartisan foreign policy, the Republicans might be well advised first to help clear away the mud of McCarthyism in which all foreign policy has been bogging down.

* * *

Skeletons in Chinese Cupboards

The demand that two high officials of the Chinese Nationalists should return to Formosa has unlocked Chinese cupboards in Washington and revealed long-suspected skeletons. Lieutenant-General Mow, head of the Chinese Air Force office and long in charge of procurement, and his aide, Colonel Hsiang, turned the key to justify their appeal for asylum in the United States ; they contend that if they return, to face trumped-up charges of corruption and Communist sympathies, they face a certain firing squad. Corruption being a criminal, and not a political, charge and the Chiang regime a friendly, if slightly fly-blown, power, the appeal is an awkward one for the State Department, which has so often been dragged over the Congressional coals for its lukewarm attitude toward the Nationalists.

The story of General Mow and Colonel Hsiang, which has now appeared at length in the American press, is that they are being victimised for their efforts to protect Chinese funds from the depredations of an American firm, Commerce International of China, and General Chou, the commander of the Chinese Air Force, who recently had CIC made official contractor to the Nationalists. For almost a year Colonel Hsiang has been supplying information to the Senate Preparedness subcommittee on the dubious and illegal practices of CIC. With the approval of the subcommittee's counsel, Colonel Hsiang affected a willingness to accept a bribe of about $200,000 for passing a contract for the purchase of fighters. The purchase of these rather nebulous aircraft from private sources was encouraged by General Chou, although he turned down a firm offer of 59 Thunderbolts to be bought direct from the US Air Force, which afforded no possibilities of "squeeze." The subcommittee approved of General Mow's refusal to deal with CIC, whose affiliates in other parts of the world have not been above doing business with the Chinese Communists. New light is also thrown on the case of Mr Michael Lee, who, it appears, was denounced in Congress as pro-Communist and forced out of the Commerce Department because of the scepticism he displayed in dealing with Chinese applications for export licences.

The defence of CIC is that they, too, were laying a trap, but for Colonel Hsiang ; they did not, however, take any

American officials into their confidence. Even if this is only a case of the pot calling the kettle black, there is ample evidence that graft continues to flourish—a matter of interest to Congress, which has added a new $300 million to the billions advanced, over the years, to the Nationalists. So far, the revelations do not touch directly on the "China lobby," whose alleged use of American aid funds to influence American policy and whose support for McCarthyism led Senator Morse and Senator McMahon in June to demand an investigation into the lobbying activities of all foreign governments. But they have encouraged Senator Morse to renew his demand of a Congress which is straining toward adjournment and, perhaps, a little tired of investigations.

* * *

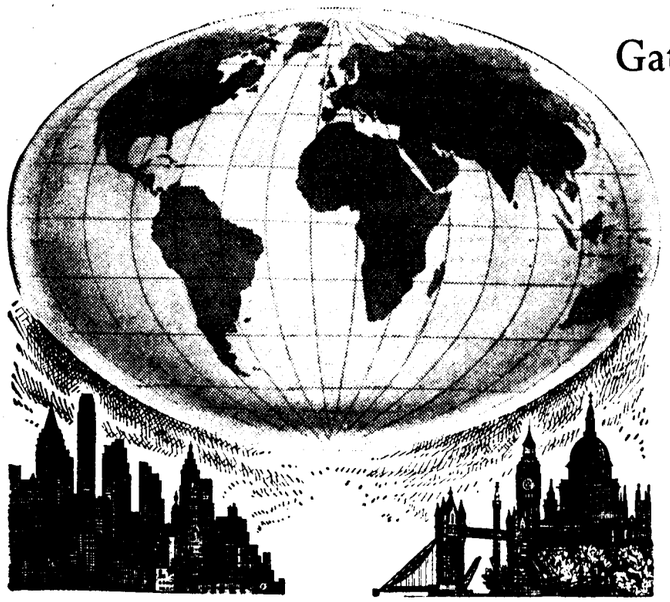
Spotlight on Misery

Mystified and angered by heavy demands for public assistance in a year of piping prosperity, half a dozen States have petitioned Congress to permit them to make public the names of those receiving relief. Most experienced welfare workers do not share their illusion that stingy relatives can be stung into generosity, or undeserving cases shamed off the rolls, in this way; they suspect that it would be the sensitive and deserving, rather than the brazen, who would avoid the humiliating publicity. Moreover, throwing open the record might stimulate those who felt they were getting less than their fair due to agitate for increases. It would certainly cause much heart-burning. Nevertheless Indiana has actually passed a bill opening its relief rolls, including addresses and payments, to public inspection.

The immediate result has been the loss of $20 million in federal contributions to help Indiana support its aged poor, fatherless children, blind, and disabled. Mr Ewing, the Security Administrator, has found that the new act conflicts with the requirements of the federal Social Security law, has suspended payment, and has been upheld by a federal district court, though this decision is likely to be appealed. The matter may not end there. The Senate, but not the House, has already passed an amendment to the Social Security Act permitting the names of those on relief to be made public.

No doubt there are some "chisellers" among the 5,500,000 persons now receiving public aid of more than $2 billion a year. But the real reasons why the demand for relief has failed to decline are the high cost of living, the greater increase in the number of aged and children than in the population as a whole, and hiring policies which make employment almost impossible for the elderly and the disabled. When the Social Security Act was passed, before the war, it was believed that, in time, contributory federal insurance would take care of most of the aged, at least. But until last year, when benefits were raised and coverage extended, many were not eligible to receive benefits and those who did could not live on them. The average benefit was $26 a month for a single person, not much more than half the average found necessary for public assistance grants.

It is only since last September that average insurance benefits have equalled average assistance payments, which surely is the least a worker who had contributed toward his pension is entitled to demand. Since then, the number of those receiving benefits has increased by a million, and the relief rolls have begun to turn down. Yet the new balance between assistance and benefits is precarious. The Senate has already passed a bill raising federal contributions to the States so that $3 a month more will be available to the blind, aged, and disabled, and $2 a month for dependent children. This is a modest recognition of the rising cost of living. Yet if insurance benefits are not equally increased, relief may have to be extended, once more, to many who imagined that their old age was provided for by federal insurance.



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Housecleaning at Internal Revenue

Senator Kefauver's broom and those of some of the state commissions investigating crime have reached into some very murky corners of the Bureau of Internal Revenue and started, in that sanctum, a much overdue housecleaning. Because of the Internal Revenue Code, which provides a $1,000 fine and a year in jail for the divulging of information about tax returns, Congress and the public seldom get a peep behind the scenes. But last year the California Crime Commission accused the Bureau of failing to prosecute well-known gangsters and racketeers for tax frauds, and the Kefauver committee when it arrived in California heard testimony to the effect that field officers, for a price, were adjusting cases of fraud.

In St Louis, the Tax Collector resigned when a grand jury began to receive evidence that those who purchased insurance from a firm in which he was interested might get tax advantages, and he also was shown to have received fees from the American Lithofold Corporation. The name of this busy concern, already familiar because Mr William Boyle, chairman of the Democratic National Committee, is charged with helping it to secure a government loan, has also cropped up in New York. There a subcommittee of the House Ways and Means Committee, laying the foundations for a full investigation of the Bureau of Internal Revenue, has discovered that the head of the alcohol tax unit was paid $750 a month by American Lithofold, allegedly because the liquor companies under his authority felt it desirable to use the printing services of his firm. He also sold them lorries, and in his spare time spent an hour or two a day at the tax office. As a former adviser on public relations to several liquor firms, Mr Olson's original appointment was hardly a desirable one. A number of other tax collectors in New York have been replaced, and in Boston a grand jury is investigating the conduct of one who has been discharged. The Commissioner of Internal Revenue, perhaps by a coincidence, has also resigned, because of poor health, and his deputy has been moved to another job for the same reason.

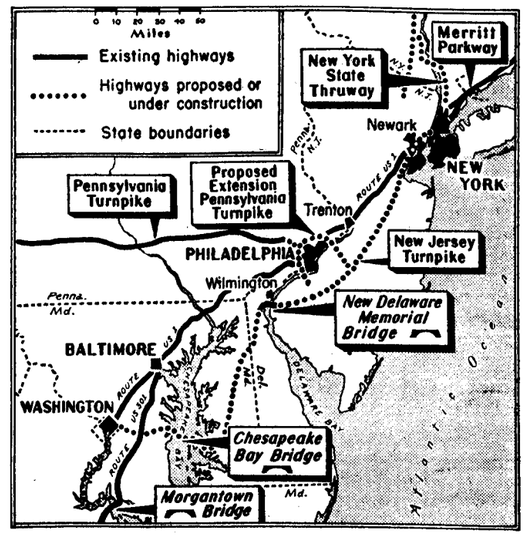
Tax collectors no doubt are too few and, like most American civil servants, underpaid. Nor is it surprising that racketeers and gangsters, against whom the income tax is often the only effective weapon, have made a determined effort to corrupt the tax-gatherers. But at a time when taxes are about to rise by another $6 billion a year—the third increase in two years—the public is likely to give short shrift to the Bureau if it attempts to conceal the weaknesses of its employees. This is something of which the Treasury appears to have been guilty at St Louis; evidence in its files was not made available to the grand jury until Senator Williams blasted it out.

* * *

Return of the Turnpike

The $44 million Delaware Bridge, replacing the Pennsville Ferry, was opened on schedule in August, but the 118-mile New Jersey Turnpike, which travellers to New York have watched hopping on steel girders across the flats south of the city, is now unlikely to be finished in time to carry residents of Wilmington to Fifth Avenue for their Christmas shopping. This is because of the severe shortage of structural and reinforcing steel, which may also delay the Chesapeake Bay Bridge, due to be opened next summer. When it is available and when the State of Maryland has decided it can afford the super-highways needed to link the bridge with Washington, residents of the capital will be able to drive direct to New York at 60 miles an hour without having to negotiate the traffic tangles of any large city, or indeed without stopping at all except to pay tolls.

The charge for driving a car the full length of the New Jersey Turnpike will probably be $1.75 (12s. 6d.). It costs $2.50 (almost 18s.) to go 260 miles from Philadelphia to Pittsburgh along the Pennsylvania Turnpike, opened in 1940 and the first of the revived toll roads. It is to be connected with the New Jersey Turnpike and an extension to the Ohio boundary is almost finished. Ohio is planning to take over at this point and one day the road may go as far as Chicago. Plans for a "Thruway" from New York City, 535 miles across the state, past Albany and Syracuse to Buffalo on Lake Erie, are well advanced. There are already super-highways linking New York with Portland, Maine, except through Massachusetts, a state which has rejected the turnpike system because it thinks tourists would race by to the northern resorts without stopping to spend money.



Altogether some 2,000 miles of toll roads are planned and nearly half the states have decided that a return to the turnpike is the only answer to the high cost of constructing modern super-highways; with at least four lanes, divided down the centre, with bridges, underpasses and no direct intersections, it takes from $1,000,000 to $3,000,000 to build a mile of such a road in a populous district, even though they by-pass all built-up areas. This is more than can be met by local bond issues or state taxes. While turnpikes are a solution for the difficulties of long-distance traffic—they are welcomed by trucking companies even more than by the private motorist—the problem of local highways remains. Already out-of-date and inadequate for today's heavy vehicles, they were wearing out faster than they could be repaired even before present scarcities of materials developed, although states were spending more than ever before on them.

Part of the blame rests on inflation, but most of it on the increase in motor traffic; annual mileage is now about 1,200 billion ton miles, a figure which had not been expected until the nineteen-sixties. The number of vehicles on the roads has doubled since 1936 and about 25 per cent of them are lorries, many with huge trailers.

* * *

Bags Full of Synthetics

Nylon fur is replacing wolf skins for the linings of Arctic flyers' hoods, but the fall in the price of wool has postponed the day when the chemical factory will make the sheep as superfluous as it has the silkworm. When wool cost nearly $4 a pound, the mobilisation authorities were

ready, with tax amortisation benefits, to encourage an expansion in the infant synthetic wool industry which would have provided the annual equivalent of 225 million pounds of wool, roughly one-third of annual consumption. Now, however, the price of wool has been more than halved and steel for new factories is almost unobtainable, so the offer has been withdrawn for the presept.

But there is little doubt that the chemical companies will go ahead with their plans by themselves as soon as possible, for there is a growing demand for these new fibres, most of them made from petroleum products. Nylon output is now running at an annual rate of 100 million pounds and it may not be long before this figure is reached by the wool substitutes. The wool crisis came just at the time when the teething troubles, both of making and using these substitutes, were being overcome, and textile manufacturers were only too glad to turn to raw materials on which they could rely. Now that they have spent substantial sums on telling their customers about the advantages of Dacron suits and Dynel socks, they will want to go on offering them, especially since textile markets, for the moment at least, are so depressed that only firms which have something new to sell can hope to do good business.

The chief advantage of synthetic over natural fibres is that they are always available at stable prices. But the manufacturers also insist that for many purposes they are actually better than natural fibres, since by mixing them with each other and with wool or cotton unsatisfactory characteristics can be overcome, and entirely new fabrics made to order for almost any purpose. The synthetic fibres are usually crease resistant, unappetising to moths, washable and hard wearing. Orlon, unlike nylon, is warm, and so is Dynel, which also has a special resistance to chemicals that makes it useful for factory overalls. Dacron, once called Fibre V, known in Britain as Terylene and made under licence in the United States, replaces light-weight worsted for summer suits. A pure Dacron suit for men, "individualised to your special proportions," sells at $95 in New York, but mixed with rayon it can be made into a suit at the "popular" price of $40. The armed forces have so far made little use of these wool substitutes, although they caused consternation in the wool market this summer when they began to order a blend of wool and nylon for uniform cloth.

While these new developments obviously present a serious long-term threat to wool producers, and will certainly exercise a restraining influence on prices, they will not necessarily supplant wool altogether. For Americans spend about 10 per cent of their incomes on clothes, and in the last decade annual consumption of textile fibres rose from 37 pounds a head to 45.5; as long as both prosperity and the population continue to increase, there should still be room for sheep in the American market.

Shorter Notes

Mr Loy Henderson, a career diplomat with wide experience of the Middle East, is to succeed Dr Henry Grady, whose long-expected resignation from the Ambassadorship to Iran has at last taken place. The new Ambassador to India, following Mr Henderson, will be Mr Chester Bowles, if the Senate confirms his nomination. But his experience as an able Price Administrator in the last war, and more recently as Democratic Governor of Connecticut, while certainly entitling him to the President's gratitude, hardly qualifies him for what is at the moment a tricky diplomatic post, and the Senate may make this an excuse for rejecting a man it dislikes because of his Fair Deal record.

*

Many fear that the new DX super-priority rating may be the beginning of the multiple priority system which caused so much confusion in the last war. It is intended to break bottlenecks in deliveries of articles vital to urgent military programmes. Authority to issue orders with this rating is reserved for the National Production Authority, instead of being available to about a dozen government agencies, as are ordinary DO priorities, and NPA promises to use it as sparingly as possible.

*

The Senate has set a good example to State authorities by setting up a special committee to investigate crime in the District of Columbia, which is directly governed by Congress. This was recommended by the Crime Investigating Committee in its final report, which said that, from the evidence, the national capital appeared to be a pivotal point for both gambling operations and the drug traffic.

*

Soviet officials in Washington now have to pass the standard American road test if they want driving permits. Until recently they were excused as a diplomatic privilege, but the test which Americans in Moscow have to pass is so difficult that they have in practice been unable to obtain Russian driving licences. The American move, inspired by the State Department, will, perhaps, induce the Soviet government to give up a practice which has forced all Americans in Moscow to have Russian drivers, who are thought to be members of the secret police. The Washington authorities may also be asked to "fail" all Russians automatically if such additional pressure proves to be necessary.

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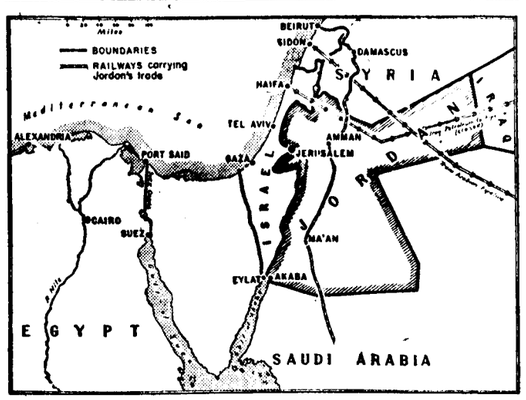
Who Will Help Jordan?

THE return of the Emir Talal to Amman and his proclamation as King of Jordan have brought to an end a series of false rumours: that he was too ill to rule, that he was anti-British, that his younger brother the Emir Naïf was Britain's nominee as King Abdullah's successor, and that he was being detained in a Swiss nursing home under false pretences. The facts are that he had for years suffered an experience not unknown in the British Royal Family; though old enough and fully able enough to shoulder responsibility, he was given little or none by an autocratic parent. Thwarted existence led to an intermittently grave nervous breakdown, now pronounced by his Swiss doctors to be cured. The legend that he is anti-British doubtless dates from past criticism of his father's policy. But this may well turn out to have been levelled at that policy's author, not at its trend. He is said to have stated, when on his way home to take up the reins, that no change had taken place in "the old relations of friendship between Jordan and Britain." A load of responsibility is sometimes a cure for nervous ills, and this he is now called on to shoulder on a daunting scale. For the



aftermath of the Palestine war has created in Jordan problems—both political and economic—that are weightier and more difficult to solve than those in any other of the victim states.

The chief political difficulty arises from King Abdullah's inescapable but burdensome annexation of a slice of former Palestine in 1949-50. Broadly speaking, the peoples born on the east bank of the Jordan (formerly Transjordan) have a filial affection for the Hashimite house. Those born on the west bank (formerly Palestine) hate it because, by the act of annexation, it tacitly recognised the partition of Palestine. The hate spreads to the east bank on account of the presence there of nearly four-fifths of the 467,000 refugees who are living in Jordan on United Nations relief. The murder of King Abdullah was a manifestation of this feud; it was also reflected at the trial of his murderers, which was punctuated by telegrams from abroad begging for clemency and signed by various anti-Hashimite implacables. At the elections to Jordan's second Parliament, held on August 29th, the local anti-Hashimite element slightly increased its strength in the lower house. The upper house is nominated by the crown.

This ill-feeling is of the type that would improve with improving economic conditions. But the prospect of a change for the better is not bright. The old Transjordan, which was always poor, owed such prosperity as it achieved to good harvest years, to sales of its agricultural produce to Palestine and to a certain amount of profit from the transit trade in goods (including oil) exported and imported via Haifa. This year all these assets are absent; Haifa is in Israel; rainfall in 1950-51 was only two-fifths of the average; the frontier with Israel is closed so that the Jordan valley's early vegetables abound on the stalls of Arab Jerusalem while Jewish Jerusalem goes hungry for them. Imports and exports must travel either by way of Damascus and Beirut at the exorbitant transit charges made by Syria and Lebanon (who insist on use of their expensive railways), or else by the Jordanian port of Akaba. This latter route is little more profitable because of the long desert haul involved. Jordan produces nothing sufficiently rare or valuable to warrant an air lift. Its need for peace with Israel is immeasurably greater than that of any other Arab state.

How is a country that is poor anyway, that is saddled with a refugee horde that forms one-third of its total population, and that is denied its usual access to its handiest port and market, to balance its international payments? In 1950, Jordan's exports (including sales of local produce to the UN Relief and Works authorities) amounted to 1,900,000 Jordan dinars (1 dinar = £1 sterling) and imports, controlled by careful licensing, to J.D. 10.7 million. On a superficial reckoning, this unbalance is righted by three items. These are the United Kingdom's annual grant to the Arab Legion (£4,700,000 in 1950; £6,500,000 in 1951); expenditure by UNWRA (approximately J.D. 3,000,000 annually), and releases from Jordan's fast dwindling sterling balance. But in fact a forecast of essential imports for 1951 as against estimated earnings leaves a gap of nearly J.D. 3,000,000. It should be remembered that, of the grant to the Legion, only about 40 per cent is spent locally. The rest pays for arms and equipment bought in Britain.

Low Morale in Refugee Camps

These figures prove that without U.N. relief funds and without the British subsidy, Jordan would be insolvent. Even with both, it cannot make ends meet in 1951 without a windfall from some other quarter. Last spring's poor harvest worsens the outlook. Refugee morale is not bad among the professional and capitalist minority, who are turning Amman into a business centre, ousting the one time Syrian and Lebanese agents for merchandise, and building competent professional practices and small factories. But it is bad in the UN camps; no one is really hungry, but idleness is breeding increasing disorderliness. It is at its worst among 60,000 or so frontier peasants who, having retained their homes, do not count as refugees or get fed, but who have lost their former lands and markets, now inside Israel. "Every night," says the *mukhtar* of the frontier village as he produces coffee from somewhere for his visitor, "I go nearly mad with sleeplessness from uncertainty and worry about what to do."

The government's chief trouble in handling these people is that the more it helps, the more of them flock in. In most Arab countries they are unwanted; in Jordan, they are citizens. No wonder that they come. It can settle them more

cheaply than does the United Nations, but it is handicapped by its poverty; the British gift of £1,000,000 made in 1949, is nearly spent. It is also hampered by the fact that there is little to choose between the poverty of a refugee and that of many of the original inhabitants of Jordan. Why, then, should the former be favoured? Problems of land tenure and the unwillingness of landlords to sign leases also abound. UNRWA, with its more costly machinery, is no better placed because its funds run to little beyond day-to-day relief. Together with the government, it seems to have been whirled into a vicious circle in which the latter, preferring to please the people by winning them rations today, will not strike the less needy off ration lists in order to release money for settlement tomorrow.

Even if there were peace with Israel and even if ample funds were forthcoming, it is highly doubtful whether the country could permanently support more than another 100,000 of the unemployed and homeless refugees, in addition to maintaining the workless who still possess homes, and those have already found themselves work. This calculation leaves at least 300,000 people without a future. Here is the worst politico-social problem confronting the Middle East at the moment. Since it threatens a faithful British ally with ruin, it is Britain's problem also. Shall its solution be sought through British or Anglo-American action, or must the few interested powers prod the many indifferent ones to subscribe through the United Nations?

Australia's Vote on Communism

[FROM OUR MELBOURNE CORRESPONDENT]

AUSTRALIANS are being asked at a referendum poll today to agree to amend the Commonwealth constitution so as to give Parliament absolute freedom to deal with Communists and their ways. Since the Liberal-Country Party Government was returned in December, 1949, Mr Menzies, the Prime Minister, has made the issue of Communism a key plank of his platform. Before he was elected, Mr Menzies pledged himself to outlaw the Communists and to confiscate their property. During nearly two years of office, he has never lost sight of this object.

In its efforts to outlaw the Communists, Mr Menzies' government has suffered much frustration and delay. It now finds it necessary to appeal to the people on this issue, because the appropriate legislation to ban the Communists, although passed by both Houses of Parliament and given Royal assent, has been declared invalid by the High Court of Australia which found that the powers could not be sustained under the defence powers of the constitution.

Mr Menzies, therefore, is making what must be his final bid to obliterate Communism in Australia by direct appeal to the people through the very democratic procedure of referendum. In Australia, however, appeal to the people in this wise rarely succeeds, for the Australian elector, like his counterpart in the United States, is very wary of constitutional amendments. Of the 23 proposals which have been submitted to referenda since 1901, only four have received the assent of the electors. The first of these, in 1906, was concerned with the election of Senators, the second and third, in 1910 and 1928 respectively, affected state debts, and the fourth in 1946 validated payments for social services. Australians regard their constitution with a degree of respect rarely seen in the Commonwealth with the result that proposals for amendment are not taken lightly. This particular referendum, moreover, directs attention to the vital function of the High Court which is popularly—and properly—regarded in Australia as the guardian of the constitution.

With this background behind the highly explosive issues which have been put to the country by Mr Menzies and Dr Evatt, the leader of the Opposition, it is not difficult to see that the case for constitutional amendment tends from the beginning to be unpopular. Against this is the fact that Communists and their ways are not liked by either the Labour or anti-Labour forces in Australia and the natural inclination of the Australian elector is undoubtedly to vote for their political extinction.

Mr Menzies's case for a "Yes" vote is that Communist activity in Australia has become a grave menace to industrial peace, to production, to national security and to defence. Although the Commonwealth Parliament has some power to deal with Communist activities by means of the Crimes Act, he says that it has no power to deal with Communists or Communism as such. That has been made abundantly clear by the High Court. To this, Dr Evatt replies that the Referendum Bill represents a direct frontal attack on all established principles of British justice. Passage of the referendum, he says, would enable blanket powers to be given to Parliament that would lead to the partial overthrow of the basis of the constitution. If carried, he says, it would divide, weaken and even destroy the political and industrial movements of Australia.

Divisions in Both Parties

These then are the broad issues which have been placed before the people by the two political parties. There are, however, many side issues which are certain to confuse and confound the voters, and which makes prediction about the result of the poll exceedingly difficult. It is fairly clear that the issue will not be decided on orthodox party lines, for there have been signs of division in the ranks of both the Labour and the Liberal parties. Labour has been presenting a united front, since the Federal Parliamentary Labour Party, the Australian Labour Party Federal Executive and the Australian Council of Trade Unions all formally pledged themselves to oppose the government's proposals. There is, however, a strong section of right wing Labour, including one Church group, which would be very unhappy to espouse the Communist cause. On the other hand, there are many government supporters to whom discrimination against persons or groups because of their political beliefs is abhorrent to a degree. This was reflected in the suspension of the Vice-President of the Young Liberals Movement in Melbourne for urging in a letter to the press that electors "vote according to their consciences."

Feeling has run high as the two political leaders have gone around the country warning the electors of the dangers of the other's point of view. Dr Evatt warned that Mr Menzies' government, in its referendum proposals, was following the road that led to the horrors of Belsen. On his part, Mr Menzies is prepared to blame the Communists for most of the difficulties which Australia is at present facing.

Danger of "Thought Control"?

But the strongest weapon in the hands of the advocates of a "No" vote is the fear that general power to outlaw the Communist party might in special circumstances lead to a suppression of persons other than Communists, whose political opinions may not be in line with whatever government is in power. It could lead, in other words, to "thought control." Mr Menzies says that it is "fantasy, a resounding falsehood," to suggest that under the amendment the government "could declare unlawful the Australian Labour party, the trades unions and many other political, social and even religous groups." The Communist Party Dissolution Act, which the High Court invalidated, defines a Communist as "a person who supports or advocates the objectives,

policies, teachings, principles or practices of Communism as expounded by Marx and Lenin." This, opponents of the amendment contend, could well embrace persons whose crime was nothing more than being politically opposed to the government, for, as Dr Evatt said on the hustings, "if anyone interrupts the Prime Miniser at a meeting he is a Communist!". But the question is whether detestation of Communism as such will outweigh all other considerations in the minds of the Australian electors.

The Problem of the German Refugees II

Dangerous Political Tides

[BY OUR SPECIAL CORRESPONDENT LATELY IN GERMANY]

IN theory, the political dangers to German democracy and world peace which are inherent in the presence of 7,500,000 exiles in the Federal Republic should decrease as their economic conditions improve. To a certain extent they do so. But to believe that everything can be settled by, say, an international loan to the refugees would be to put the economic cart before the political horse. And in this particular cart the horse is a German charger—an animal more noted for valour than decorum.

It may even be said that the political problem has increased lately, in spite of the growing numbers of refugees who are finding a livelihood in the Federal Republic. This is due to the stimulus given to German nationalists by the Western call for their aid in defence, and to the irresponsible policy of most of the refugee leaders. The exiles' leaders are for the most part landowners or high officials who have themselves failed to find satisfying positions in the West; they believe it to be their duty to conduct an unremitting campaign for the return of their lost *Heimat* (or "homeland"), and for a share in the capital assets of the West Germans (to be secured by the so-called *Lastenausgleich*). There is no doubt that the men who head the regional refugee organisations known as the *Landsmannschaften* are deliberately hindering the assimilation of the exiles, for the same reason as they are opposing emigration. They aim to maintain as large a body as possible to press German claims for revision of the Oder-Neisse frontier, and for a return to the Sudetenland. They are particularly afraid that the young people who have now lived for five years in Western Germany will forget their *Heimat* in the East, and that, when the day comes, there will not be enough willing to return and take over all the farms and posts.

Members of the Bonn Government, faced with demands they cannot fulfil, are in a difficult position. On the whole they concentrate upon the economic settlement of the refugees, and make occasional speeches in which they declare that at some time the lost territories will return, without war. Mr McCloy, the US High Commissioner, has done the same. Such assurances, however, by no means satisfy the demands of the exiles, who now demand a precise plan for securing their rights.

The Bonn politicians in their turn use threats when they press the Americans for help. They do not promise that the refugees will be good if they get foreign aid, but that they will be bad, very bad, if they do not. According to the official argument, about a third of the refugees are settled in something approximating their former circumstances, but about 40 per cent are in unstable jobs, below the holders' former standard. This latter category, rather than the unemployables, will, it is said, prove most dangerous. Many of them are landless farmers. They will not turn Communist, but, it is threatened, nihilistic. They will not want to establish a new social order, but simply smash the existing one. And they refuse to defend Western Europe, because they feel they have nothing for which to fight.

Some Moderating Influences

It is hard to say how far this threat is exaggerated. General Remer's neo-Nazi party did not draw much support from the refugees in the Lower Saxon election. But the danger of some form of destructive neo-Nazism among the dispossessed is real. One reason is that the refugees are concentrated in those areas which were most solidly Nazi in the past, and which are today more nationalist than the industrial communities. Another, more important, reason is the encouragement given to extremism by the refugee press and the orators who rouse emotions at their frequent mass re-unions. Some of the political leaders are sincerely trying to steer the refugees between the extremes of right and left. The Minister for Refugee Affairs in Bonn, Dr Lukaschek, is a notable example of moderation (for which he is bitterly attacked); and the party known as the *Bund der Heimatvertriebenen und Entrechteten* (BHE) has good intentions. The BHE was formed to champion the ex-Nazis as well as the refugees; it supports the demands of the former to restoration of their civic rights, and of the latter to a drastic capital levy for the equalisation of war losses. In the Lower Saxony government it has formed a curious alliance with the Social Democrats.

The *Stimme der Vertriebenen* (the leading organ of the Oder-Neisse exiles) recently printed under the sensational heading: "Chaos is Here! Germany is on the Move!" an article announcing the imminent end of Germany's present form of democratic government. The antiquated parties, it said, in familiar Hitlerite phraseology, had failed, *vis-à-vis* the Allies and the country; the time was at hand for the men they had spurned (i.e., the Nazis) to establish a state with authority, which would grant mandates to the efficient. Preparatory work done by the small but numerous political discussion groups outside the parties had not been

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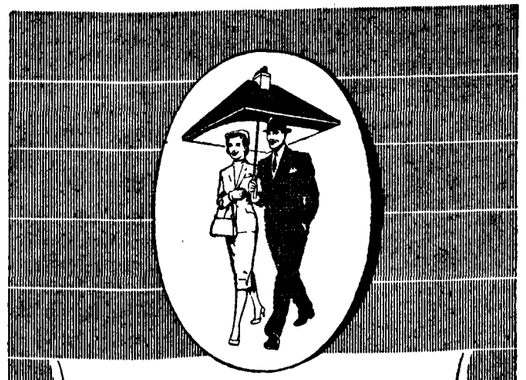

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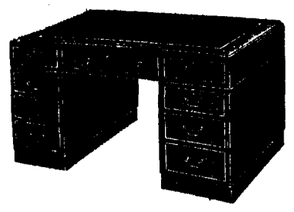

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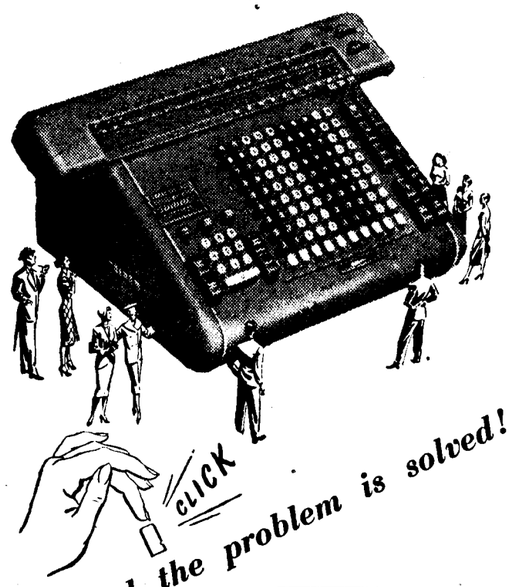

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in vain; there was a new feeling of community among them; all were apart from the state, and often in opposition to it. This disquieting article was published in response to many letters from readers.

Refugee Leaders' Muddled Oratory

It is rare for any refugee leader to argue for collaboration with the West; most exhaust their rhetoric in attacking the Americans, or the Bonn Ministry for Refugee Affairs, and in issuing flaming demands for restoration of the *Heimat*. Unlike the empirical British, the Germans are supremely indifferent to the practical possibility of securing their demands. Dr Goebbels sustained their faith in victory to the end by arguing that the war would be won because otherwise history would lose its meaning. Refugee leaders find nothing illogical in demanding that the West shall return territories now in Polish, Russian, and Czech hands, while at the same time as declaring that they will not help in Western defence. They attack the Americans for saying that Germany should aid the Atlantic forces before demanding more money for the refugees; they fulminate in a way to suggest that they want a war to restore the *Heimat*, and declare that they oppose war, because they must have their homeland back intact. They constantly state that their aim is to re-establish a united Germany in a united Europe, but pour abuse on the democratic Czechs and Poles in exile.

It is, in fact, impossible to trace any clear, practical aims in the vague, inflated verbiage that pours from the refugee writers and orators. The authors themselves do not know exactly what they mean; they only express emotions—those their public like to hear. It would be wrong, for instance, to deduce that they seriously demand that the lost territories shall be returned by the West, *before* Germany makes a contribution to defence; but that is what the following declaration from the *Stimme der Vertriebenen* might be taken to mean:

> Germany to the Germans, from the Memel to the Saar! The question of readiness for defence would then solve itself, as we should then know what we have to defend.

How much of the lost territory the Germans demand back is not at all certain. The minimum can, however, be judged from the flags which were hung at the recent celebrations of the foundation of the Federal Republic. As well as Silesia, they consisted of East Prussia (now divided between the Soviet Union and Poland), West Prussia and Danzig. Silesia, however, is taken to include the industrial area of Upper Silesia, with Kattowice, which went to Poland after the 1914-18 war; and the refugees still speak of the *Warthegau* (the name given to the Polish territory annexed to the Reich by Hitler).

Sudeten German Propaganda

The Sudeten Germans' propaganda maps comprise the whole of Bohemia and Moravia under the title *Heimat Sudetenland*, but they admit that they will have to share it with some Czechs. The Sudeten German organisations, however, denounce the "criminal monster Benes" and hector the American authorities for daring to allow the "ridiculous" Czech emigré National Committee to broadcast on Radio Free Europe from Munich. Their leader, the Social Democrat Wenzel Jaksch, has formed a pact with the more or less Fascist emigré, General Prchala. Search is being made for some Poles who will be equally ready to return the Oder-Neisse territories. In the meantime, the *Landsmannschaften* are nominating burgomasters for the day the Germans return.

At the moment an important movement is taking place to consolidate the two main refugee organisations into one pressure group. The Central Union of Expellees is merging with the *Landsmannschaften*; open fingers, it is declared, will thus become a clenched fist. This merger, like that of the ex-soldiers' organisations, has been prompted by the success of the Trade Union Federation as an extra-parliamentary pressure group. It is opposed by the BHE and its ally, the Social Democrat Party; they aim to secure the support of the powerful voting force represented by the refugees and fear that Dr Adenauer's Christian Democrat Party will now outmanœuvre them. This would end their hopes of a SPD-BHE coalition government after the next general elections. For the general interests of the West, it would be most satisfactory if Dr Adenauer were to win the refugee organisation, but the price, it seems, will be the revision of Germany's eastern frontiers in some way or other. That is a price which the West is not in a position to pay.

(Concluded)

Conflicting Viewpoints at Victoria Falls

"THERE are three things we fear in Nyasaland," said an African chieftain to Mr Griffiths during the consultations on the Central African federation proposals, "the leopard, the lion and federation." This is a pithy summary of the state of mind which the Colonial Secretary encountered among Africans in what must have been wearisome travels throughout Nyasaland and Northern Rhodesia. African opposition had been anticipated, but not to this extent. It has proved to be all but unanimous.

The reasons for this opposition have varied; prejudice and ignorance have played their part, but there has also been reasoned analysis. Sometimes there was an ungrounded fear that land would be taken away; on other occasions it was "simply because we do not like Southern Rhodesia"; in yet others, there was anxiety that the link with the British throne would be severed. Among the nationalists of Nyasaland, any form of closer association (and there is no different word in the local language for "federation" and "amalgamation") seemed to obstruct the path to African self-government on the Gold Coast model.

In general—and this was felt most keenly on the Northern Rhodesian Copperbelt—the root of the trouble lies in suspicion of the Europeans. The very fact that Europeans have on the whole favoured the proposals has added an edge to this sentiment. On the Copperbelt it was pointed out that political safeguards were bound to be worthless, as the recent South African experience had shown. Not only that, but the continued existence of an industrial colour bar in the mines, in spite of recommendations by British Commissions of Inquiry, coupled with the increasing influx of Afrikaners, had confirmed the Africans' forebodings. These suspicions derive, also, from the whole history of the federation proposals, with the unfortunate 1949 conference at Victoria Falls to which no African was invited. That the present proposals had been prepared by an all-European group of officials did nothing to sweeten tempers.

How strong is the value put by Africans on the direct British connection was well demonstrated. At a meeting of the Northern Rhodesian African Congress, a small but vocal party, Mr Godwin Lewankka—a former president—said:

> First I would put the value that Africans attach to the unbiased judgment and fairness of treatment received from the Colonial Office. . . . It is not simply upon the fair-mindedness of the individual Minister that the Africans rely. The Minister is answerable through the House of Commons to the people of Britain.

The same view was expressed in Nyasaland, where great store is set by the country's position as a British Protectorate.

It is probably in Nyasaland that the opposition is most determined. Mr Griffiths was first met with a blank refusal even to send representatives to the Victoria Falls conference. But he is a compelling orator, and in the end both Nyasaland and Northern Rhodesia have sent African delegates, though with a strict mandate to oppose. Africans in Southern Rhodesia will have no representatives at the conference (a fact obviously calculated to harden northern opposition to closer union with that country), but in consultation with Mr Gordon Walker their hostility to federation as proposed was clearly expressed. A resolution of the Southern Rhodesian African National Congress opposed federation on the grounds that it might result in bringing Africans further north under the same "restrictive tendencies" from which they themselves suffered.

Challenge to Colonial Office

European reactions have not been so firm and unanimous. The small community in Nyasaland has favoured federation, partly for the anticipated economic benefits, and partly because they hope it will make their own future more secure. The Northern Rhodesian settler community has been strongly in support. They see a strengthening of their own political position in unity with the south, a challenge to the irksome shackles of "Colonial Office rule," and an insurance against a possible depression in copper prices which would be disastrous to their one-sided economy. The hesitations have come, rather, from Southern Rhodesia. For many there, Dominion status is now the goal, so that the federation proposals are obviously a retrograde step; in particular, the position of the Minister for African Affairs, with his direct appeal to London ("the cuckoo in the nest" he has been called) is found unpalatable. This is the attitude of the opposition Rhodesia Party. For those who think this way a straight amalgamation with the North is preferable, but others turn rather to unity with South Africa. An Afrikaner Party has just been formed in Southern Rhodesia, giving power and point to the pro-Union movement.

The only forthright Southern Rhodesian support for the proposals in their present shape is likely to come from Sir Godfrey Huggins and his United Party. But Sir Godfrey, apart from some sympathetic generalisations, has so far held his hand. It is believed that what he eventually favours will be decisive for his white countrymen. Yet in spite of these doubts, events are pushing most people towards a compromise. The creation of the Afrikaner Party is a warning writing on the wall; and Dr Malan's recent declaration that the incorporation of the Protectorates will be an issue in the next South African election is only another pointer that there may be dangers nearer at hand than the fear of Whitehall interference. At Victoria Falls the main political parties are represented; the Afrikaner request for representation was refused on the ground that the Southern Rhodesian delegation had already been constituted.

South African Reactions

What of South African opinion? The Nationalists' first reactions were bitterly hostile. This was nothing more than another "British Imperialist" move to fly the Union Jack a little longer in Africa, and set up a "liberal" state on the Union's very borders. But these extreme reactions have now been modified. Perhaps the Union Jack is, after all, preferable to another "Gold Coast" in Central Africa; and maybe the "liberal" set-up will not be quite what they feared—the widespread African opposition to the plan has encouraged this hope, and signs of a tough attitude towards the black man on the part of the Southern Rhodesian opposition parties have been cheering to the Malanites. The United Party has a different worry—that federation may *not* come about. In their eyes there are two dangers. One is that the Africans will not only reject federation (and be listened to by the British Government), but will go on to demand much fuller political rights. The other is that in the absence of federation, the nationalistic Afrikaners will spread their doctrines to the north. In the manifesto of the Afrikaner Party in Southern Rhodesia there is, for example, no mention of the entrenchment of English as the official language.

Two basic fears thus meet and clash at Victoria Falls—the African fear of anything that is likely to increase European power; and the European fear of Afrikaner "imperialism." These two emotions demand diametrically opposed treatment. African opposition to federation can only be appeased by strengthening the political safeguards held by Britain; European opposition can be won over only by granting greater powers to the white communities on the spot. Mr Griffiths, representing the Colonial Office, and Mr Gordon Walker, of the Commonwealth Relations Office, are pulled in directly opposite directions. Between them they have a hard row to hoe.

A Leader for Malaya

DATO ONN BIN JAFFAR is the most remarkable man in Malaya. Tall, good-looking and with a distinguished presence, he has built up his reputation as a nationalist Malay leader without himself being more than partly Malay. With Ceylonese blood in his veins he was born into the family of the Sultan of Johore at Johore Bahru in 1895. As a boy he first went to the local Malay school and then was sent to complete his education for six years in England at the Aldeburgh Lodge School in Suffolk. On his return to Malaya, he entered government service and by 1936 had become a member of the Johore State Council.

Between then and now, Dato Onn has played an increasingly important part in the destinies of Malaya. He has made several journeys to Britain and one to the United States, and today at 56 he stands in that small band of Asian statesmen who see the development of their peoples against a world setting. When he is not at Kuala Lumpur or travelling, Dato Onn lives in a cool and pleasant house on the outskirts of Johore Bahru and not far from the causeway which connects the Federation of Malaya with the island of Singapore. His daily life there is a mixture of the oriental and the European, in food, in clothes and in the furnishings of his home. Into this background, so accessibly placed within forty minutes' drive of Singapore, come many of the most prominent visitors to that cross-roads of South-east Asia. They come to listen to his quiet but vibrant accounts of the past and future of Malaya, and, though they may not always realise it, to give him in return something of the smell and taste of the world outside.

Dato Onn began his political career with the foundation of the *Pergerakkan Melayu Semananjong*, the Peninsula Malay National Movement, which in 1946 became a charter member of the United Malay National Movement (UMNO) with Dato Onn as president. At the outbreak of war he had joined the Johore Defence Corps and then, under the Japanese occupation, served in the Food Control Department. By that time his influence with the Malays was considerable, and as the Japanese empire broke up he threw his weight into the effort to prevent the anti-Japanese underground movement from becoming anti-British. He had discovered to his surprise and disgust that the Malayan Communist Party was already making considerable strides in that direction.

In character and political inclination Dato Onn is an apostle of gradualism, however rugged the objectives he may set himself. That was why, although in favour of the return of the British, he led UMNO into bitter opposition to their postwar plans for a Malayan Union. He successfully fought and defeated those plans because he considered that they aimed at giving the Chinese too many rights, too easily and too quickly. Holding that the formulation of a new basis for Malayan citizenship must precede a constitutional

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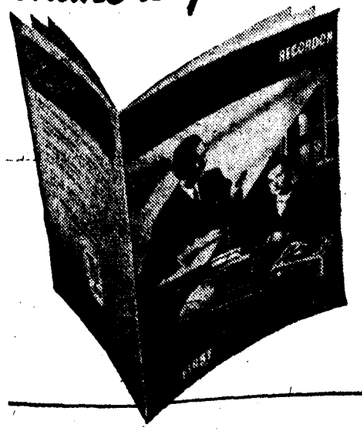

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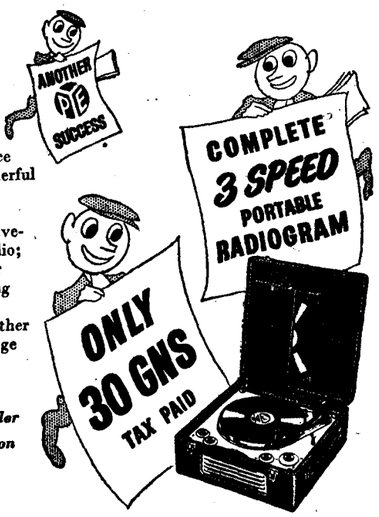

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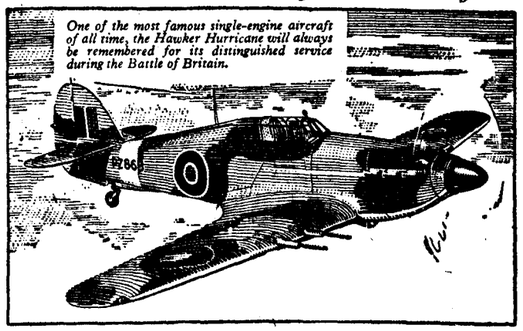

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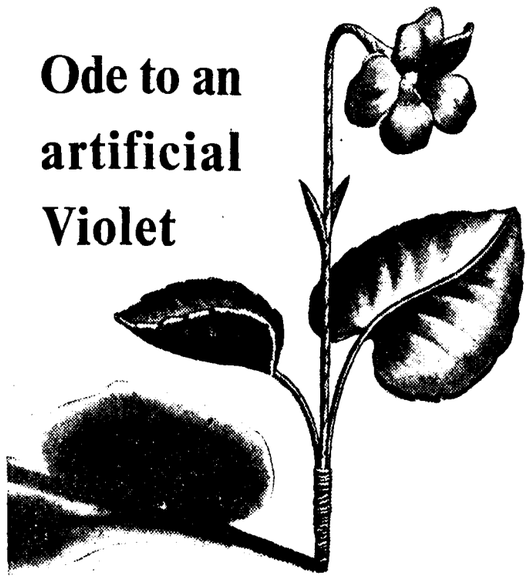

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change of that magnitude, Dato Onn has played a leading role in the establishment and efficient working of the Federation of Malaya. He is now Member for Home Affairs in the experimental "cabinet" which was set up earlier this year.

Today things have changed only to the extent that Dato Onn has decided the moment has come to bring the communities together and to try to set a time limit for the next stage on the road to an independent Malaya, probably, if his past is any guide, within the Commonwealth. A new basis for citizenship is in fact now going through the lengthy processes of legislation. While it is doing so, Dato Onn is making a bid to take politics out of the rut of communalism. This has provoked anger and disappointment among many of his Malay followers. But it is in full keeping with his previous ideals, and gradually they are seeing that he is right. From Britain's point of view the chief doubt must be whether the seven years which he stipulates for the achievement of independence is not much too short. What at least is certain is that, if the Communists are kept at bay during this period, Dato Onn will play a vital and on the whole a salutary role in the growth of his country to nationhood.

The Trial of the Polish Generals

[BY A CORRESPONDENT]

THE Warsaw regime is making much of what they call *Spychalszczyzna* (Spychalskism), their newly coined word for the Polish form of nationalist deviation. It is taken from the name of General Marian Spychalski, former under-Secretary for War and Head of the Army Department of Political Education and one-time leading Politbureau member, who is now in prison. This and the nature of the public prosecutor's examination of Spychalski at the recent trial in Warsaw of four Polish generals and other high-ranking officers would seem to indicate that Poland is at last to see a full-dress political trial on the lines of those that led to the execution of Rajk in Hungary and Kostov in Bulgaria. In picking out Spychalski to fill the role of arch-traitor rather than, as generally expected, the expelled Communist Party Secretary-General, Vladyslav Gomulka, the Kremlin is apparently out to kill two birds with one stone, to strike terror into Polish Titoists in both the army and the Party.

It has, of course, long been evident that Stalin's major preoccupation in Poland was less the Party than the army, not unnaturally since the latter has always been the strong-hold of a passionate nationalism as well as possessing as good a fighting reputation as any force in Europe. The Kremlin's distrust of the Polish army, even of units organised on Russian soil, has been continually demonstrated, in particular by the policy of maintaining Soviet officers and technicians in key positions throughout its postwar organisation.

It will be recalled that among Spychalski's confessions at the famous Party Plenum session in November, 1949, which resulted in his expulsion, was that he "had prematurely allowed the departure from the Polish army of valuable trained Russian specialists" and appointed "prewar Polish officers to high posts." And within a few weeks of this affair, Marshal Rokossovsky was despatched from Moscow to become Polish Commander-in-Chief.

Since then Rokossovsky has laboured hard through purges and propaganda to make the Polish army submissive, loyal to the Soviet Union and ideologically sound. Yet, after almost two years of these exertions, it is found necessary to resort to the extreme catharsis of a "Moscow trial" with four of the army's most outstanding generals in the dock on charges involving every variety of treachery. It is a matter of conjecture why the death sentence was not imposed on any of the accused. Whether or not the extreme penalty is being reserved for Spychalski remains to be seen. The case against him, as expounded in the Polish press, is to be made comprehensive enough. On August 16th the army newspaper *Zolnierz Volnosci* stated that:—

> Spychalski prepared the ground for the plotters' activities in the army where he planted them. The fumes of *Spychalszczyzna* have numbed the revolutionary vigilance within the forces, making enemy penetration easy.

Spychalski is prepossessing and imposing in appearance. From the cautious nature of his replies at the officers' trial he does not appear to have been "conditioned." Certainly he gave a more dignified performance on this occasion than did the abject, penitent figure who confessed at the Party Plenum session in 1949. The reason for putting Spychalski in the witness box was clearly to enable the public prosecutor to build up some plausible legal basis for the charges to be made against him. (The fact that he was also allowed to implicate Gomulka suggests that he too may at last be brought to trial.)

Spychalski's Admissions

Spychalski admitted that he knew the four accused generals, Tatar, Herman, Mossor and Kirchmayer and that he had told Gomulka that Herman had been Chief of AK intelligence and that Gomulka had agreed to his admittance to the new Polish army, despite his previous contacts with the west. (AK was the underground wartime army, directed by the Polish government in exile in London, which is now constantly vilified by the regime.) Spychalski went on to admit that he had agreed to Herman's request that three of his subordinates, now all under arrest, should also be allowed into the new army. Finally he admitted that he had tried through Herman to establish contact with General Rzepecki (Commander of the AK when it was secretly operating against the regime in the early postwar years). He had first discussed the matter with Gomulka who had agreed that he should give Rzepecki a safe conduct to enable him to come out of hiding without risk of arrest. The pass was given and discussions took place at a rendezvous outside Warsaw, but without result.

Thus the bill of indictment against Spychalski is already taking shape according to the recognised east European pattern. His crime is that he promoted the admittance to the postwar Polish army of Polish officers who fought in the west. This must inevitably make them anti-Soviet, which in turn must have inevitably led them to plot against Russia. From this it follows with what purports to be Euclidean logic that Spychalski himself was plotting.

For the record it may be recalled that the Polish regime in 1945-46 itself offered an amnesty to nationalist AK guerrillas, and that there was constant pressure by Bierut government representatives on Polish soldiers, including officers, in England and elsewhere to return to the homeland which badly needed their services.

The Economist — *BY AIR*

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THE BUSINESS WORLD

Commonwealth Raw Materials

THE meeting of Commonwealth Ministers concerned with supply and production, as next week's conference is officially described, opens in London on Monday with a full agenda. Its purpose is to give an opportunity for a free and frank discussion on all problems connected with commodities. But it will be surprising if the talks are restricted even within this wide perimeter, for most Commonwealth countries are interested not only in what they can produce and export, but also in what they can import in return. The dollar problem is not specifically on the agenda, but discussions about supplies of raw materials that do not refer to the United States or to the sterling area's dollar income and expenditure would hardly be realistic.

Experience on the International Materials Conference in Washington, where Commonwealth countries are individually represented, has shown the need for understanding among Commonwealth countries on commodity problems. In the recent IMC discussions on the international allocation of wool, Britain with the United States supported the case for some measure of international control, while Australia, New Zealand and South Africa argued the contrary case for a free market. If the IMC is to continue to share out scarce dollar materials—and Britain and the Commonwealth have undoubtedly gained by getting larger supplies of sulphur and other materials as a result of its work—the benefits cannot indefinitely be one-sided. Price stabilisation, closely related to allocation, is a subject on which the British Government sets great store. Price stabilisation, so it is argued, would protect importers from a cost inflation and exporters from an income inflation. Moreover, if schemes could be devised for materials produced in the sterling area on the lines of the wheat agreement, the sterling area would be assured of a minimum dollar income from the sale of its commodities each year. But price stabilisation would encroach upon the domestic politics of the different Commonwealth countries. The Australian Government, for instance, has already refused to interfere with the normal auction system except "in times of emergency."

The emergence of a Commonwealth view about the future of IMC and the possibility of price stabilisation must depend on the possible trends of supply and demand of the more important raw materials. If rearmament is accompanied by a general increase in industrial production in the western world, output of primary products must expand during the next five years if scarcity is to be averted. But producers of certain commodities are already faced with the more immediate prospect of surplus. Of the commodities to be considered by the Commonwealth Ministers next week, nine are metals—copper, lead, zinc, tin, manganese, tungsten, molybdenum, nickel and cobalt; cotton and wool, rubber and sulphur complete the list. Jute and sisal, both important sterling area exports, are unlikely to be discussed.

The Commonwealth is a net exporter of copper, lead, nickel, manganese, tin, rubber and wool. It is a net importer of zinc, tungsten, molybdenum, cotton and sulphur. Canada provides most of the nickel, some of the zinc, some special copper shapes and some lead. From the narrower standpoint of the dollar problem, the Commonwealth will be concerned with expanding the output of those materials of which it is a net importer for dollars. Zinc production in Australia could be expanded if the Australian Government allowed more reasonable prices in the home market—the domestic price is less than a third of the current world price. Increased supplies of tungsten and molybdenum rest on new discoveries and their exploitation. More cotton could be provided by growing American middling staples in certain colonial territories—on the lines already begun in East Africa—and by expanding total acreage. Sulphur involves exploitation and conversion to substitutes such as pyrites; most of the Commonwealth countries are net importers of elemental sulphur.

Tin, rubber and wool are three commodities that face the possibility of surplus. Tin was long supported and distorted by American purchases for the stockpile, and its behaviour in recent months is a vivid illustration of what can happen when America stops buying. Yet, if recent reports that the alluvial deposits in Malaya are rapidly approaching exhaustion are correct, in ten years' time tin might be as scarce and as precious as it was in ancient times. Rubber is also directly affected by American policy. Purchases for the stockpile are due to finish next year and if American civilian consumption of natural rubber continues to be drastically curtailed, surplus supplies may well burden the market. Yet despite the threat of an immediate surplus, there could be a shortage in 1960. Again, the future of both tin and rubber rest on a delicate political situation in south-east Asia. Consumption of wool since the beginning of this year has fallen well below world output, yet the eventual prospect is for a further increase in the demand for wool, despite the development of synthetic fibres. The sterling area Commonwealth is more or less self-sufficient in copper, though it has to be helped out with a certain amount of electrolytic refining in the United States (until the new Rhodesian refineries come into full operation) and by the import of special copper shapes from Canada.

TABLE I.—COMMONWEALTH TRADE IN RAW MATERIALS

Commodity	Unit	Exports						Imports					
		1938	1946	1947	1948	1949	1950	1938	1946	1947	1948	1949	1950
Copper	'000 long tons	416	311	294	347	391	435	266	300	385	406	372	381
Lead	" " "	446	204	300	250	223	275	400	169	206	180	200	198
Zinc	" " "	171	198	171	183	202	189	187	101	195	209	185	217
Tin	" " "	78	28	36	49	59	97	17	8	8	12	8	14
Manganese ore	" " "	1,322	1,562	1,519	1,329	1,963	1,412	213	322	473	603	621	539
Nickel ore and matte	" " "	40	28	36	46	51	48	30	13	22	26	33	25
Tungsten ore	" " "	18	2	3	5	6	N.A.	10	3	9	10	11	6
Molybdenum ore	cwt.	1,222	7	41	—	80	N.A.	38,423	25,824	46,190	45,754	52,622	61,716
Cotton	Million lb.	1,390	645*	716*	793*	784	1,059	1,614	1,170	1,157	1,296	1,599	1,725
Wool	" "	1,491	2,022	1,632	1,784	1,866	1,811	641	425	495	565	703	610
Rubber, natural	'000 long tons	429	502	784	833	830	859	183	295	210	298	261	350
Sulphur	" " "	4	4	6	5	5	6	461	684	870	964	957	1,054

* Excluding trade via Kathiawa ports.

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To expand the production of scarce primary commodities involves much more than simple increases in acreage planted, numbers of sheep or a few new mine shafts. Ancillary services have to be extended as well —more facilities for preparation of rubber, concentrating and refining of ores, better transport and communications, expanded ports, more houses, improved water supply, electricity and public services. Exploitation of Commonwealth resources calls for development in its widest meaning. It requires the most extensive capital risks and commitments, as the groundnuts fiasco showed; yet, not content with this object lesson, the British Government has lately done all that it could by threats of dividend limitation, and the forbidding enclosure set up by Section 36 of the Finance Act, to scare capital away from mining and other projects of the same kind. And the addition of another call on manufactured resources to make new development schemes possible, further increasing those already barely met for investment, exports and defence would heighten the present troubles that arise from attempting too much with limited resources. Again, can production be encouraged to meet a prospective long-term shortage when the more immediate outlook suggests surpluses of certain commodities? What form of guarantee—say long-term contracts or other methods—would act as an incentive to producers? It might be easier to exploit Commonwealth resources if some scheme of international price stabilisation could be introduced with American partnership. But what range of prices will satisfy consumers and simultaneously encourage an increase in output, and who would be left to fix it? The dominions have always tried to get prices for their primary products related to current prices of imported manufactures which in a period of rearmament and relative scarcity are likely to rise; in other words, they want to lock the terms of trade in their favour. Nor would it be easy to fix a programme of development that will satisfy producers of different countries. And the greatest difficulty of all would be to get the United States to commit itself for a period as long ahead as, say, five years.

So much for expanding Commonwealth production. The reverse side of the picture is what Britain can send to the other member countries. The proportion of its total exports sent to the Commonwealth has been steady; it was 49.2 per cent in 1946 and 48.6 per cent in 1950, but the actual volume of exports sent to the Commonwealth rose by about 80 per cent in the period. The proportion of British exports sent to the sterling Commonwealth in the first six months of 1951 was 42.9 per cent compared with 42.8 per cent last year; in 1946 the proportion was much higher (45.7 per cent) though the volume was very much smaller. If the analysis is taken a step further it will be seen that this year 49 per cent of Britain's exports of vehicles went to Commonwealth countries, 49 per cent of its machinery and 55 per cent of its exports of iron and steel manufactures. These proportions are a little below those of 1950 but for vehicles and machinery they are higher than in 1946 when the quantities were much smaller.

TABLE II.—BRITISH EXPORTS TO COMMONWEALTH COUNTRIES
(Expressed as percentages of Britain's Total Exports)

	1946	1947	1948	1949	1950	1951 6 mths.
	%	%	%	%	%	%
To Commonwealth	49·2	52·7	52·7	51·1	48·6	48·5
To Commonwealth, excluding Canada	45·7	48·9	48·3	46·7	42·8	42·9
Volume of exports to all countries :— 1947=100	91	100	127	140	162	167
Main Items of Manufactures :—	%	%	%	%	%	%
Pottery	55·5	61·0	61·9	61·6	61·4	59·4
Iron and steel mfrs.	40·4	41·1	45·8	49·4	57·5	55·1
Electrical goods	54·0	55·1	58·3	63·3	57·8	55·5
Machinery	50·7	46·9	49·5	48·2	48·5	48·6
Textiles	51·9	60·3	67·0	61·8	52·9	53·8
Vehicles	47·4	43·5	47·4	52·8	53·8	49·2

Note :—The Irish Republic is excluded from 1949 onwards.

The future, however, raises certain doubts. Britain's rearmament drive is certain to reduce the volume of iron and steel manufactures, machinery and vehicles, and the dollar markets will have to be given priority if the sterling area's gold and dollar reserves are not to be depleted more rapidly than at present. Yet it is precisely these types of goods that Commonwealth countries want in any case and will want all the more if development is to proceed. If these conflicting demands are to be met, the British Government will have little option but to introduce some form of priorities. Price could not be the arbiter, if Britain hopes to get the benefit of stabilised prices for raw materials.

This welter of problems confronting the Commonwealth Ministers suggests that no clear-cut decisions will emerge. To solve them would demand not a "meeting" but a year-long conference. The meeting cannot do more than enable countries to understand more clearly the difficulties lying ahead so that each can adjust its own policy accordingly. The Commonwealth is back to 1946; the need for developing existing and potential resources was as obvious then as it is obvious now. The same need exists as then to promote an energetic dollar export drive, and once again British industry is faced with the need for reconversion, this time towards defence. The parallels between the two periods are close. But on this occasion, perhaps, the mistake of giving Commonwealth development the lowest priority will not be repeated.

Iron Ore and Steel Prospects

THIS week's reports of an Anglo-German scrap agreement underline, if underlining is necessary, how much more directly than in recent years the level of British steel output now depends upon supplies of pig iron and therefore of iron ore. Scrap imports this year are likely to be less than a third of last year's 1,890,000 tons, and in 1952 they are not likely to reach 400,000 tons: even the successful scrap drive, assisted by more realistic prices, cannot prevent a decline in total supplies of steel-making scrap next year. In the last two months, fortunately, ore supplies have improved. Home iron ore output is high, and stocks are being built up to a level almost embarrassing, in sheer bulk, to some consumers. In both July and August arrivals of imported ore reached roughly 1,000,000 tons, and stocks have risen substantially; if about 900,000 tons a month can be brought in to the end of the year, the industry will obtain the 8,600,000 tons it planned for in 1951. The industry as a whole is now perhaps more confident, as the British Iron and Steel Federation always has been, that 16 million ingot tons of steel can be produced this year. Nevertheless, the industry is now, naturally, looking beyond 1951. For 1952, the raw material prospect, particularly for iron ore, is to say the least uncertain; it has already driven the Government to ask the United States for special steel supplies next year. And in 1953, the Steel Committee of the Economic Commission for Europe pointed out last month, Western Europe must expect a shortage of rich iron ore. On the postwar rate of scrap charged into steel furnaces, the Committee estimated this at 2,890,000 tons of "ferrous content," or some 7,000,000 tons of iron ore with 40 per cent Fe content. On the lower prewar rate of scrap charge—which with the growing scrap shortage may be all that Western European steel producers can achieve—the shortage is estimated at about 5,000,000 tons of ferrous content or about 12 million tons of ore.

Estimates of this kind need to be treated with some care: but it is worth noting that the raw material shortage in the Western European steel economy this year was foreseen four years ago by the OEEC steel committee—representing most of the same national experts as sit on the ECE committee. This year's shortage has not come about exactly as OEEC forecast; the trend of steel output was somewhat affected by the buyers' market of late 1949 and early 1950, and demand recovered only from July. Then the European coal shortage of last winter—of which the National Coal Board may be said to have pulled the trigger—advanced the impact of ore supply difficulties for certain countries and created a coke shortage throughout the continent. As the OEEC committee now sees the Western European steel output picture for this year, the participating countries will have capacity for some 62 million tons of steel production. They have planned a total output of about 58 million tons. There are steel making materials for some 55-56 million tons, given sufficient coke, but sufficient coke may not be available.

The deficiency of British ore imports last winter also arose—though by a different route—from the shortage of coal. The British coal production failure last winter made necessary coal imports that disorganised the freight market, besides boosting rates. The industry had contracted to purchase 9,300,000 tons of ore from overseas in 1951, but it soon became obvious that no more than 8,600,000 tons could in fact be shipped. On occasions since, even this figure has seemed unlikely to be achieved, but the industry is now more hopeful. This winter, at least, shipping is unlikely to be thrown into chaos by any last minute decision to import coal. There is some uncertainty whether the large tonnages expected for the next few months can be handled through the ports; and considerably more uncertainty whether inland transport will be able to carry them to the plants.

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But the British difficulties concerning iron ore imports no longer involve merely a temporary lack of supplies: they are now impinging upon a real shortage of rich iron ore. Reserves of ore throughout the world are plentiful and in some parts of Europe, even developed fields and production facilities are idle. These countries used before the war to utilise their home ores—generally low-grade—to a greater extent than they do today. The change has come about partly through the high capital cost of blast furnaces, favouring the higher output from rich ores, partly because the emphasis on flat products in new steel finishing capacity tends to require better-grade steel. But it came about largely, in the first place, through shortage of Ruhr coke to smelt European ores that need more coke. In theory the next 18 months should bring in enough extra coke oven capacity to end the present coke shortage, but this may not be so certain in practice, and in any case the requisite coking coal does not seem certain to be there. The world's exportable surplus of iron ore this year will probably be lower than the world's total import needs. The vast expansion of American steel output is threatening to outgrow its ore supplies, and for the next two or three years at least the United States is certain to be competing for ore with Europe. Whether or not the depletion of American orefields like the Mesabi range is yet as complete as is argued—producers have to pay tax in Minnesota on declared ore reserves, and have therefore an interest in underestimating them—the vast ore projects of American steel companies outside the USA and the location of new plants on the eastern seaboard demonstrate its new reliance upon imported ore.

The ore shortage has been blamed as a consequence of a general postwar hesitation in developing raw material supplies to feed the manufacturing plant that the world has been installing apace. This may be true in part, but developments have been under way since 1947, when among other authorities BISC(ORE), the British steel industry's ore importing company, surveyed future ore prospects. It immediately began to send experts to all its ore suppliers to promote more efficient output and organised some prospecting. By 1949 BISC(ORE) had successfully negotiated with Newfoundland a long term contract that would have raised the export surplus of Wabana ore from 750,000 to 1,500,000 tons by 1952; though the Treasury then refused dollars for a £1,250,000 capital advance, the Newfoundland company found local finance and has since closed a long term contract with BISC(ORE) for a million tons a year. The company has for some years been urging development of the Tonkolili ore deposits in Sierra Leone: this project is behindhand, and cannot be expected to produce its full results—4,500,000 tons a year including output from the present Marampa deposits—before 1957. At Conakry in West Africa, in partnership with French interests, BISC(ORE) is developing a field of ore that has a high alumina content but will be relatively cheap. This should start production in 1953 and will eventually reach 3,000,000 tons a year, of which Britain should receive a large proportion. A new project being actively examined is in Mauretania in French West Africa; though this would need considerable rail and road construction—and much time—to develop, the present indications are of high grade ore. The British steel industry, moreover, is hoping for some benefit from the output from American ore developments. It has already purchased on the open market a test cargo of ore from Republic Steel's new orefield in Liberia, from which a third of output may be made generally available (for dollar exchange). Some marginal supplies might be had, too, from the new Labrador developments (ready in 1954-55, rising to 10 million tons a year). But the real significance of these new American developments and those beginning to mature in Venezuela and Chile will be that by 1954-55 the United States may be expected to cease buying ore from the European industry's normal ore suppliers, relinquishing the 3,000,000 tons a year it is at present purchasing. Certain important developments are being carried out by European ore producers, such as the reconstruction of Norway's Sydvaranger mine, and the conversion from opencast to underground ore extraction at Sweden's Kiruna mine in Lapland, possibly by 1953-54, that will increase exports by some 3,500,000 tons a year.

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It is clear that ore expansion has not been ignored since a shortage was first foreseen, but ore development takes a long time. It is also clear that hardly any extra rich ore will be available in the export market before 1953-54; and that competition for it will not diminish but increase. Until the middle fifties America must be expected to stay in the market for about the same amount as it has been taking; Germany will be in the market for more. German steel producers are thinking in terms of 16 million tons of steel by 1953 (which incidentally would increase the ECE "deficit" calculation for that year by the raw materials needed for an extra 2,500,000 tons of steel); this increase in output may receive special support from the United States. Sweden is already setting the pattern for this autumn's ore bargaining. With a coal and coke shortage certain this winter, it is making ore contracts partly dependent on firm guarantees of fuel exports; and of the four countries that could offer it coal—Britain, Germany, Poland and the United States—each needs iron ore. Other countries are following suit, and the bilateral bargaining seems certain to be hard. Britain's inadequate coal output this winter may not affect ore shipping, but it may hamper the conclusion of adequate ore purchase contracts. As the ECE Committee sees it, no country in Europe is prepared to commit itself to a firm forecast of its pig iron output. More steel, it expects, will be made in Europe in 1952 than this year, and perhaps more in 1953 than in 1952. But which particular countries will make more—apart from Germany—is anybody's guess.

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It is not surprising, therefore, that in the British steel industry today there is some cautious optimism about prospects for 1953-54, or certainly later—but considerable reserve about 1952. Solutions to the problem are easier to canvass than to apply. More home ore is already being produced: output is already up to about 15 million tons a year, of which 14.3 million tons will be consumed in 1951. Next year the home ore industry is being asked for 16 million tons, and, given a modest increase in labour, this should be achieved. But there are economic and physical limits to the feeding of more and more blast furnaces with home ore, if only in transport. Moreover, with home ore, averaging 30 per cent iron content against 55 per cent in imported ores, substitution of home ore will certainly keep furnaces working, but it will decrease their effective capacity. More blast furnaces—fortunately to a considerable extent sited and designed for home ore—will be coming in this winter and next year, and will promote a better balance in the industry as German scrap imports decline. But every ton of iron smelted from home ore needs 4 cwt. more coke than a ton from imported ore; and coke supplies might very possibly hold up pig-iron output. With the new capacity coming in next year, the industry could indeed use more than 10 million tons of imported ore in addition to the larger consumption of home ore. British pig iron capacity for 1952 will be 11 million tons a year, which at the expected scrap level would make possible the production of 16.5 million tons of steel, from a steel capacity that by the end of 1952 will probably reach over 17 million tons a year. But that would require abundant ore supplies. If in fact the industry obtains as much imported ore next year as it does this, it will probably have done well.

The only thing certain about ore supplies and steel output in 1952, therefore, is that they are going to be difficult, as Mr Gaitskell's negotiations in Washington have already advertised. If steel production is even to be maintained at the 1951 level, a pig iron output of at least 10.6 million tons will be necessary. This could be achieved with 9.75 million tons of imported ore and 15 million tons of home ore; since this imported ore figure would be 400,000 tons more than the industry could purchase for 1951 and 1,150,000 tons more than it is likely to ship, home ore output is being raised to provide a margin. But, as the British Iron and Steel Federation says in its current statistical bulletin, the outlook for raw materials is "somewhat obscure." It concludes:

> Whether the requisite tonnage can be bought and shipped to this country will depend largely upon factors outside the industry's control. Above all else, it will depend upon the provision of sufficient coal both to avoid the shipping shortage of last winter and to keep the country's traditional export markets adequately supplied.

If only because the coal and the shipping are not to be had this winter, the Federation's hope that coal imports will not interrupt its ore imports may be fulfilled. But if steel output depends to any considerable extent upon British coal exports, the outlook will be not obscure, but gloomy.

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Business Notes

Markets and the Election

In many spheres of finance and business the four weeks before the election—and even the phase beyond that while the new Government settles itself into the saddle—will inevitably be a period of uncertainty. But in the stock markets Mr Attlee's announcement has been everywhere regarded as the ending of uncertainty; at all events, the markets are now firmly framing their judgments on the assumption that a Tory Government will be returned, with the corollary that statutory limitation of dividends, nebulous plans for new drives against capital and for further nationalisation can all be relegated to the limbo of loves Labour lost. These same assumptions—including the expectation of an autumn election—had indeed been widely held in the City for some weeks, which partly explains why the equity markets, though quiet, had firmly held their recovery to the level ruling on the eve of Mr Gaitskell's end-July speech. A week ago the *Financial Times* industrial share index stood at 133.2, compared with 132.9 on July 26th, while many of the shares that stood to suffer more from dividend limitation than those included in this index had also regained their losses. But for these anticipatory adjustments, the response of prices in the past few days would have been even more marked—but it has still been substantial.

The principal advances have, of course, occurred in those industrials and in the rubber, mining and oil groups upon which a dividend freeze would wreak exceptional injustice. The price rises in such cases have generally been appreciably larger than that indicated by the rise in the industrial index from 133.6 on Tuesday to 138.6 on Thursday. In estimating the scope for further advance, it is right to recall that the price-level had subsided considerably even before the dividend bombshell was launched; the peak reading of the index was 140.4, at mid-June. But it is still more important to realise that even the most courageous shift in economic policy—in the direction of a firm disinflationary drive to restrain the continuous rise in prices and costs, and perhaps in the easing of the disproportionate weight of taxation on business capital—could not rapidly give relief from the troubles that beset industry. Moreover, on many sectors of the economy, the impact of the necessary and salutary treatment would be painful. There are no short and easy roads through the dark entanglement of economic and financial difficulties that will confront the new Parliament.

Institutional investors in the gilt-edged market are perhaps more alive to such problems than investors whose interests lie elsewhere, for at least it is clear that a salutary prescription would include one brand of medicine of which the gilt-edged market has always stood in fear—a determined resort to monetary policy and a deliberate raising of money rates. In point of fact, there is room for dispute whether such a dose would disturb the gilt-edged market—or at least its long-term section—as much as is generally supposed. But this is a view that is not common in the stock exchange, and it certainly does not explain the behaviour of gilt-edged stocks since last Wednesday. The immediate effect of the election news was to arrest the sagging tendency that had become rather obtrusive since the end of last week despite (or perhaps because of) the big response to the Nigerian loan, and despite the cessation of the "tap" for 2½ per cent Funding 1956-61.

* * *

The Dalton Lever

The textile industries' reaction to Dr Dalton's week-end speeches has been much sharper than their response to similar sentiments expressed less provocatively by Mr Hervey Rhodes a few weeks ago. The common fear behind the sharp retorts that have been published by manufacturing, wholesaling and retailing organisations alike is that such statements from an important member of the government will prolong what the trade fervently hopes is only an exceptionally marked seasonal decline—but one that is beginning to look uncommonly like a slump—in the textile market. In particular it is feared that foreign buyers might mistake Dr Dalton's bull-roaring as the considered policy of the Government and will be guided accordingly. The clothing industry's principal trade union, now meeting in Blackpool, has felt it necessary to state publicly that the buyers' strike is "not the best method to adopt" to bring prices down; evidently the threat to textile employment is of greater concern to them than the attempt to lever prices down by week-end speeches.

Prices for wool and cotton goods are expected to come down next year, but the extent of the fall is much less than consumers are being led to expect. According to the Wholesale Textile Association, raw materials in general represent less than 2s. in every pound that goes across the counter, and costs are rising sharply in other directions. There have been wage increases in every section of the industry during the year, the biggest being in the cotton industry where raw material prices are now believed to have reached their lowest level, and where there is the possibility of a price recovery. A fall of between five and eight per cent in the price of cloth would be accepted in Lancashire as a reasonable adjustment. At the same time, changes made last April in the schedules for utility cotton cloth will have a profound effect on the prices of the utility clothing and piece goods that will be coming into the shops next spring. The effect of the changes has been to remove most of the restrictions on the type of cloth that may be sold as utility, and some of the price ceilings have been doubled in order to permit better quality cloths to be sold without tax. Since non-utility cotton cloth was almost unsaleable at home, and utility cloth unsaleable abroad, the new and flexible specifications should remove artificial distinctions between production for home and for export markets. The knowledge that goods intended for export can, if necessary, be sold at home without the prohibitive burden of purchase tax, will give some confidence to the cotton industry in what promises to be a difficult trading period.

The Board of Trade has announced that the new specifications for clothing made with this cloth have been completed and the distributors' margins will be worked out within the next few weeks. While the result will be a "wider range of better quality cotton dresses and blouses in utility" the prices may surprise some consumers. The top retail price of a cotton dress will be four guineas compared with the present ceiling of 27s.

* * *

No Confidence in Bradford

The wool industry is still working within price margins that were drawn up on the basis of the raw wool prices of last October. Present prices are now below those levels, but not low enough to allow big reduction in prices that consumers are being led to expect. The spectacular cuts that are being made now in the retail prices of carpets, blankets and knitting wool are special cases. In part they represent an attempt to move high priced stocks, but in each of them raw wool accounts for a high proportion of the final selling price, whereas in cloth and clothing processing costs account for the greater share. The retail prices of these particular goods rose earlier this year almost as sharply as they are now falling, and the big cuts in retail carpet prices usually apply to imported carpets only; the Board of Trade's new prices for home-produced carpets show a maximum reduction of only 15 per cent.

Unlike Lancashire, the wool industry sees no immediate prospect of greater stability in raw material prices. This lack of confidence has checked buying from the wool merchants to the retailers, and is now beginning to affect the industry's output of cloth. Until April, this had been maintained at the reasonably high level of between 37 and 38 million square yards a month but by July it was down to 34,500,000 square yards, the lowest figure since the "exceptionally low" level of deliveries a year earlier. Consumption of raw wool has fallen for eleven successive months and by July it was 25 per cent lower than in the previous summer. The country's wool stocks had fallen by the same month to 153 million pounds compared with more than 300 million pounds in the summer of 1949. This lack of buying has had its effect on employment in the combing and spinning sections of the industry. Although the weavers were still taking on more workers in the summer, the total level of employment in July was 5,000 lower than it was in January, when the figure reached 171,000.

* * *

Optimism from Mr Rank

Mr. J. Arthur Rank this week provided a fuller picture of the continued recovery of the Odeon group than the silhouette given a fortnight ago in its preliminary figures. Those figures were discussed in a note in *The Economist* of September 8th and the full report and accounts are examined in a Company Note on page 715. These confirm that considerable retrenchment in film production since the calamity of 1948-49 has been supplemented by fairly stable cinema attendances and some impressive economies in the group's two exhibiting circuits.

Cinema exhibition contributed £4,155,379 to the group's final trading profit of £5,125,230 for the year ended June 23, 1951, compared with £3,487,613 from exhibition and a trading profit of £3,293,426 in the previous year; and manufacturing profits rose from £432,954 to £974,365, the group's subsidiaries outside the film industry having been highly successful. On the other hand, losses on film productions, taking into account net distribution revenue, were still very large, though reduced: £1,182,099 for 1950-51 against £2,002,215 the year before. Mr. Rank, however, is confident that provisions for losses on film production in the current year will show "a very substantial reduction." Of the group's bank indebtedness of £9,213,746 (reduced by some £7,000,000 in the last two financial years), only £3,338,944 is now owing by companies concerned with film production and distribution. In the balance sheet, the stock value of film productions is put as £4,457,614; apart from the reductions in production of films since 1949, this also represents further writing down of films produced during that year. The basis of valuation of films is the estimated ultimate producers' net share of revenues, the aggregate being below cost: such valuation can only depend upon the shrewdest guesses available, and the directors are wise to stress "the impossibility of predicting future conditions" for so volatile a commodity.

Mr Rank describes the first and second "Eady plans" together "doing much to assist in solving the immediate production problems and placing the industry on a satisfactory basis"; he also welcomes this year's agreement as the first assistance since 1943 to film exhibitors, enhanced as it is by the promise to review the scale of Entertainment Duty. However, he emphasises that the three years of the present scheme will not be long enough: if Government assistance of this kind were then wholly withdrawn the industry's production problems would soon recur and any good work done would be undone very quickly. This comment is immediately followed by a declaration of Mr Rank's renewed faith in British film production, as essential to national interests and "to the film industry of the country." Mr Rank's sentiments are understandable: but outside observers of the film business may not place quite the same faith in an industry that never seems prepared to look forward to the point where it may be able to do without special financial assistance.

* * *

Railway Winter

An uninviting list of prospective winter shortages set out in "Bulletin for Industry" published by the Treasury gives particular prominence to the likelihood of trouble on the railways. This threat has been obvious since midsummer; the Railway Executive has assured the representatives of the Chambers of Commerce and of the Federation of British Industries that an intensive examination of "all possible measures" to assist railway operation during the autumn and winter has been carried out. Apart from these measures—which presumably have been particularly concerned with improvement of traffic arrangements at key junctions and marshalling centres—the Executive has curtailed the summer passenger services a fortnight earlier than was intended, and has made no secret of the fact that further curtailments will have to be made according to the severity of the pressure on the various systems. Already it is clear that the London Midland region will be under the heaviest strain, but other centres in the Midlands and the North will not be in much better shape.

The Railway Executive claims that its physical equipment for handling the winter traffic is better than at any time since the war; its difficulties are attributed to shortage of locomotive crews and other key operating staff. Its primary object will be to ensure, as far as it can, that no pit is brought to a standstill for want of transport to clear its output. Coal, iron ore and other heavy mineral traffic now require immediate movement, whereas in times of severe winter strain on the railways before the war it was possible temporarily to suspend their movement. Even given the most efficient movement of these heavy traffics by block trains, and the greatest diversion of heavy traffic to road and coastwise transport, the risks of serious delays and partial breakdown under severe weather conditions and a heavy sick list are only too obvious. The railway passenger must expect to be at the bottom of the queue for winter transport; but the consignor of merchandise of anything less than top priority is also likely to suffer even if the weather is kind, and even if the railways tackle their winter burden with the greatest energy and efficiency.

* * *

Ratting on Gatt?

The sixth session of the contracting parties of Gatt opened at Geneva last Monday and is expected to last for at least six weeks. There will be no tariff negotiations at this meeting; most countries have not had time for their appetite for these to revive in the short period since Torquay. The session will deal with four types of business. First, it will discuss items arising out of the operation of the General Agreement; under this heading the basic issue of discrimination in the application of import restrictions will once again hold pride of place. Secondly, members will discuss items arising out of the recent actions of member governments. The most important issue here is the commercial rupture and "termination of obligations" between the United States and Czechoslovakia. Thirdly, the administration of the agreement itself will come up for review; a proposal to establish a standing committee that could deal with certain business between the regular full sessions, and a proposal to maintain a permanent secretariat, will be debated and probably decided on. Fourthly, there will be a general discussion on tariffs and tariff negotiations—and especially on the disparity of European tariffs, a problem raised with some vehemence by the low-tariff Benelux and Scandinavian countries in the course of the Torquay conference.

The controversy about discriminatory import restrictions may again be the focal point of the session. Gatt has now received replies to the questionnaire that it sent out to each contracting party asking for information on import restrictions applied for balance of payments reasons. This information will form the basis of a report. There is certain to be considerable debate on whether this report should be a purely factual document or whether it should lead to further "consultations" with the International Monetary Fund. If the IMF should be called in—and if it put Britain in the pillory as it did at Torquay—this might have an unfortunate effect on Britain's already cool attitude towards the whole Gatt organisation. In his speech at Geneva this week, Sir Hartley Shawcross somewhat petulantly remarked that Britain was not finally committed to acceptance of the General Agreement; he announced flatly that Britain does not at present intend to grant most-favoured nation rights to Japan, and he suggested that the setting up of a standing committee of Gatt would be a waste of experts' time and taxpayers' money.

* * *

Redundancy in Steel

Sir John Green, deputy-chairman of the Iron and Steel Corporation, is at the head of a small committee the corporation has set up to handle the question of closing steelworks made redundant by new capacity completed under the industry's maturing development plan. This inevitable process was, of course, taken into account when the plan was framed: and so were the human consequences, evidenced this week by the requests to the Minister of Supply to postpone the demolition of smelting furnaces at the Blochairn works of the Steel Company of Scotland. Though demolition at the works does not in fact appear actually to have begun, the representations by a number of the work's employees and by local authorities were to be expected: mobility of labour is too infrequently experienced in the British economy today for its enforcement to be welcome. The change, according to Sir John Craig of Colvilles, the parent company, will affect less than 5 per cent of the 1,700 men in the group. The decision to close the cogging mill at Blochairn follows logically upon the progress of plans to transfer production to Motherwell and Clydebridge though Sir John noted that it had yet to be approved by the Iron and Steel Corporation; and plans of "a special nature" are also being submitted in connection with a works at Newton in Lanark.

Sir John Green's committee is hardly likely to be able to ease or postpone such decisions to any great extent; it would be wrong if it did. This year's shortage of raw materials has rather hastened the closings, since in a year of abundant raw materials and rearmament demand the industry might have prolonged the working of old plant to achieve record output. But capacity is likely to be the least short factor in steel production next year, and the claims on raw materials of the half-dozen or so small steelworks that have been closed so far weigh little in the industry's central councils beside the massive demands of Margam. The committee will have a rather different question to consider when it turns to the handmills of South Wales. The packmills have this year turned out a considerable tonnage of tinplate, which is still short; and it has been expected that they would be kept in operation for a time after the opening of the new tinplate mill at Trostre to augment total output. But Margam is already beginning to drain some labour from the handmills; and more will be needed for Trostre, which is due to come into commission by the end of this year. How many of the handmills can be expected to continue may well be a matter upon which decisions can only be taken on the spot: it seems likely that even those closed down will be kept in being pending a decision whether to increase tinplate capacity in South Wales still further.

Persia's Bank Robbery

Britain's decision to stop the export of scarce goods to Persia has been put into speedy effect by the diversion of cargoes already on the high seas; the Foreign Office has requisitioned 3,000 tons of railway track equipment and 2,000 tons of sugar now *en route* to Persia, and has accepted responsibility for reimbursement of any money already paid out by the Persian consignees. In retaliation for these steps, the Persians are now venting their spleen on the British Bank of Iran and the Middle East. The bank is apparently to be prohibited from carrying out foreign exchange business in Persia and the Ministry of Finance is reported to have also ordered all official and quasi-official Persian bodies to withdraw their accounts from it. Some of Dr Mossadegh's supporters are trying to persuade private Persian citizens to withdraw their accounts also; it remains to be seen whether this campaign will succeed—the moneyed classes, including some Government politicians, have learned to value the bank's inviolable adherence to the banking tradition of keeping accounts secret.

Four years ago the decision to prohibit its foreign exchange business in Persia might have been a very serious blow for the British Bank of Iran. Since 1947, however, it has been extending its business in Syria, the Lebanon, Iraq and other Middle Eastern countries, while contracting that in Persia. The wisdom of this decision was amply shown in March, 1949, when the Persian Government introduced a decree ordering the bank to lodge 55 per cent of its deposits at the Bank Melli Iran without interest and to submit to most onerous restrictions on its foreign exchange business and internal lending operations. Since that date the bank has made no profit at all in Iran (although last year it made £108,089 outside it). A dwindling number of branches have been kept open in Iran to show the flag and wait for better days. Just before General Razmara's murder, negotiations were in progress to lower the obligatory rate of deposit with the Bank Melli Iran—and the bank managed to withdraw about £1,000,000 of semi-blocked funds. Dr Mossadegh's essay into the field of bank robbery will thwart these hopes of improvement, but it is the Persian economy rather than the bank that will suffer most positive and immediate harm.

* * *

Russian Grain Again

Despite the Battle Bill, now passed by both houses in Congress, Britain has gone ahead and signed another grain contract with the Soviet Union. This time it is for a million tons of grain compared with 800,000 tons a year ago; the larger quantity is indicative of the excellent harvest that Russia has had this year. Britain will receive 300,000 tons of maize, 425,000 tons of barley and 75,000 tons of oats—all these quantities are the same as last year—and in addition 200,000 tons of wheat said to be of millable quality. Since Britain is getting no more feed grains from Russia than it did in 1950-51, total imports during the current crop year will be maintained at last year's level only if quite substantial quantities are again purchased from the United States. But dollars are again becoming scarce so that the prospect is rather of a smaller supply of fodder grains unless bumper harvests in Argentina and Australia come to the rescue.

The inclusion of a relatively large quantity of wheat in the contract is a new feature, though before the war Britain bought sporadically from Russia and in considerable volume from the Danube basin. The 200,000 tons is presumably to help make up for the smaller British harvest, which this year will barely total 2,200,000 tons compared with 2,600,000 tons in 1950. It might also be a useful bargaining counter in trying to get "agreement wheat" this season below the maximum of $1.80 a bushel set by the international agreement, for Canada is reported to have a bumper crop. The announcement about the contract gives no indication of

Spotlight on Australia

In the business world today attention has been focussed on the remarkable industrial development in Australia. The Union Bank of Australia has therefore published two Booklets: "*Industrial Australia*" containing authoritative information on industrial resources, markets, labour and finance, "*Company Formation in Australia*" providing a general guide to Company Law with notes on current taxation and the establishment of a business in the Commonwealth. Anyone contemplating business in Australia, will find in these Booklets the preliminary information they require. Copies of these Booklets will be sent on request.

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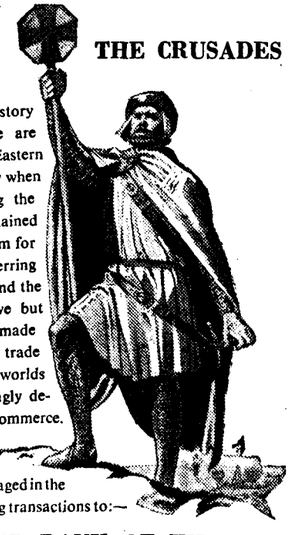

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prices. The practice hitherto has been to base prices on the equivalent Chicago quotations and presumably this procedure will again be followed.

As with the recent timber contract, Russia has inserted a clause giving it the right to withhold shipments if it is unable to buy rubber. No specific quantity of rubber is mentioned, but this reversion to quasi-barter transactions might well have repercussions in the United States which are discussed in a note on page 673. The timber contract still stands at 128,000 standards; the Russians have the option to ship an additional 64,000 standards, but so far they have given no indication that they will avail themselves of it. Shortage of cargo space is delaying the shipment of the basic quantity.

* * *

"Air Coach" Experiments

A sub-committee of the International Air Transport Association has remained behind in London after the close of the annual general meeting to work out details of a six-month "controlled experiment" with tourist class fares on the North Atlantic and London-Johannesburg routes. These details must be approved by the governments of each of the IATA members involved but unless there are unexpected changes of policy the scheme seems likely to go through for trial.

The meeting is expected to define "coach" travel. It will have to draw up standards of seating density for each type of aircraft now used on these services and will specify the minimum number of seats that must be installed in a machine making a flight at coach rates. The fares are expected to be 36 per cent less than those of the normal flights. Each operator will be allowed a maximum of four coach flights a week for the six months of the experiment. The committee may also try to define the services to be offered—whether the passenger pays for his food, whether the food is served in the air or on the ground during refuelling stops, and similar details. This controlled experiment may start next spring, and when it ends the records of the participating airlines will be carefully examined and the dual tariff will come up again for review by IATA in the light of the results. If the system is then approved for general operation on any routes, there will be no limitation on the number of "coach" flights.

The success of reducing fares by such a big margin involves the spreading of operating costs over a greater number of tickets per flight. Until the seating density per aircraft has been decided it will not be possible to calculate exactly how many extra seats will have to be sold for the flights to break even. It is possible that at the end of the six months, some operators will be less keen on the dual tariff than they claimed to be at the start—its working is bound to be a challenge to the administrative efficiency of the individual airlines. The biggest unknown is the passenger's possible reaction to a choice of services. The ultimate distinction will, however, always be that of speed of travel, a distinction that will become more marked with the introduction of jet airliners.

* * *

Britain Repays EPU Gold

Britain's net deficit with the European Payments Union in August was £67,260,000, or $188.3 million, the biggest monthly deficit incurred since EPU began on July 1, 1950. To meet this deficit the United Kingdom paid back to EPU $19.6 million in gold. This completed the repayment of the gold previously acquired from EPU, which at its peak, at the end of April last, had amounted to over $119 million. The rest of Britain's net deficit with EPU went to reduce the credit balance previously accumulated with the Union, bringing it down to $62.9 million. At the rate at which payments have been running with other EPU countries, that credit balance will more than probably have been exhausted by the end of this month, and the next EPU settlement may show the United Kingdom ranking among the debtors.

The largest net surplus accumulated by any member in August was the $63 million that accrued to Belgium-Luxemburg; half of this was taken in gold. In order to correct its chronic creditor position with other EPU countries, the Belgian Government has announced some new and interesting discriminatory steps this week. The most important of these is to block 5 per cent of the proceeds of Belgian exports to EPU countries for a period of at least six months. The money that is thus blocked will be retained by the collecting bank and paid over to a special account in the National Bank of Belgium; the resulting balances will be non-transferable and will not be available as security against credits. The main objective of these measures is to divert Belgian exports away from EPU countries towards the dollar area; whether the 5 per cent margin will be sufficient to pull Belgian export trade from its traditional channels is a moot point.

The recovery in the German balance of payments continues to make good headway. In August, Germany showed a further net surplus of $51.1 million; it took $10.6 million in gold and had the balance deducted from its overdraft with EPU, which has thus been reduced to $140.7 million. Another welcome item of news emerging from the latest settlement is that the Netherlands secured a surplus for the first time as a member of EPU; unfortunately, however, this surplus—which amounted to the sizeable figure of $25.7 million—has been officially stated to be the product of some exceptional receipts. Portugal, the colleague of Belgium as a persistent creditor, secured a surplus of $3,200,000, of which 50 per cent was taken in gold.

* * *

Boilers for BEA

In an average cold spell this winter, according to cold-blooded official estimates issued this week, electric generating capacity, after allowing for frequency and voltage reductions, will be about 1,200,000-1,300,000 kilowatts short of national demand at peak hours. Widespread realisation of this fact, and the load-shedding it threatens, has intensified industrial interest in expedients for extra power production, both privately, in factories and by the British Electricity Authority. One suggestion that has just been revived—encouraged, or at least provoked, by Lord Citrine—is that British boiler exports should be curtailed. Boiler installation, the BEA has frequently reported, has been perhaps the most difficult to hasten of any of the electrical equipment supply industries. By value, some 40 per cent of British boilers are being exported. The conclusion seems simple: cannot sufficient boilers, or the productiive capacity to make them, be diverted to easing BEA's most serious bottleneck?

As might be expected, the watertube boiler manufacturers argue that the conclusion is too simple; and they are not without support among electricity supply experts. Of the programme of 57 major boiler installations for BEA this year, fewer than half have been completed; but a substantial proportion of the remainder are nearing completion, and the manufacturers think that the programme will be largely fulfilled in time. The boiler installations—which involve not the supply of a completed piece of equipment but the erection on site of a massive industrial structure several storeys high—are now probably not to any considerable degree out of phase with the installation of other major equipment. The manufacturers, of course, have always denied that lack of boilermaking capacity has occasioned any considerable delays in the power station programme: and when the new boiler-making plant of John Brown Ltd. comes into production, they feel their industry should be

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well able to handle home and export orders. At the present moment, as has happened before, materials and not capacity provide the limiting factor. A certain proportion of the industry's exports are boilers for generating plant similar to those delivered to BEA; the curtailment of boiler exports would bring about a similar cut in exports of generating and ancillary equipment. Since most of the equipment in question goes to Dominion power industries that might otherwise turn to American manufacturers, the consequences in dollars might be considerable. The additional capacity grafted on to the watertube boiler industry is due to come into commission in the mid-fifties. In view of the time lag involved in turning over plant making other boilers for export to boiler production for BEA, the case for diversion seems rather doubtful. What is perhaps more important is that BEA should be in a position to place orders booking the industry's capacity as it becomes available in the next few years.

* * *

Powell Duffryn Expansion

Within four years of the nationalisation of its mining assets, Powell Duffryn, Ltd., has reorganised its investments in a way that holds out the prospect of full employment for the company's considerable capital. The new chairman, Sir Herbert Merrett, in the company's latest report, makes it quite clear that no repayment of capital is now contemplated. Powell Duffryn has so far drawn £10 million of compensation stock, and this has been reinvested partly in new ventures and in short-dated securities.

The most important of the new investments is in the Wankie colliery in Southern Rhodesia. Powell Duffryn is now the largest shareholder in Wankie, and the deputy chairman, Mr Foot, is chairman of the colliery. Wankie is managed by Powell Duffryn Technical Services, and has a ready market in the Rhodesian copper industry, which can be expanded as soon as transport is improved. Reorganisation and re-equipment is expected to make Wankie a profitable investment within the next two years, and a big expansion of the colliery should be in prospect.

The company also has a half interest in the new Vacuum Oil refinery being built at Coryton. The role of this refinery was described in *The Economist* of September 15th. Powell Duffryn, whose main contribution has been the valuable Coryton site, has invested £5,000,000 in Vacuum Oil to date and is prepared to put up another £1,750,000 towards the catalytic cracker and other plant that was not included in the original scheme. Socony-Vacuum, the other partner in Vacuum Oil, and contributor of the technical expertise, is also willing to provide an equal additional amount. As building progresses, further capital will be provided by the Finance Corporation for Industry, and the refinery is expected to come on stream in 1953.

A third line of expansion is the production of a construc-

tional carbon known as "delanium." The material has most of the properties of graphite; it is impervious to chemicals and has a low rate of neutron absorption, coupled with a considerable mechanical strength. Such a combination of properties gives the material a wide range of uses in engineering generally, but particularly in chemical and nuclear engineering. This material is now being produced at Hayes, and will soon be in production in the United States. The development of "delanium" has been difficult and accounts for a good proportion of the development losses referred to by the chairman. These losses have, however, "reached peak level during the year and are now declining."

* * *

Bank Advances and Prices

The latest quarterly analysis of bank advances by categories of borrowers reveals very clearly that the strain upon industry's working capital is mounting fast. In the three months to mid-August, aggregate advances in Great Britain rose by £69.6 million, which is an appreciably smaller movement than occurred in either of the two preceding quarters of peak seasonal demands; but in the corresponding quarter last year there was a decline of £23.9 million. Not all of this marked divergence from last year's experience is attributable to the needs of private trade and industry. In particular, the publicly-owned utilities were in both periods making repayments of bank loans from the proceeds of capital issues; but last year's net repayments by the utilities group amounted to no less than £43 million, whereas in this latest quarter only £7,500,000 was repaid on balance. If allowance is made for this factor, it will be seen that the net requirements of all other borrowers expanded in the three months to August, 1951, by almost four times their growth in the similar period of 1950.

Among the industrial groups, the biggest additional demand during the quarter came from the engineering industries, advances to which rose by fully £11 million to £112 million, compared with £92½ million in August, 1950—a movement that affords the first unmistakable sign that armament work has reached the point at which it adds substantially to the stress on liquid resources. The same influence doubtless underlies the increased demands from certain other groups, but the classifications are too broad to justify any such deduction from the figures themselves—especially in view of the fact that most groups must also have been strongly influenced by the rise in prices. But it is noteworthy that advances to the residual industrial category (labelled "unclassifiable") rose steeply, by £17 million to £130 million, and that an additional £8,500,000 was absorbed by the financial category that includes loans to the two finance corporations. Among the groups that might perhaps have been expected to experience some relief through the relapse in commodity prices, only the non-ferrous group has reduced

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its dependence on the banks—by £3,000,000. The three textile groups, which in the preceding quarter had shown slight signs of such relief, have each increased their borrowings—the cotton group by £4,700,000, wool by £1,000,000, and other textiles by more than £9,000,000. In the similar period of 1950 the three groups together absorbed only an additional £5,000,000. Advances to the iron and steel industries declined—but by appreciably less than they declined last year.

The curve of demand from agriculture, retail trade and the food, drink and tobacco group is also rising. Agriculture during these summer months absorbed an additional £17.7 million, in contrast with £11.5 million last year. Retail trade absorbed an additional £2,800,000, whereas last year it repaid over £10 million. The food and tobacco group repaid £8,600,000—little more than half the sum it repaid in the same months last year. The one major group in which the curve shows clear signs of flattening is the big personal and professional category, which rose during the quarter by a mere £4,700,000 ; at a total of £438 million, its proportion of the banks' aggregate lendings now stands at no more than 22.3 per cent, compared with 25.1 per cent twelve months previously and 28.2 per cent when these analyses were first published after the war.

* * *

Cotton Prices Raised

Prices of American cotton in Manchester were raised this week for the first time for five months, when the standard price of American growths for delivery in January-June, 1952, was increased by 1d. to 36d. on a lb. Brazilian, African, Indian and Peruvian cottons were also raised by a 1d. a lb, while Egyptian cotton was increased by 3d., bringing standard Karnak to 68d. a lb ; ten days ago this price was raised by 6d. a lb. The reason for these changes is the firmer tone on both the New York and Alexandrian markets, particularly for future cotton. During the summer months it seemed that the Raw Cotton Commission had renounced its policy of keeping its selling prices in line with those ruling in the world market. Then prices were falling and the commission was late in making its adjustments, although the new cover schemes for spinners and weavers and the selling procedures were designed to give the RCC greater flexibility in adjusting its prices. But it is of little help to Lancashire if adjustment is swift only when prices are rising.

WORLD SUPPLY AND CONSUMPTION OF COTTON
(Million Bales)

	Season Beginning August 1		
	1949-50	1950-51*	1951-52*
Supply :—			
Opening stocks :—			
United States	5·3	6·8	2·2
Elsewhere	9·6	9·8	8·7
Total	14·9	16·6	10·9
Production :—			
United States	16·0	9·9	17·0
Elsewhere	15·3	17·6	19·0
Total	31·3	27·5	36·0
Total supply	46·2	44·1	46·9
Distribution :—			
Consumption :—			
United States	8·9	10·5	...
Elsewhere	20·7	22·7	...
Total	29·6	33·2	...
Closing stocks :—			
United States	6·8	2·2	...
Elsewhere	9·8	8·7	...
Total	16·6	10·9	...
Total distribution	46·2	44·1	...

* Preliminary and partially estimated. *Source* : International Cotton Advisory Committee.

The world cotton crop this year has shown a marked increase thanks to the much larger American crop. The total is provisionally put at 36 million bales against 27½ million bales last year. But, as the carry-over stock is some 5,700,000 bales smaller, total supply will only increase from 44.1 to 46.9 million bales. If world consumption during the present season maintains last year's high level (33.2 million bales) carry-over stocks next August will show a modest increase of 2,800,000 bales, making a total of 13.7 million bales, which is by no means large, as part of it will be earmarked for government purposes.

At least there should be adequate American cotton for Lancashire in 1952 unless the prospective dollar crisis forces the Treasury to restrict dollar purchases. In the past, cotton has always been high on the list of dollar goods that are not absolutely essential, according to the Treasury's way of thinking. But, despite Dr Dalton's forecasts, there is little prospect of any drastic fall in prices unless world consumption of cotton declines.

* * *

Distillers' Activities

It was not easy to gather from Distillers' accounts (reviewed in Company Notes in *The Economist* of July 28th and August 25th) the extent to which each of the group's manifold commercial activities contributed to its remarkable increase in profits—from £12,837,691 to £17,934,520. At the annual meeting last week, Mr Henry J. Ross contributed an interesting descriptive survey of these widespread activities. It cannot be said, however, that he indicated very clearly the balance of effort or earnings between the group's older interests in the distilling of potable spirit and the complex, expanding pattern of organic chemical industry that it has been developing more recently.

Mr Ross reported that all sections of the company had contributed to the substantial increase in group trading profits. The Scotch whisky blending companies had the benefit of adjusted prices in the United States and elsewhere following the devaluation of sterling: but import restrictions by various countries had increased the difficulties of export, while what Mr Ross described as an "iniquitous rate of tax" encouraged higher duties abroad as well as threatening the gradual extinction of whisky drinking in the United Kingdom. This effect, however, seems likely to be delayed ; during the past year the industry was in the event permitted to release 46 per cent more for the home market than the Government had originally allowed. Gin and yeast production was also profitable.

Mr Ross did point out that

> The increased outputs obtained from the extensions and improvements brought about by the expansion programme have played a very important part in obtaining these good results.

This expansion programme, of course, is largely in the field of chemicals and plastics. The company is associated with Anglo-Iranian and with Monsanto in the development of petroleum chemicals and a styrene plant ; its production of yeast and of polyvinyl chloride is being increased ; and its subsidiaries producing solvents and biochemicals had a successful year. During the period the group became complete owners of the Magnesium Elektron Ltd. by purchasing the remaining shares from Imperial Chemicals Ltd.; the current year has already seen the reopening of magnesium production at its Clifton Junction plant to provide this vital metal for the rearmament programme. On the current year's activities in general, Mr Ross was able to tell shareholders that profits to date are running at a rate in excess of those in the year to March 31, 1951.

Freight Market Changes

A big drop is recorded in the Chamber of Shipping's index of tramp freights for August, which stands at 149.3. This is the lowest figure so far this year ; it compares with about 179 for the two previous months and a peak of 203.8 in May. It would be a mistake, however, to assume that a marked recession in freight rates has occurred, since the index is confined to fixtures in sterling only, and a feature of recent weeks has been the activity in North Pacific and American Atlantic markets. This has been due to the large volume of grain and coal for shipment, particularly to continental destinations.

Vessels were being fixed with coal from Hampton Roads to Antwerp and Rotterdam at $12.50 per ton and over when the US National Shipping Authority decided to establish a maximum of $10.50 for ECA coal cargoes. Owners resisted until so many vessels remained unfixed that voyages began to be undertaken at NSA rates. Shipowners, however, feel that they are in a strong position to resist accepting freights some $2 below market values, and charterers, taking a similar view, have been exploring means of compensating shipowners in other ways, such as improving the other conditions of the charter The NSA naturally dislikes this ; although it has the power to release further vessels from the American laid-up reserve fleet, it is doubtful if sufficient could be made ready in time to cope with current export demands. It seems likely, therefore, that it may have to raise its rates, even if the British Government decides to see the winter through without imports of American coal.

Meanwhile, there is a continuing strong demand for tonnage on charter to the liner companies, and for arrears of exports from the United Kingdom, and high rates continue to be paid. A view of the prospects for the future can be seen from the interest of characters in fixing vessels for long-period time charters at current high rates. While homeward trading from the Mediterranean, the East, Australia and the Plate, has been dull, the attraction of tonnage to North American waters is likely to make itself felt in these trades before long. This is already noticeable in the Mediterranean, where the lack of outward coal cargoes has reduced the amount of handy tonnage in the area.

* * *

Valuing Imports

The recent work of the European Customs Union Study Group to evolve a standard customs procedure to be adopted, eventually, by all countries, has much to recommend it. The group has decided in favour of an *ad valorem* method of taxing imports ; it has obtained agreement on regulations for weights, tares and packaging and it has drawn up conventions embodying uniform customs descriptions and a uniform definition of customs value. The success of the study group is of some credit to this country, for much of what has been agreed conforms closely to present British law and practice. If a standard procedure is adopted, the work of exporters will be considerably reduced, for at present they must know intimately the numerous variations in procedure, definitions and basis of valuations that exist from country to country.

But British exporters at any rate are not a little worried about the proposed basis of valuation. The study group is composed of customs officials who have naturally approached their task from the standpoint of collecting revenue. They agreed that the normal commercial price of a good is the true basis of import valuation, but since a customs definition is law, it must be precise and simple to administer. For this reason, they have decided to adopt the British and European method of valuing imports on their cost including insurance and freight. But many of the countries which are important British export markets, such as the Dominions and the United States, accept imports for customs on their free on board value. If such countries adopt the new suggestion of a common c.i.f. value, British exporters will find that they will have to negotiate a higher tariff hurdle. It has been suggested that countries that make the change from f.o.b. to c.i.f. should make some reduction in *ad valorem* duties by way of compensation. In that case, those exporters situated nearer the market would have an advantage over those situated farther away.

The study group was originally concerned with drawing up a uniform procedure as the first step towards a European customs union and all European countries value imports on a c.i.f. basis. But after agreement was reached, it was decided to put the convention into operation straight away and to allow any other countries in the world to join it. Clearly this second step raises the question whether a method of valuation that is properly applicable to Europe, where transport costs do not form a large item of total cost, can or should be extended throughout the world. If a world wide convention is sought, would it not be preferable for European countries to change from c.i.f. to f.o.b.?

Shorter Notes

The directors of Imperial Tobacco are seeking powers to increase their present borrowing powers by £54½ million to £137 million. They point out that working capital requirements have risen greatly owing to increased costs, and that although "in normal circumstances" additional capital would be raised by preference or ordinary shares, "the incidence of current taxation on companies' profits makes this method of financing . . . too costly."

*

Following discussions held by the International Air Transport Association on traffic control methods when jet airliners come into service, representatives from the Commonwealth are meeting in London next week to pursue these questions in detail. The Comet jet airliner is due to start regular flights on the first stages of the Empire route early next year, and will eventually be used for the full distance of the London-Australia trip. To land these aircraft with the minimum of delay—for they cannot be kept circling, owing to their heavy fuel consumption—will entail considerable improvement in methods of traffic control at the busier airports.

*

No news has come from Washington about the proposed allocation of copper for the fourth quarter of this year and unless agreement is reached soon, the introduction of the scheme may have to be postponed until 1952. Chile is reported to be asking for a higher price than the other countries are willing to concede. Much of its revenue is obtained from an export tax on copper which is related to the official New York price.

*

The wool market has been steadier this week. The first London sales of the season opened on Tuesday and prices were on par with current Australian levels but 20 per cent above those ruling in New Zealand. London, however, is not a good guide because of the unrepresentative types of wool offered. In Australia the market has also been steadier and prices have fallen only slightly. Cotton prices which a fortnight ago had reached their pre-Korean level have started to rise once more during the past ten days.

*

The announcement that a pilotless squadron of ground-controlled aircraft had been formed in the United States is unlikely to mean that a technical revolution is about to take place in the aircraft industry. Guided and ground-controlled missiles of all kinds make exceptionally heavy demands on electronic components, and usually for those least adapted to mass production.

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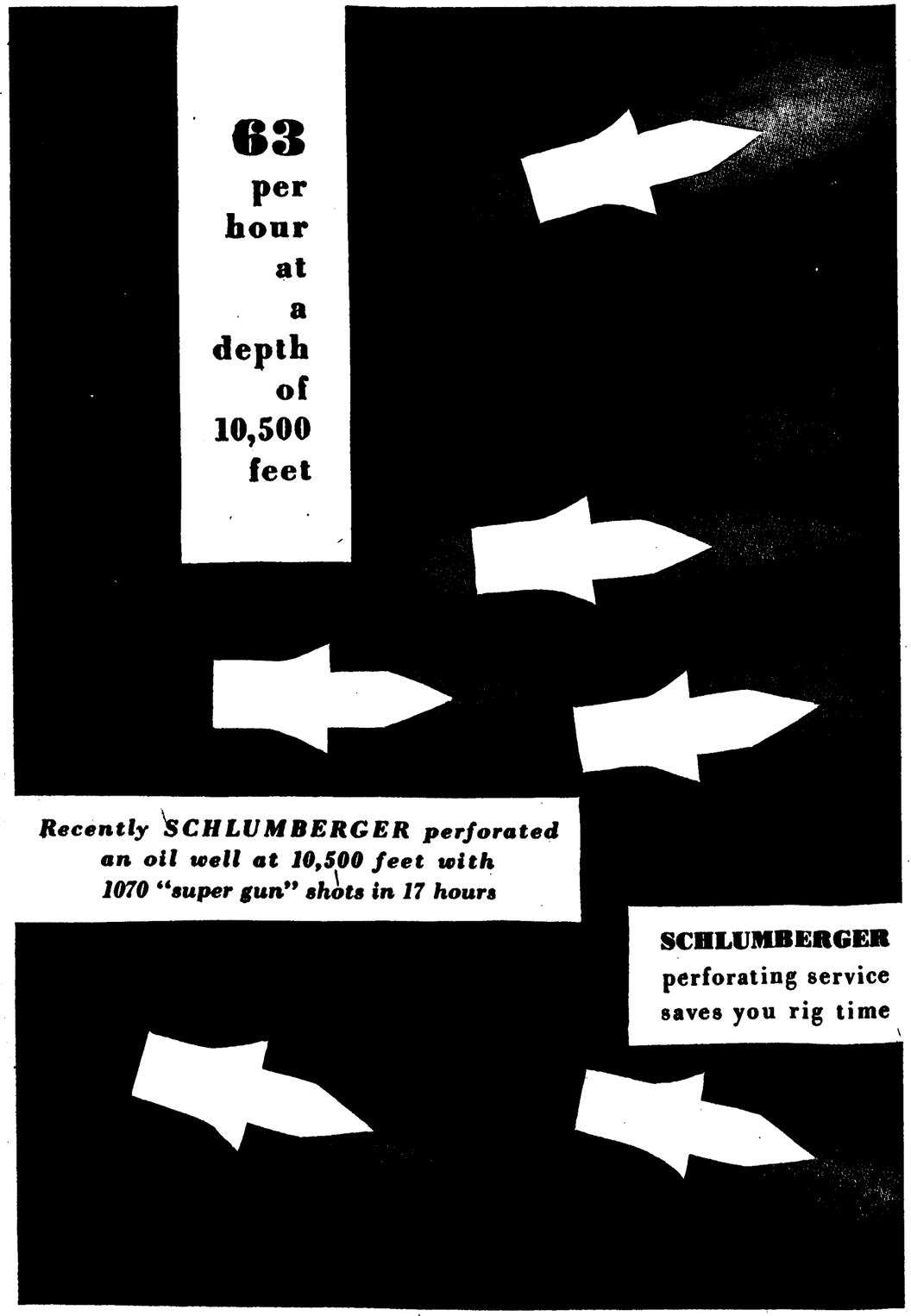

Company Notes

Odeon Theatres.—Mr J. Arthur Rank characterises the financial year of Odeon Theatres to June 23rd last as "one of steady and . . . heartening progress." The full accounts certainly indicate a considerable measure of recovery from "the unfortunate reverse of 1948-49." Group trading profits are up from £3,293,426 to £5,125,230, and a net profit of £138,227 replaces a net loss of £1,095,626. This improvement is due to greater earnings from the exhibiting and manufacturing companies and a reduction in the amounts that have to be provided for film production losses. After taking into account distribution revenue the amounts thus provided are £1,300,000 in respect of the Odeon and GCF group and £135,000 in respect of the Gaumont-British and Gainsborough group as compared with £1,750,000 and £575,000 respectively in 1949-50. The differences in these provisions account for about half the improvement in trading results. The group's gross operating profits have increased from £5,298,641 to £6,307,329 while gross losses on film production and distribution, which are deducted before striking the balance of trading profits, are down from £2,005,215 to £1,182,099.

The group's gross profits earned by the exhibition of films in the British Isles rose in the year from £3,487,613 to £4,155,379, but gross earnings from exhibition overseas fell from £619,741 to £562,081. Speaking of the exhibition side of the business, on which profits and the future fortunes of the group largely depend, Mr Rank points out that while the public paid £27,918,192 in admission prices to the group's 554 theatres, no less than £10,527,761 was claimed off in entertainment tax; this is equivalent to 37.71 per cent of total takings. The adjustment of prices of admission in August last will mean that if attendances remain constant in corresponding price groups an additional sum of £11,800,000 will be paid by the public. The Treasury will retain £6,300,000 of this sum, the producers under the "Eady plan" £1,900,000 and the exhibitors £3,600,000. There is also the promise that the Treasury will confer with the industry and "review the whole basis upon which this tax is levied in an endeavour to work out a more equitable formula."

	Years Ended June 24, 1950	Years Ended June 23, 1951
	£	£
Consolidated Earnings :—		
Trading profit (*a*)	3,293,426	5,125,230
Other income	254,489	239,777
	1,434,815	1,280,221
Depreciation	1,215,010	1,709,846
Taxation	*Dr1,095,626*	138,227
Net profit	966,555	139,753
Exceptional income	*Dr4,243*	30,325
Added to reserves	*Dr124,828*	247,655
Added to carry forward		
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	41,892,928	41,007,235
Film productions (*b*)	7,050,237	4,457,614
Cash	2,042,509	3,025,283
Bank loans	12,950,036	9,213,746
Reserves	713,453	991,053
Ordinary capital	946,991	946,911

(*a*) After providing for film production contingencies (1951: £87,213; 1950: £250,000). (*b*) After deducting contingencies provision (1951: £337,213; 1950: £250,000).

Further evidence of recovery from near disaster is to be found in the balance sheet. The major economies have been concentrated on the curtailment of film production, and they have led to a further substantial reduction in bank loans from £12,950,036 to £9,213,746. Of the existing loans, only £3,338,944 is now owing by the film production and distributing companies; the rest is lent to the manufacturing and theatre-owning companies. The value of film productions is shown, before providing for contingencies, at £4,457,614, against £7,300,237. The basis for valuation is an estimate of the ultimate net producers' share of revenue from each film, estimated surpluses on successful films being offset against estimated losses on unsuccessful ones; the aggregate value is stated to be below cost. The directors consider that the valuation is "reasonable, and should be realised in the ordinary course of business," but they emphasise that these sums can only be recovered over a long period of time.

The return of Gaumont-British to the list of dividend-payers was welcomed by investors, and the group results encouraged a slight rally in cinema share prices. After a year's suspension of payment on Gaumont-British ordinary a dividend of 5 per cent is to be paid. The directors of Odeon have declared a year's dividend on the 6 per cent shares up to July 1, 1950, out of the current year's profits. Mr Rank adds that this payment would not have been made unless there was "a reasonable prospect of being able to clear the arrears in due course and resume the payment of regular dividends." Odeon 6 per cent preference shares now stand at 13s. 9d., the 5s. ordinary shares at 12s. 6d. and Gaumont-British 10s. ordinary shares at 6s. xd to yield £8¼ per cent.

*

British Celanese.—Record turnover and profit figures are more the rule than the exception in this period of rising prices, but the expansion of British Celanese net profits before tax from £4,100,000 to nearly £7,300,000 is outstanding among the achievements of British industrial concerns. Unfortunately for the holders of British Celanese ordinary stock the accounts were prepared after the proposals to freeze dividends were announced and in compliance with these proposals the ordinary dividend has been reduced from 10 to 9 per cent—a poor return wholly unrepresentative of such a remarkable year. To ordinary stockholders, who have patiently attended the nursing of British Celanese through convalescence into good health, Mr Gaitskell's proposals are not concerned with dividend limitation so much as plain dispossession.

	Years ended July 1, 1950	Years ended June 30, 1950
Consolidated earnings :—		
Net profit before tax	4,102,432	7,291,578
Taxation	2,539,383	4,137,486
Group earnings for ordinary stock	*931,126*	*1,220,199*
Ordinary dividends	121,163	104,486
Ordinary dividends (per cent)	10	9
Replacement reserves	200,000	1,000,000
Retained by subsidiaries	546	40,446
General reserves	600,000	1,000,000
Added to carry forward	9,417	75,267

10s. ordinary stock at 35s. 9d. xd yields £2 10s. per cent.

Even after the tax-collector has claimed £4,100,000, against £2,500,000, a considerable surplus is available to buttress reserves. Property and plant replacement reserves receive £1,000,000, against £200,000, and a further £1,000,000, against £600,000, is put to general reserves.

The 10s. ordinary shares were marked down when the dividend announcement was made, but the price of the shares quickly improved and more than recovered this earlier loss, as it was hoped that the sharp improvement in profits would ultimately mean larger dividends for equity holders. The coming election may mean the death of dividend limitation and then the hopes of increased distribution are hardly likely to be falsified. The earnings cover is such that quite a large increase is possible and this would repay the patience of equity shareholders in the years before the war when no ordinary dividend was paid and preference dividends were in arrears.

*

Gestetner.—Excellent trading results are again reported by Gestetner. Sales at home and abroad have increased substantially; indeed, the company has exported a higher

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Sep. 12, 1951	Price, Sept. 19, 1951	Net Yield, Sept. 19, 1951 (*n*)	Gross Yield, Sept. 19, 1951
			£ s. d.	£ s. d.
War Bonds 2½%	101⅛	101⅛	...	...
Mar. 1, 1951-53			0 8 5	1 12 11*f*
War Bonds 2½%	101⅛	101⅛	...	...
Mar. 1, 1952-54			0 13 7	1 17 8*f*
Exchequer Stk. 2½%	101⅛	101⅛	0 12 2	1 13 11
Feb. 15, 1955				
War Bonds 2½%	103⅛	102⅛	0 7 7	1 11 9*e*
Aug. 15, 1954-56			0 15 1	1 18 11*f*
Funding 2½%	102⅜	102⅛	...	0 15 1*e*
June 15, 1952-57			1 2 4	2 9 6*f*
Nat. Defence 3%	103⅜	103⅜	0 9 5	1 19 3*e*
July 15, 1954-58			1 2 1	2 10 11*f*
War Loan 3%	103⅛*	103⅛*	0 15 4	2 2 10*e*
Oct. 15, 1955-59			1 3 1	2 10 10*f*
Savings Bonds 3%	97⅜	97⅛	2 5 9	3 15 6*e*
Aug. 15, 1955-65			1 15 10	3 5 0*f*
Funding 2½%	97⅛*	96⅞*	2 0 3	3 4 0*e*
April 15, 1956-61			1 13 2	3 17 1*f*
Funding 3%	93*	92⅛*	2 13 3	4 2 8*e*
April 15, 1959-69			2 1 7	3 11 3*f*
Funding 3%	94⅛	94	2 1 3	3 11 2*e*
Aug. 1, 1966-68			2 0 3	3 10 1*f*
Funding 4%	103⅜	103⅛	1 14 8	3 14 0*e*
May 1, 1960-90			1 19 10	3 17 9*f*
Savings Bonds 3%	92⅜	92⅛	2 11 7	4 1 8*e*
Sept. 1, 1960-70			2 1 9	3 11 9*f*
Savings Bonds 2½%	90⅜	90⅛	2 4 7	3 10 9*e*
May 1, 1964-67			2 1 4	3 7 4*f*
Victory Bonds 4%	103⅛	103⅛	1 16 5	3 13 9*s*
Sept. 1, 1920-76				
Savings Bonds 3%	89⅛	89⅛	2 9 10	4 9 6*e*
Aug. 15, 1965-75			2 3 0	3 13 9*f*
Consols 4%	97⅛	97⅛	2 12 11	4 12 8*f*
(after Feb. 1, 1957)				
Conversion 3½%	87⅞*	87⅛*	2 2 2	4 0 2*f*
(after Apr. 1, 1961)				
Treasury Stk. 2½%	64⅜*	63⅛*	2 1 3	3 18 7*f*
(after Apr. 1, 1975)				
Treasury Stk. 3%	75⅛*	74⅛*	2 2 3	4 0 5*f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%	95⅜	95	2 9 4	3 17 4*e*
June 15, 1977-80			2 1 10	3 16 1*f*
Redemp. Stk. 3%	82⅛*	81⅛*	2 7 0	3 19 7*e*
Oct., 1986-96			2 4 6	3 17 4*f*
War Loan 3½%	87⅛	86⅜	2 2 7	4 1 8*f*
(after Dec. 1, 1952)				
Consols 2½%	65⅛*	64⅜*	2 0 7	3 17 3*f*
Brit. Elect. 3% Gtd.	90⅛*	89⅜*	2 6 2	3 16 5*e*
April 1, 1968-73			2 3 2	3 13 6*f*
Brit. Elect. 3% Gtd.	89⅛*	88⅛	2 4 2	3 14 10*e*
Mar. 15, 1974-77			2 2 11	3 13 7*f*
Brit. Elect. 3½% Gtd.	96⅜	95⅛	2 1 8	3 16 8*e*
Nov. 15, 1976-79			2 1 3	3 16 3*f*
Brit. Tpt. 3% Gtd.	83⅜	83⅛	2 0 1	3 16 6*e*
July 1, 1978-88			2 5 3	3 17 11*f*
Brit. Tpt. 3% Gtd.	90⅛*	89⅛*	2 6 3	3 16 6*e*
April 1, 1968-73			2 3 3	3 13 7*f*
Brit. Gas Gtd. 3%	83⅛	83⅛	2 5 1	3 18 2*e*
May 1, 1990-95			2 4 0	3 17 2*f*
Brit. Gas Gtd. 3½%	98⅛	97⅛	1 19 10	3 13 10*e*
Sept. 10, 1969-71			1 19 7	3 13 6*f*
Brit. Iron & Steel 3½%	94⅜	94	2 2 9	3 17 7*e*
Feb. 15, 1979-81			2 2 5	3 17 3*f*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields are calculated after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years 5 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Sept. 12, 1951	Price, Sept. 19, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	8½	8½	3 11 8
30	30	Anglo-Iran £1	5⅞	5⅞	5 12 11
20	17½	Assoc. Elec. £1	86/6	86/6*	4 12 6
27½	25	Assoc. P. Cem. £1	107/6	108/9	5 1 2
35	30½	Austin 5/-	33/3	33/9	5 3 8
25†	23·4†	Bass £1	150/-	150/7½	6 7 0
40	20 *m*	Boots 5/-	26/-*	25/9	3 17 8*k*
10	9	Br. Celanese 10/-	31/-	35/9*	2 10 4*m*
20	20	Br. Oxygen £1	96/-*	96/6	4 2 11
12½	12½	Coats £1	60/9	60/-	4 3 4
11½	9½	Courtaulds £1	49/-	49/-	4 11 10
22½	21½	Distillers 4/-	22/3	22/6	4 0 0
17½	16½	Dunlop £1	66/3	67/6	5 3 8
12½	11½	Ford £1	57/6	57/6	4 6 11
22½	20	Gen. Elect. £1	92/6*	92/6	4 17 4
32	30½	Guinness £1	143/9	142/6	4 9 10
32½	8½ *m*	Hawker Sid. £1	38/3	38/9	5 3 3*k*
12	11	Imp. Chem. £1	51/-	50/9	4 14 7
32	32	Imp. Tobacco £1	105/-	103/9	6 3 4
12½	11½	Lancs. Cotton £1	46/-	44/-	5 13 8
13½	11½	Lever £1	53/9	54/4½	4 19 4
15	15	Lon. Brick £1	60/-	61/3	4 18 0
78	65½ *m*	Marks & Sp. A 5/-	95/-	96/-	3 18 2
16	14	P. & O. Def. £1	66/6	68/-	4 14 1
25	25	P. Johnson 10/-	46/-	45/6	5 9 11
12½†	9·7†	"Shell" Stk. £1	90/-	91/3	5 4 4
25	25	Tube Invst. £1	6½	6⅞	3 17 8
20	17½	T. & Newall £1	96/3	97/6	4 2 1
10	9	Union Castle £1	37/6	38/6	5 3 11
60	33⅓	U. Sua Betong £1	65/7½	66/7½	15 4 9
12½	9⅜	Vickers £1	49/-	51/6	4 17 1
42½	38⅛	Woolworth 5/-	47/-	46/6	4 11 5

(*k*) Yield basis 20% after capital bonus. (*k*) Yield basis 10%. (*m*) Allowing for capital bonus. (*n*) Yield basis 9%. * Ex dividend. † Free of tax.

proportion of its output than in any previous year. In the last months of the financial year the company was forced by pressure of rising costs to raise its selling prices slightly, but the improvement in group trading profits from £847,123 to £1,199,740 must owe far more to an expansion in turnover. Newly established subsidiaries in Pakistan and in the United States, whose figures are included in the consolidated accounts for the first time, have made a profit; the report claims that in the United States the "company's products can more than hold their own in that highly competitive market." In normal circumstances the success of this new venture might perhaps have been signalised by the raising of the ordinary dividend. Dividend control, however, has intervened, and the same rate of 18¼ per cent. has been paid on £859,336 capital, as increased from £806,836 by the capital reorganisation scheme, under which £500,000 4½ per cent. cumulative preference stock replaced £262,500 7 per cent. cumulative preference stock.

	Years to August 31, 1950	1951
Consolidated earnings :—	£	£
Trading profit	847,123	1,199,740
Total income	851,806	1,208,476
Depreciation	151,848	175,442
Taxation	387,259	574,271
Group earnings for ordinary stock	*232,315*	*245,302*
Ordinary dividends	85,205	84,591
Ordinary dividends (per cent)	18¼	18¼
Retained by subsidiaries	62,743	152,105
Added to general reserves and carry forward	114,327	119,891
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	453,830	684,767
Net current assets	1,384,988	1,922,564
Stocks	792,320	1,392,451
Cash	480,774	589,977
Reserves	1,085,158	1,438,354
Ordinary capital	806,836	859,336

5s. ordinary stock at 21s. 3d.xd. yields £4 9s. per cent.

The new capital raised in the year has been largely spent on fixed assets, the net book value of which has risen from £453,890 to £684,767. Mr S. Gestetner remarks that "the expanded manufacturing programme has necessitated increased stocks," but the rise from £792,320 to £1,392,451 is so substantial that increased values of raw materials must have played some part in it. The rise in debtors from £774,966 to £1,152,890 is a reflection of increased sales. The Treasury have consented to a share bonus of one 5s. "A" ordinary share for every four ordinary or "A" ordinary shares held, which will involve the capitalisation of £214,834 from reserves. A Conservative victory at the polls would alter the future outlook of equity shareholders in Gestetner entirely. Instead of the meagre prospect of a controlled dividend of 15 per cent. on the increased ordinary capital of £1,074,170, they could look forward to at least the maintenance of the present rate of 18¼ per cent. and the possibility of greater distributions in store.

BRITISH CELANESE LIMITED

The Report and Accounts for the year ended 30th June, 1951, contain the Directors' recommendation for the payment on 10th November, 1951, of the following dividends to Stockholders registered at the close of business on 29th September, 1951:—

A final Participation Dividend of 0.5203% less tax, on 7½% Participating Second Cumulative Preference Stock in respect of the year ended 30th April, 1951, and

A final dividend of 3% less tax, on Ordinary Stock in respect of the year ended 30th June, 1951.

An interim dividend of 6% on the Ordinary Stock and the appropriate Participation dividend of 1.0406% on the 7½% Second Preference Stock were paid on 14th July, 1951. The dividend on the Ordinary Stock of 9% for the year (which compares with 10% for the previous year) represents the maximum amount payable, having regard to the implications of the White Paper on Control of Dividends.

The following details are extracted from the Report of the Directors and audited Accounts for the year ended 30th June, 1951, which will be posted to Stockholders on or about 2nd October, 1951.

ABRIDGED CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 1951

Year ended 1st July, 1950 £	£		£	£	£
	4,102,432	Consolidated Net Profit for the Year before Taxation (*and after charging additional depreciation of £350,000 in previous year*)			7,291,578
		Deduct: Taxation thereon—			
627,835		Profits Tax	959,583		
1,627,199		United Kingdom Income Tax...	2,892,311		
2,255,034				3,851,894	
284,804		Transfer to Taxation Equalisation Account		285,592	
	2,539,838				4,137,486
	1,562,594	Net Profit for the Year after Taxation			3,154,092
	546	*Deduct:* Balance retained in the Accounts of Subsidiary Companies			40,446
	1,562,048	Net Profit for the Year dealt with in the Accounts of British Celanese Limited			3,113,646
	564,771	Balance brought forward at 1st July, 1950			574,188
	2,126,819				3,687,834
		Deduct: Fixed Dividends on Preference Stocks and Interest on Funding Certificates paid (less Income Tax) during the year		342,395	
347,128		Amount to be applied in the purchase or redemption of Funding Certificates		556,671	
243,338		Interim Participation Dividend (less Income Tax) on Second Preference Stock		23,218	
—		Interim Dividend (less Income Tax) on Ordinary Stock		69,657	
—		Final Participation Dividend (less Income Tax) on Second Preference Stock...		11,609	
40,542		Final Dividend (less Income Tax) on Ordinary Stock		34,829	
121,623					
	752,631				1,038,379
	1,374,188				2,649,455
		Deduct: Transfer to—			
		Reserve towards increased cost of replacement of Property and Plant (*formerly Plant Replacement and Special Obsolescence Reserve*)		1,000,000	
200,000		General Reserve		1,000,000	
600,000					
	800,000				2,000,000
	574,188	Balances carried forward at 30th June, 1951 : British Celanese Limited			649,455
		Subsidiary Companies—			
6,353		Balance brought forward at 1st July, 1950		6,899	
546		*Add:* Balance of Net Profit for the Year retained in the Accounts of Subsidiary Companies		40,446	
	6,899				47,345
	£581,087	Consolidated Balance carried forward at 30th June, 1951			£696,800

LONDON, W.1
14th September, 1951.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 15, 1951, total ordinary revenue was £45,285,000 against ordinary expenditure of £76,000,000 and issues to sinking funds £350,000. Thus including sinking fund allocations of £9,070,000, the deficit accrued since April 1, 1951, is £8,970,000 compared with a surplus of £90,823,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951 52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Sept.16, 1950	April 1, 1951 to Sept.15, 1951	Week ended Sept. 16, 1950	Week ended Sept. 15, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	358,112	414,101	5,868	10,080
Sur-tax	128,000	33,600	33,900	1,300	1,100
Estate, etc., Duties	180,000	83,450	90,100	2,100	2,500
Stamps	55,000	22,800	29,300	1,000	1,100
Profits Tax / E.P.T.	312,650	105,570 / 7,350	142,300	4,950 / 250	6,000 / ...
Other Inland Rev.	500	50	65	...	...
SpecialContributn.	1,500	2,655	1,560	100	50
Total Inland Rev.	2302400	613,587	711,326	15,568	20,830
Customs	930,500	399,647	447,944	18,428	19,781
Excise	720,500	318,200	346,900	3,800	4,100
Total Customs and Excise	1651000	717,847	794,844	22,228	23,881
Motor Duties	62,000	10,137	11,756	108	154
Surplus War Stores	20,000	10,730	9,239	242	...
Surpl's from Tradg.	50,000	30,974	57,500	...	...
P.O. (Net Receipts)	5,400	4,900	6,800	200	400
Wireless Licences	13,600	3,750	4,000	...	...
Sundry Loans	27,000	16,533	18,980	...	...
Miscell. Receipts	105,000	38,559	25,264	5,633	20
Total Ord. Rev.	4236400	1447017	1639709	43,979	45,285
SELF-BALANCING					
Post Office	179,431	72,600	79,100	2,200	2,400
Income Tax on E.P.T. Refunds	4,900	4,470	2,462	131	107
Total	4420731	1524087	1721271	46,310	47,792

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Sept.16, 1950	April 1, 1951 to Sept.15, 1951	Week ended Sept. 16, 1950	Week ended Sept. 15, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	233,931	236,226	2,215	4,230
Payments to N. Ireland	38,000	15,949	16,089	...	...
Other Cons. Funds	11,000	4,193	4,543	20	120
Total	584,000	254,074	256,858	2,235	4,350
Supply Services	*3425640	1093467	1382750	42,200	71,300
Total Ord. Expd.	*4009640	1347541	1639608	44,435	75,650
Sinking Funds	...	8,653	9,070	540	350
Total (excl. Self-Bal. Expd.)	4009640	1356194	1648678	44,975	76,000
SELF-BALANCING					
Post Office	179,431	72,600	79,100	2,200	2,400
Income Tax on E.P.T. Refunds	4,900	4,470	2,462	131	107
Total	4193971	1433264	1730240	47,306	78,507

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £177,312 to £3,192,213, the other operations for the week increased the National Debt by £61,021,368 to £26,443 million.

NET RECEIPTS (£ thousand)

Housing (Temporary Accommodation) Act, 1944, s. 8	29

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	875
E.P.T. Refunds	129
Export Guarantees Act, 1949, s. 3(2)	375
Housing (Scotland) Act, 1950, s. 94(2)	407
Local Authorities Loans Act, 1945, s. 3(2)	4,100
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	300
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act, 1948, s. 17(1)	
Colonial Development	750
Miscell. Financial Provisions Act, 1946, s. 2(1) War Damage: Board of Trade	250
Miscell. Financial Provisions Acts, 1946 and 1950: Civil Contingencies Fund	20,000
Finance Acts, 1946 and 1947: Postwar Credits	326
	30,512

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	66,918	Nat. Savings Certs.	400
3% Def. Bonds	130	2½% Def. Bonds	1,275
Tax Reserve Certs.	317	3% Ter. Annuities	1,823
Other Debt :—		Other Debt :—	
Internal	825	External	1
Ways & Means Advances	21,330	Treasury Deposits	25,000
	89,520		28,499

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Sept. 16	3120·0	1889·8	408·2	...	505·0	5923·0
1951						
June 16	3220·0	2090·9	385·4	...	345·0	6041·2
„ 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
„ 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
„ 14	3230·0	2129·1	373·2	...	344·5	6076·8
„ 21	3230·0	2161·9	335·4	...	344·5	6071·9
„ 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
„ 11	3220·0	2164·2	280·2	...	379·5	6043·9
„ 18	3230·0	2212·0	296·6	...	355·0	6093·6
„ 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3230·0	2287·7	326·7	...	290·0	6134·4
„ 8	3230·0	2311·5	306·9	...	290·0	6138·4
„ 15	3230·0	2378·4	328·2	...	265·0	6201·6

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Sept. 15	250·0	294·4	250·0	10 3·45	81
1951					
June 15	250·0	344·0	250·0	10 2·88	62
„ 22	250·0	344·0	250·0	10 2·81	62
„ 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
„ 13	250·0	345·2	250·0	10 2·81	61
„ 20	230·0	323·8	230·0	10 2·84	60
„ 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
„ 10	260·0	354·1	260·0	10 2·78	62
„ 17	260·0	341·4	260·0	10 3·02	68
„ 24	260·0	318·7	260·0	10 3·36	77
„ 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
„ 14	250·0	332·1	250·0	10 3·07	67

On September 14th application for 91 day bills to be paid from September 17 to September 22, 1951, were accepted dated Monday to Saturday as to about £7 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million are being offered for September 21st. For the week ending September 22nd the banks were asked for Treasury deposits to a maximum of £25 million at 154 days.

NATIONAL SAVINGS

(£ thousand)

	Totals 23 Weeks ended Sept. 9, 1950	Totals 23 Weeks ended Sept. 8, 1951	Week ended Sept. 8, 1951
Savings Certificates :—			
Receipts	37,500	80,500	2,600
Repayments	59,600	64,300	2,200
Net Savings	*Dr22,100*	16,200	400
Defence Bonds :—			
Receipts	7,860	22,799	1,210
Repayments	23,384	30,085	1,844
Net Savings	*Dr15,524*	*Dr 7,286*	*Dr 634*
P.O. and Trustee Savings Banks :—			
Receipts	286,057	301,048	14,999
Repayments	314,748	375,984	13,677
Net Savings	*Dr28,691*	*Dr74,936*	1,322
Total Net Savings	*Dr66,315*	*Dr66,022*	1,088
Interest on certificates repaid	12,970	15,668	550
Interest accrued	55,266	55,573	2,400
Change in total invested	*—24,019*	*—26,117+*	2,938

BANK OF ENGLAND RETURNS

SEPTEMBER 19, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1348,385,614	Other Govt. Securities	1385,715,020
In Banng. Department	51,971,209	Other Secs.	759,636
		Coin (other than gold)	2,510,244
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	326,587,853
Rest	3,958,910	Other Secs.:—	42,659,695
Public Deps.:—	19,469,884	*Discounts and Advances*	*18,435,297*
*Public Accts.**	*18,388,303*	*Securities*	*24,224,398*
H.M. Treas. Special Acct.	*1,081,581*		
Other Deps.:—	384,081,663		
Bankers	*294,713,289*	Notes	51,971,209
Other Accts.	*89,368,374*	Coin	844,700
	422,063,457		422,063,457

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Sept. 20	1951 Sept. 5	1951 Sept. 12	1951 Sept 19
Issue Dept. :—				
Notes in circulation	1286·1	1353·2	1352·8	1348·4
Notes in banking department	64·3	46·8	47·6	52·0
Government debt and securities*	1346·2	1396·3	1396·8	1396·7
Other securities	0·6	0·7	0·7	0·8
Gold and Coin	3·5	3·4	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	16·8	17·3	15·4	18·4
Treasury Special Account	254·8	3·2	1·1	1·1
Bankers	290·2	279·0	294·6	294·7
Others	91·5	95·1	94·6	89·4
Total	653·3	394·6	405·7	403·6
Securities :—				
Government	560·2	318·6	327·3	326·6
Discounts, etc.	18·8	23·0	24·3	18·4
Other	25·0	24·3	24·1	24·2
Total	604·0	365·9	375·7	369·2
Banking dept. res.	67·9	47·1	48·5	52·8
	%	%	%	%
"Proportion"	10·3	11·9	11·9	13·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

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

	Sept. 19, 1950	Sept. 4, 1951	Sept. 18, 1951
Cereals and meat	154·6	169·1	170·1
Other foods	162·5	182·9	182·4
Textiles	282·5	256·8	249·3
Minerals	310·8	363·2	361·7
Miscellaneous	181·7	198·2	199·1
Complete Index	**207·4**	**222·6**	**221·5**
1913 = 100	*285·4*	*306·3*	*304·8*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 173s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 13	78·5	90·16	186 8	110 6
„ 14	78·5	90·16	Market Closed	
„ 15	Markets Closed		185 5	108 4
„ 17	78·5	90·16	186 10	109 3
„ 18	78·5	90·16	187 9	110 0
„ 19	78·5	90·16	186 15	109 12

COMPANY MEETINGS

THE DISTILLERS COMPANY LIMITED

SUCCESSFUL RESULTS—RECORD PROFIT

TAXATION TAKES OVER £9,500,000

INCREASED PRODUCTIVE CAPACITY FROM EXPANSION PROGRAMME

EXCESSIVE WHISKY DUTY

MR HENRY J. ROSS'S REVIEW OF COMPANY'S WIDENING INTERESTS

The seventy-fourth annual general meeting of the company was held in the North British Station Hotel, Edinburgh, on Friday, September 14, 1951, when the chairman, Mr Henry J. Ross, presided.

The chairman said: The only changes which I have to report amongst the directorate since we met a year ago are the retiral from executive duty of Mr David S. Forsyth, which coincides with this annual meeting, and the elevation of Mr T. F. A. Board and Mr R. S. Cumming to the management committee.

Mr Forsyth joined the D.C.L. in 1912, and, consequently, has rendered close upon 40 years of continuous and devoted service to the company. Allied to his natural inclination for hard work is a charm of manner which has endeared him to colleagues and customers alike, and I am sure the stockholders will want to join with his fellow directors in thanking him for his exceptional services, for his unfailing loyalty, and for his great courtesy at all times, and to wish him improved health and a long number of years in which to enjoy his retirement.

Messrs Board and Cumming have spent their entire business lives in the service of the company, and I am confident the management will be strengthened by the inclusion of their names on the committee.

PROFIT AND APPROPRIATIONS

From the statement of accounts it will be seen that the manufacturing and trading profits of the company and its subsidiaries amounted to £17,934,520 as against £12,837,691 for the previous year. To the profit is added income from investments and a small gain on exchange, making the total revenue £18,411,095. Taxation takes the very substantial figure of £9,519,035, and after making the usual provisions for depreciation, writings off, interest on debentures and loans and allowance for interests of outside shareholders, the net profit attributable to the group is £6,858,925 against £5,930,557 in the previous year.

The revenue reserves in the books of subsidiary companies have been strengthened by transfer thereto of £3,265,847 and the directors have agreed to appropriate £750,000 to the general revenue reserve of the parent company. As mentioned in the report by the directors the surplus on the superannuation and provident reserves of the participating companies amounting to £388,644 has been credited to profit and loss account.

The balance available is £3,231,722 and after provision for the dividends distributed or recommended, the carry forwards are increased by £458,812 to £6,445,165.

PHENOMENAL PRESSURE OF DEMAND

The profit at nearly 18 million sterling is a record in the long history of the company. It is satisfactory that all sections of the company have contributed to this substantial increase of a little over £5,000,000. The Scotch whisky blending companies continued to have—and, in fact, still have—the benefit of the adjusted prices for the U.S.A., Canada and other parts of the world, following the devaluation of sterling. This brought additional revenue to the companies, although there was an offset to this in the increased costs of production and selling. The increased outputs obtained from the extensions and improvements brought about by the expansion programme have played a very important part in obtaining these good results. The yields now being obtained from the money put into the new capital development schemes are proving very satisfactory and mainly in excess of the estimates. In saying this it must be remembered that under the conditions ruling at present in all sections of our organisation there is little difficulty in selling outputs; in fact the output itself is only limited by the essential raw materials available, and in those plants where there is no difficulty in this respect, by the capacity of the plant. This undoubtedly reflects a phenomenal pressure of demand which is world-wide, and which must be regarded as abnormal.

Raw material prices have risen considerably—to what is an artificial level due mainly to inflation—and this is a factor that has caused anxiety to your board. This rise has had its influence to some extent on the increased valuations of stocks shown in the consolidated accounts. The general level of prices may turn downwards without much warning, with substantial losses to be faced in the future. As a consequence the board decided to create a stock contingencies reserve and appropriate thereto out of profits the sum of £440,500. It appears certain—at least at this stage—that a similar course will have to be adopted at the end of the current year. Prudence, if not safety, will demand it.

BALANCE SHEET ITEMS

The legal balance sheet of the company calls for the following comments:—

(1) The ordinary capital has been increased by 51,000 shares of £1 each credited as fully paid issued to The United Molasses Company Limited in exchange for £50,000 ordinary stock of Anchor Line Limited. The premium of £204,000 has been credited to share premium account. The board is satisfied that this transaction will unite even closer the two companies, and in future will bring advantages to both;

(2) The amount at credit of the investment reserve has been used (a) to write down certain investments by £400,000, and (b) to add to the general revenue reserve £1,000,000. The board feels that this reserve is no longer required;

(3) Unsecured loan stocks stand at £10 million. This money was borrowed on reasonable terms. The cash provided has increased greatly the liquidity of the company;

(4) The superannuation and provident reserve has now been taken from the balance sheet following the formation of the trusts; and

(5) There are large increases in the amounts for trade investments and advances to subsidiary companies. These reflect payments in connection with the expansion programme, to which reference has been made in past years.

CONSOLIDATED FIGURES

In the consolidated balance sheet the effect of these developments is again shown by the increase in the book value of the fixed assets of the group by some £4,000,000. Among current assets it will be observed that the value of stocks has increased by approximately £7,000,000 and that debts due to the group have risen by about £5,500,000.

The net liquid assets of the group increased during the year from approximately £50 million to £61 million but, as mentioned, the company augmented its liquid resources by borrowing £10 million.

The group capital reserves have increased by £650,000, due mainly to the premium on issue of the new shares already referred to, and to gains on realisation of investments. In addition, the proportion of profits retained in the business is such that despite the elimination of the group superannuation reserve, the total capital and reserves is practically unchanged at £53.5 million.

I have already referred to the fact that taxation has this year absorbed £9,500,000 out of the company's profit. The full effect of the latest increase in profits tax is not revealed in the results for the year under review, and if profits remain constant, the Government's share may be still greater next year. It is imperative that some measure of relief from taxation should be given to industry, if it is not to be forced to restrict the volume of trade through lack of funds.

WHISKY DISTILLING

The company's malt and grain distilleries secured good outputs during the year under review and as a consequence the stocks of maturing whiskies of the blending companies in the group obtained satisfactory additions.

The cask position has improved over the year but still gives cause for some anxiety.

SCOTCH WHISKY SALES—HOME AND EXPORT

Our activities still remain substantially under Government direction and are largely patterned to the national interests. The result is that certain markets receive a special degree of attention denied to others and a situation is thus created which is not in the long term interests of either the company or the industry. This state of affairs will undoubtedly continue until such time as our stock position is capable of meeting all demands on an age and quality basis. It is not a matter of gallons alone; it is gallons plus age and quality—the basis on which this great industry has been built and on which alone it can be maintained. Unfortunately this fact is not easily impressed upon the official mind.

Last year I was able to report that a slightly larger gallonage had been permitted

to the industry for home trade release, namely 2,600,000 proof gallons for the year ended April 30, 1951. Actual releases for that period, however, were 46 per cent. in excess of the target. The unsatisfactory feature of these excess clearances is the high price the trade and public are called upon to pay.

The rate of duty still remains at the excessive level of £10 10s. 10d. per proof gallon or, if expressed in perhaps more easily understood terms, slightly over 24s. 7d. per bottle. A continuance of this iniquitous rate of tax can only lead to the gradual extinction of Scotch Whisky as a beverage on the home market, but it also serves to encourage overseas markets to increase their rates of duty on what is admitted to be, if not the most valuable, at least one of the most important commodities this country possesses. Representations were made to the Chancellor of the Exchequer during the course of the year and the subject came under review in the debate on the Finance Bill in the House of Commons. Although the results were negative, I think that the compliment paid to the industry by the Financial Secretary to the Treasury is worthy of repetition. He said—

"The highest marks of all go to the whisky industry and if one measures it in terms of dollars its record is far more remarkable and better than that of any other industry. It is a remarkable feat by this great Scottish industry to have earned this high amount of dollars and yielded so much revenue to the Exchequer at the same time."

This Governmental tribute may offer some slight ray of hope for the future because there is no doubt that our industry has played a most distinguished part in the efforts to assist and improve the postwar economy of the nation. In this your company has taken a very notable share.

The problems and difficulties of our export trade continue to increase rather than diminish. Import restrictions by various countries, exchange difficulties and other artificial restrictions on the free interchange of merchandise are a growing feature, symptomatic of the times and world conditions. It is to be hoped that with the passage of time, many of these hindrances to world-wide trade will disappear, but outwith these obstacles Scotch whisky, and in particular the various brands within our group, continues to grow in popularity. Our trade with the priority Markets, notably the U.S.A. and Canada was not only maintained but increased during the year under review. In South Africa, unfortunately, there has been no alteration of the position whereby supplies to this market are still subject to import licences, the amounts of which are disappointingly small.

GIN

Once again I am happy to report a most satisfactory year's trading by our gin companies, with substantial increases in both home and export markets. Our gin plant at Linden in the U.S.A. continues to provide very good results, and our American gin sales for the year created yet another record.

YEAST

The yeast factories were fully employed throughout the year with good yields and a product which earned the approval of our customers. The new factory under construction in Bristol should be ready for production at the scheduled time early in the next calendar year.

INDUSTRIAL SECTION

In our industrial section the year has been most active. This is primarily due to the large increase in our productive capacity resulting from the heavy capital programme on expansion on which we embarked after the war, the major part of which has been in commission during the year under review.

In the industrial alcohol department output and efficiencies were well maintained, but the supply of molasses, as I foreshadowed last year, has become very difficult owing to the abnormal demands of the U.S.A. market. Fortunately, through the efforts of our buying agents, the United Molasses Company, Limited, we have been enabled substantially to meet the requirements of the trade, although the greatly increased cost of this raw material compelled us to increase our selling prices correspondingly. There is some indication that the supply position may ease during the current year, but I fear we cannot at present foresee the substantial reduction in price which we desire.

The carbon dioxide trade has also remained at a high level, and recently we purchased from Messrs Turner and Newall, Limited, their interests in this industry, comprising (a) shares in the Carbon Dioxide Company, Limited, and (b) two production units located respectively at Manchester and Bootle.

Our industrial organic chemical companies, British Industrial Solvents, Limited, and Commercial Solvents (Great Britain), Limited, had a satisfactory year, most of the plant included in the expansion scheme at the Hull factory now being in production. Output was, however, hampered to some extent by raw material shortages, and in one major chemical—acetone—we were compelled to ration supplies on account of the shortage of isopropyl alcohol. This position should now be rapidly rectified with the coming into operation of the Grangemouth plant.

In this connection I am glad to tell you that since the end of the year under review the plant of British Petroleum Chemicals, Limited, at Grangemouth has been commissioned. You will remember that this company is jointly owned by the Anglo-Iranian Oil Company, Limited, and your company. It is now producing synthetic ethyl alcohol and isopropyl alcohol, which will make a substantial and vital addition to the supply of these products.

The construction of the initial styrene plant of Forth Chemicals, Limited, also at Grangemouth, is making satisfactory progress, and it is hoped to commission this during next year. Active consideration is now being given to proposals for a substantial increase in the capacity of this plant in view of the growing demand for this important material.

The Biochemical Company at Speke, Liverpool, has more than fulfilled our expectations and has fully justified our entry into this field. The favourable reception accorded to the "Distaquaine" group of penicillin products which I mentioned last year, was just a forerunner of the continually increasing world-wide demand for these specialities. Continued technical progress has not only resulted in increased production of these and other forms of penicillin, but has enabled us to make further considerable reductions in the selling prices. Streptomycin and Vitamin B_{12} have been added to our production range, and major extensions to our plant, now in hand, should provide greatly increased quantities of these two products by the end of 1952.

INCREASED DEMANDS FOR PLASTIC MATERIALS

In my statement to the shareholders in 1949, I foreshadowed the benefits to be derived from the concentration at Barry, South Wales, of the plastic manufacturing units which were previously located in various areas. The increased demands for plastic materials, which started in 1950, have continued throughout the year, and British Resin Products, Limited, is now obtaining the improved efficiencies and lower operating costs expected from the expanding use of the large new units installed. Here again, we have been seriously handicapped by the acute shortage of certain important raw materials, and considerable effort has been directed to the study of alternative materials in replacement of those in short supply. This work is bearing fruit, and will, we feel confident, lead to a steady expansion of our plastics activities. British Resin Products, Limited, are now in regular production of polystyrene, which is sold under the trademark "Distrene." Plans are now under consideration for increasing this production in view of the proposed additional manufacture of the intermediate material, monomeric styrene by Forth Chemicals, Limited, at Grangemouth.

The sale of polyvinyl chloride materials manufactured by British Geon, Limited, has continued to expand and following upon the 50 per cent. increase in manufacturing capacity to which I referred last year, a further extension of one-third has since been authorised and should shortly come into operation. The remarkable developments in the application of this versatile plastic suggest that still further increased production may have to be undertaken by your company in the near future.

In Australia and South Africa, our associate companies, Robert Corbett Pty., Limited and National Chemical Products, Limited, have made very satisfactory progress during the past year. Plans are now in an advanced stage whereby your company's participation in the expanding industries of those companies may be substantially extended.

Last year I reported that your company had acquired a majority interest in Magnesium Elektron, Limited. Recently we have purchased the remainder of the shares which were held by Imperial Chemical Industries, Limited. Magnesium Elektron, Limited, whose factory is at Clifton Junction, near Manchester, is the sole producer of magnesium metal in this country, and is today supplying this vital raw material for the Ministry of Materials to meet the demands of the air-frame and aero-engine manufacturers. Use of the special new alloys of magnesium containing zirconium and the rare earth metals developed by Magnesium Elektron, Limited, for jet engine and other purposes, has expanded steadily. Very satisfactory licence arrangements under the company's patents have been made with magnesium fabricating companies throughout the world.

Research continues to play an important part in the development of our industrial activities. The company's research is now divided between our central station at Epsom, Surrey, and out-stations located adjacent to the large operating factories. This method of de-centralisation has proved effective, particularly as it enables day to day problems of consumer research and process development to be dealt with in close association with the staffs concerned with production and sales.

FUTURE PROSPECTS

Although I have endeavoured to point out the difficulties and uncertainties of the present position, I consider it only right to tell stockholders that so far as the current year has gone the profits of the group are running at a rate in excess of those obtained in the year to March 31, 1951.

STAFF

The relationship between management and staff and employees has continued excellent throughout the year, and it gives me great pleasure on behalf of the board to record our appreciation of the services so loyally and willingly rendered by all ranks.

The report was adopted.

UNITED DAIRIES LIMITED

RESERVES EXCEED £6,000,000

DETERIORATION IN MILK PRODUCTION

DIFFICULTY OF MEETING FULL DEMAND

MR LEONARD MAGGS'S STATEMENT

The thirty-sixth annual general meeting of United Dairies Limited, was held on September 14th, at the Connaught Rooms, Great Queen Street, London, W.C., Mr Leonard Maggs (chairman and manager director) presiding.

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

The following is the statement by the chairman to the members which had been circulated with the report and accounts for the year ended March 31, 1951, and was taken as read:—

In theinterests of many members who were unable to attend the annual general meeting on September 14th, I am again circulating my remarks with the directors' report and accounts.

The consolidated statements published give a clear picture of the financial position of the whole group, so the accounts do not call for much comment.

As mentioned in the directors' report, of the group net profits of £954,595 there has been brought into the parent company's accounts £850,717. It was considered desirable to leave the balance of £103,878 to be added to the undistributed profits of the subsidiary companies so that it might be available to meet the higher costs of replacement of assets.

PROVISIONS

(a) £1,883,813 for taxation:—

The increase of 20 per cent. (from 30 per cent. to 50 per cent.) in the profits tax on distributed profits has had to be provided.

(b) £166,000 to be applied for the betterment of the staff pension and life assurance scheme:—

As I advised you last year, in common with other large companies we found that the arrangements made originally for the superannuation of salaried staff were inadequate under the changed present-day conditions. The £166,000 which we are setting aside this year, with the £220,000 set aside last year, will completely provide for the liability in connection with past service in consequence of this betterment.

Although the £166,000 has been provided out of taxed income this year, it will be paid over a period of years to the insurance company operating the scheme: these annual payments will be allowed as an expense for taxation as and when paid in subsequent years.

RESERVES

The following are the reserves of the group at March 31, 1951:—

The share premium account ...	£5,814
Capital reserves:	
Profits, less losses, on realisation of:	
Properties	£151,305
Investments in subsidiary companies	£99,157
Revenue reserves:	
General reserve	£2,750,000
Insurance fund	£100,000
Depreciation not required on properties sold	£45,438
Future income-tax	£1,358,442
Profit and loss appropriation accounts	£3,040,077
	£7,550,233

The total of these reserves at March 31, 1950, was £6,810,293.

Excess Profits Tax—Postwar Refund.—The liability of the group for excess profits tax has not been finally agreed with the taxation authorities. Adequate provision has been made for this liability in the reserve for taxation, but no credit has yet been brought into the accounts in respect to excess profits tax postwar refund, which is estimated at approximately £130,000, after deducting income tax.

CAPITAL REPLACEMENT

On account of present-day high prices the charges for depreciation are increasing as new equipment can be installed, as is evidenced by a comparison between the charge of £613,323 in this year's accounts for depreciation on plant, machinery, etc., in respect to the subsidiary companies, and the £530,764 charged in the previous year's accounts.

These increased costs of new equipment have to be provided out of retained revenue, as the depreciation funds on the replaced equipment are insufficient to meet the higher costs of the new.

The book value of our assets, all of which have been maintained in the best possible condition, is considerably below present-day values. As an example, the properties of the group stand in the balance-sheet at £3,726,319 (cost less depreciation), while the value placed on these for fire insurance purposes is £12,350,000.

Consideration has been given to the question of revaluation of assets, but we have decided not to take any action at present.

Deferred Repairs.—This reserve remains at the same figure as last year—namely £1,132,203. During the four years ended March 31, 1951, £641,674 has been expended on deferred repairs, provision for which was included in the reserve, but the whole of this amount has been included in the charge against profits, and not against the reserve. This course was deemed prudent as, owing to the delay in getting work done, other repairs arising are constantly having to be deferred.

This fund is temporarily available as working capital.

DISPOSAL OF GROSS REVENUE

The following statement shows how every pound sterling received by the group in respect to sales of milk, milk products, and other products was absorbed during the year under review, with comparative figures for the previous year:—

	1951 s.	1951 d.	1950 s.	1950 d.
Cost of milk, goods for resale, and raw materials for production of other goods	14	8	14	8
Salaries and wages	2	4¼	2	5
Other expenses, including containers, depreciation, rents and repairs	1	11	1	10½
Taxation		8¼		7½
Paid as dividends		2		2
Retained in business for development		2		2¼
	20	0	20	0

The above covers the whole of the operations of the group.

On the milk side of the business—including activities which it is difficult to segregate, such as goods purchased for resale in the shops, and (in Scotland) the bakeries—the net profit was only 1.043 per cent. of the turnover.

MARGINS ON MILK

From July 1, 1951, there was an advance of 1d. per quart in the price of milk to the public. The whole of the amount accruing from this increase goes to the Government to reduce the amount of the subsidy paid to milk producers, and as a contribution towards the cost of free and cheap milk to certain priority consumers.

The margin we now receive in London on pasteurised bottled milk is just over 1¼d. per pint bottle—and this has to cover processing, wastage, provision of bottles, bottling, delivery, collection and cleansing of empty bottles, accounting and so on. This is approximately the same margin as that ruling before the war, when the costs of everything were considerably lower than they are today, so it is quite obvious that we are not being overpaid for the service we render, and that the standard of efficiency reached by the industry is very high.

Wages and transport costs constitute a very substantial proportion of the expense of distribution. Wages are continually increasing to offset the ever-rising cost of living, while the substantial increase in vehicle running expenses, due to the imposition of purchase tax on commercial vehicles, the further tax on petrol, the higher prices of tyres, etc., is having a marked effect on the costs of distribution.

Although it is no longer obligatory for consumers to register with distributors for milk, in London distributors are maintaining the zoning of deliveries, owing to the shortage of labour and in order to make it possible to operate within the margin allowed.

MILK SUPPLIES

Although the production of milk during the first part of the year under review was very satisfactory, towards the close supplies declined considerably, and to date this year the production has been most disappointing. Looking at the peak month (May) the production in England and Wales was 17 million gallons less than in May, 1950. The result was that in May, 1951, throughout England and Wales only 28½ million gallons were manufactured, compared with 49 million gallons in May, 1950.

The deterioration in the production is attributable to the lack of winter feed for the cattle owing to the weather conditions last summer, coupled with the Government's very attractive price for beef, which is diverting from the dairy herds to the butchers a large number of cows and heifers already in calf—a trend which is influenced also by the reduced labour required on the farms for stock-rearing compared with milk production.

Although all restrictions on the sale of liquid milk to consumers have been removed, there is considerable doubt whether there will be sufficient milk available during the later months of this year to meet the full demand. With the abandonment of the system of registration it is going to be very difficult, in any periods of shortage, to ensure that everyone receives a fair share of what is available.

SALE OF CREAM

When the Minister announced last year his intention to permit this year the manufacture and sale of cream it was most welcome news, and quite a wise decision with conditions as they were then. However, when the time arrived production of milk had declined very seriously, and it was a surprise to us that the decision was not rescinded.

After a lapse of eleven years it was a considerable strain on the trade to complete arrangements for the processing and distribution of cream, particularly with the difficulty of providing containers. However, judging by the volume of our sales our customers must have been well satisfied.

I cannot forecast whether the manufacture and sale of cream will be permitted in 1952, as this is a matter for Government decision.

In the meantime we are, in London, selling by retail synthetic cream manufactured by our subsidiary company, the Farma Cream Product Company, Limited.

WELCOME LEGISLATION

Food and Drugs (Milk, Dairies and Artificial Cream) Act, 1950.—Under recent regulations made by the Minister of Food under this Act, when an area is "specified" no milk is permitted to be sold in that area unless pasteurised, sterilised, tuberculin-tested, or (temporarily) accredited—in the last case derived from a single herd. The first areas to be specified are London and Portsmouth, to take effect from October 1, 1951.

Being advocates and pioneers of pasteurisation we welcome this legislation.

Yoghourt.—The sales of Yoghourt have increased quite considerably during the past few years. Yoghourt is a soured milk, and great curative properties have been claimed for it. A director of the Pasteur Institute, Elie, Metschnikoff, observed that the peasants of Bulgaria, Turkey and Armenia lived to a ripe old age, and attributed this fact to the consumption of Yoghourt, which he said prevented intestinal infections and putrefactions. Modern scientific opinion does not go so far as that, but it does seem that the absorption of calcium into the blood may be facilitated by consumption of this product.

ENGINEERING AND TRANSPORT COMPANIES

The Dairy Supply Company, Limited, has continued to supply milk churns and bottle crates to the trade. Wire bottle-crates have become popular, but production of these may be affected by the shortage of steel wire, and especially by the shortage of zinc for galvanising, as no substitute for this essential material has been found.

The U.D. Engineering Company, Limited, has scored a success with its latest bottle filler, the "V.S.S.": good progress has also been made with an improved bottle washer. Orders for refrigerating plant continue to increase.

Mickleover Transport, Limited, in addition to work for fellow subsidiary companies, has developed a trade with commercial and Government undertakings in the building and mounting of special bodies for lorries.

OVERSEAS INTERESTS

Australia.—The position is the same as I reported to you last year, our business being still in the development stage. During the past season we were able to re-equip one of the factories for the reception of liquid milk in place of farm-separated cream, but unfortunately the area in which that factory is situated experienced the most severe drought in living memory. We expect the similar re-equipment of another factory to be completed very soon. At the third factory we are building, on a new site in the vicinity, an entirely new factory to be equipped to receive liquid milk and to manufacture milk powder and condensed milk, but only slow progress is being made owing to the difficulties in getting materials and labour.

It is inevitable that some time must elapse before we can hope for results from the investment.

New Zealand.—Our subsidiary company, which is well established, has had an excellent year's trading, and earned a record profit.

APPRECIATION OF THE STAFF

In conclusion I should like to take this opportunity of expressing the thanks of the board—and I am sure I may include the shareholders—to the officers and staff of the company for their loyal and devoted services during the past year.

The report and accounts were unanimously adopted and a final dividend on the ordinary stock at the rate of 10 per cent. actual, less tax, making 15 per cent. for the year, was approved.

The retiring directors, Mr William A. Blake, Mr Andre Bracher, Mr Leslie L. Ferris, Mr Douglas A. R. Knight, Mr Kenneth W. Pocock and Mr J. Gordon Stokes, were re-elected; and the remuneration of the auditors, Messrs Peat Marwick Mitchell and Company, was fixed.

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

WILLIAM BEARDMORE AND COMPANY LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of William Beardmore and Company Limited, was held on September 14th, at 207, Shettleston Road, Glasgow, E.1. Mr Alex Williamson, chairman and managing director, presided, and Mr C. Dale represented The Iron and Steel Corporation of Great Britain.

The report and accounts for the year ended December 31, 1950, which showed a net profit for the year of £144,074 after providing for depreciation, taxation and other charges, as compared with £206,190 in the preceding year, were adopted.

In the course of his statement the chairman thanked for their past services Mr Wilson Harvey and Colonel B. C. Lockhart-Jervis, two of the retiring directors, neither of whom sought re-election.

Mr Alex Williamson, Mr J. G. Girdwood and Mr T. M. Service were re-elected directors and Mr D. M. Cameron, C.A., secretary of the company, was elected a director.

The remuneration of the auditors, Messrs J. Wyllie Guild and Ballantine, having been fixed, the proceedings terminated with a vote of thanks to the chairman.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

MUREX LIMITED

The thirty-second annual general meeting of Murex Limited was held on September 19th in London, Mr George P. Joseph (chairman of the company) presiding.

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

During the year under review there was an unprecedented rise in the world prices of certain essential raw materials. The price of wolfram in particular rose from 95s. per unit in May, 1950, to a peak of 670s. in March, 1951, falling subsequently to 510s. at the end of April, 1951: there was a marked advance also in the price of copper.

The increase of over 40 per cent. in the value of sales for the year is very largely attributable to higher selling prices of the products of these raw materials. I am pleased to say, however, that there has been a real and satisfactory improvement in the volume of our sales. We have spared no effort in recent years to expand exports and it is unfortunate that shortages of raw materials and prior demands at home have prevented us from meeting overseas demands in full.

When the present emergency has passed, a marked fall in the current abnormal price levels of raw materials is likely and losses may well arise on a falling market. Your directors have therefore set aside out of profits of the year £400,000 for such a contingency.

After making all necessary provisions and appropriations, the balance of profit available enabled your directors to recommend a modest increase of 2½ per cent. in the ordinary dividend for the year, which becomes 12½ per cent., compared with 10 per cent., which had been maintained since 1937.

Since the announcement of the final dividend on July 20th the Government has made known its proposals for statutory limitation of ordinary dividends.

OVERSEAS INTERESTS

Turning now to our overseas interests, the production of tungsten carbide tipped stems at the factory of Hard Metals, Limited, Springs, Transvaal, for drilling in the gold mines on the Rand and in the Orange Free State, commenced in March, 1950, and they are proving very satisfactory.

Sales for the year 1950 amounted to approximately 14,500 stems per month and it is estimated that this figure will be increased substantially during 1951. That company is producing also wire drawing dies and other tungsten carbide components required by local industry. The trading results for the year 1950 were satisfactory at the level of output achieved.

In October last we announced that in conjunction with Australian associates we had participated in the formation of a new company known as Murex (Australasia) Pty., Limited. Production commenced in June of this year.

THE OUTLOOK

In the opening months of the new financial year the overall demand for your company's products has continued to exceed available supplies, although there are indications of some gradual improvement in the raw material supply position of essential commodities of the parent company.

The shortage of steel supplies and non-ferrous metals is once again a limiting factor in the production of welding electrodes and equipment in the face of a rapidly expanding demand both at home and overseas. In April last Murex Welding Processes were compelled to ration supplies in the home market; in consequence, exports have been substantially reduced.

The report was adopted.

SALTS (SALTAIRE)

RECORD SALES

The *twenty-eighth annual general meeting* of Salts (Saltaire) Limited was held on September 19th at Saltaire, Yorkshire.

Sir Frank B. Sanderson, Bart. (the chairman), in the course of his speech, said: The year under review has been one of continued progress and expansion, and a very gratifying one for your company. The sales of the group have reached a total which establishes a record in our history.

Profit on trading of the group, before charging depreciation of fixed assets £76,526 and auditors' remuneration £1,694 amounts to £1,950,882. After making provision for these items, there remains a profit on trading of £1,872,662, compared with £989,758 for the previous year.

After adding income from trade investments £9,830 and providing taxation £1,011,365, there remains an available profit amounting to £871,127, as against £500,178 for the previous year. The board recommend a dividend on the preferred ordinary shares of 1s. 6d. per share and a dividend on the ordinary shares of 9d. per share.

DIVIDENDS AND TAXATION

In deciding to recommend an increased dividend your directors had in mind that the capital employed in the business is greatly in excess of the issued share capital and the fact that in 1933 the amount of £1,480,000 of capital was written off and cancelled. The net amount to be paid in dividends upon all classes of shares amounts to £206,229, whereas the group taxation charge for the year amounts to no less than £1,011,365, equivalent to 54 per cent. of the profits for the year, and is therefore approximately five times as much as is distributed to members.

Dr Dalton's speech at Swansea as reported in the press is one more instance of what I consider to be a most unfortunate statement in regard to matters on which it is apparent he is misinformed. His remarks are as ill timed as they are undeserved and may cause serious injury not only to the home trade but to our export trade in textiles which the President of the Board of Trade is so anxious should be increased, and it is already creating difficulties for the industry whose main consideration is the welfare of the country and the desire to maintain full employment.

EXPORT MARKETS

We are making continued efforts to increase our export trade, and during the year the deputy managing director has visited South Africa and other high officials of your company have paid visits to Canada, Egypt, and the Near East. Our greatest handicap is still, however, the import restrictions in many countries, including practically all South America and, as I stated in my speech at our last annual meeting, we look to the Government to do everything possible to ensure a more free importation of textiles in world markets.

You will appreciate that until supplies and prices of wool become more stabilised, it is not only difficult, but impossible, to forecast with any degree of accuracy what the future holds. Whilst there is considerable resistance to the present high values, the demand for the productions of your company continues, and it is reasonable to expect your directors will be able to place before you satisfactory accounts to the end of March, 1952.

The company's activities and results are something of which the management, staff and operatives have reason to be proud.

The report was adopted.

SILENTBLOC LIMITED

ANOTHER RECORD

MR H. VEZEY STRONG ON THE GRATIFYING PROGRESS

The sixteenth annual general meeting of Silentbloc Limited was held on September 19th in London, Mr H. Vezey Strong (the chairman) presiding.

In the course of his speech, the chairman said: I am today in the happy position of being able to report to you gratifying progress. You will have observed the substantial increase that has taken place in the net profit which before taxation amounts to £187,236. The net profit, after tax, for the year under review, has exceeded that of two years ago by no less than 174 per cent.

In the altered political circumstances your directors propose to maintain the final dividend at the acoustomed rate, but to set aside for further distribution a sum equivalent to 2d. per share (less income tax) on the issued capital in May 31, 1951, together with the additional profits tax thereon for payment just as soon as it becomes legally possible.

Your board further proposes to capitalise out of the reserves the sum of £110,000 by the issue of 1,100,000 ordinary shares, fully paid up, to shareholders registered on September 6, 1951, in the proportion of one share for every two held.

At home both Silentbloc and the Andre Rubber Company shaped well. The first two months of our current financial year show progressive improvement; combined orders in hand total £1,200,000.

OVERSEAS INTERESTS

Hitherto, owing to difficulties largely connected with patent rights, it has been almost impossible for your company to trade with France, Germany or Italy, either by way of licence agreements or otherwise. I am now happy to be able to inform you that all difficulties have been successfully overcome. What amount of income will eventually come to us from these sources is at present conjectural, but the signs are propitious.

During the last three years the virtues of Silentbloc devices have been so energetically and skilfully demonstrated in the United States by our two licensees there, the Harris Products and General Tyre and Rubber Companies, that the demand which started as a placid stream has steadily been gaining momentum and now seems to be approaching full spate. Therefore, at the suggestion of the president of the former company, I and one of my colleagues on the board recently visited the States to discuss this situation and devise means to take full advantage of it.

With Harris Products, too, we discussed the Canadian situation. This company, as you are aware, owns half the stock in Silentbloc of Canada and is in charge of the management. We have decided upon a completely new set-up, the details of which are in process of completion. I hope and believe as a result that, by this time next year, I shall be able to report the receipt of net income from Canada.

We have had a successful year; it is not unlikely that others will follow. But how much better could we all do with a lighter load and greater liberty of action.

The report and accounts were adopted and the final dividend of 4d. per share, making 7d. per share for the year, was approved.

Resolutions were also passed authorising the bonus issue of shares and amending the articles of association.

OLD BLEACH LINEN COMPANY LIMITED

A GOOD YEAR'S TRADING

The eighteenth annual general meeting of The Old Bleach Linen Company Limited, was held on September 18th, in London, Mr Arthur H. Johnson, O.B.E. (chairman of the company), presiding. The following is an extract from the chairman's annual report:—

It is pleasant to be able to record another good year's trade. While The Old Bleach Company's reputation was built up over a long period on high-class linen goods, the company now enjoys the advantage of manufacturing a great variety of merchandise.

The production and sales, both in volume and value, show a large increase over the previous year. For the first three months of the present financial year the sales are up by 25 per cent. over the same period of last year. Export sales have been very satisfactory. Our furnishing fabrics are now firmly established in the U.S.A. The introduction of new colours and qualities into our carpet section will assist equally the sale of carpets in the export market. The prospects of increasing business abroad can be considered good. Our export sales for the first two months of this year already ensure a satisfactory increase in export sales. Home market sales are substantially increased over last year.

The consolidated profits are £160,458 as compared with £146,448 for the previous twelve months. In view of proposed legislation on the limitation of dividends your directors considered it prudent to adjust their recommendation for a final dividend on the ordinary shares to 4 per cent., making 9 per cent. for the year.

The report and accounts were adopted.

SCRIBBANS-KEMP LIMITED

MR H. OLIVER-KING ON RISING COSTS

The twenty-fourth annual general meeting of Scribans-Kemp Limited, was held on September 20th in London, Mr H. Oliver-King (chairman and managing director) presiding.

The following is an extract from his circulated statement:—

The trading profit of the group, before taxation, etc., amounts to £1,770,086, as against £1,597,492 last year.

Reviewing the year as a whole, it appears to continue the difficulties I mentioned in my last statement and to bring a fresh crop in its train. Raw materials are still rationed to biscuit and cake manufacturers, which restricts to some extent the expansion of the manufacturing side of our class of business. Last year I reported to you the quite extraordinary rise in the cost of raw materials, packing materials and general expenses, but since then costs have jumped to an astonishing degree.

Since the end of the year there has been a recession of trade in some of our manufactured goods, due mainly to the reduced purchasing power of the public purse.

Considering the retail side of our business, which is mainly the sale of sugar confectionery, profits have been maintained, and it has been possible to extend our interests by the acquisition of a further 31 shops. It has only been by a constant increase in sales that the amount of profit has been maintained.

Taxation on the year's profits amounts to £835,976, an unprecedented figure, and the highest in the group's history, and it is after providing for this figure that the available profit, after bringing in £113,355, is £450,140 as against £400,621.

The report was adopted and the total dividend of 7 per cent. approved.

GORDON (MALAYA) RUBBER ESTATES, LIMITED

IMPROVED POSITION

The twenty-eighth annual general meeting of Gordon (Malaya) Rubber Estates, Limited, was held on September 19th in London, Mr T. J. Cumming (the chairman) presiding.

The following is an extract from his circulated statement:—

The crop harvested was 2,752,047 lbs., which was about 100,000 lbs. less than for 1949, and although the estate expenditure was about £40,000 higher, the amount received for sales exceeded last year by about £200,000, thanks to the greatly enhanced price which continued throughout the period.

It is proposed to pay a dividend of 5 per cent., less tax, on the ordinary stock. Following the welcome improvement in our position, we have been able to pay off all arrears of preference dividends and have also liquidated the loan which was outstanding from the Industrial Rehabilitation Board.

Only the necessary work to up-keep the properties has been undertaken during the year, and there is still much to be done when conditions are more settled and more labour becomes available.

The centrifuging plant came into operation in November, but unfortunately there was a serious breakdown very soon after, and owing to the great delay in obtaining a new part it could not be re-started until July. It is hoped there will be no further trouble and that the supply of Lacentex will proceed without interruption. In this connection we have taken a small financial interest in a foam producing company, and have agreed to supply them with a small proportion of our output on special terms.

Prospects for the future are difficult to forecast.

The report and accounts were adopted.

VITAMINS LIMITED

SHARE STANDING ENHANCED

At the annual meeting Mr H. C. H. Graves, chairman, said that the improvement in trading profits was from £10,870 to £63,755 after providing £19,950 for depreciation against £13,411 last year.

They had maintained the present level of dividend for many years, so that, their shares had properly come to be regarded in their class as "gilt-edged." This continuity of policy had enhanced the standing of the company's shares in the market, but, with current inflationary trends, had resulted in a lower real return to shareholders.

The Balance Sheet showed that Current Assets at £512,637 had increased by £175,797 on the year, following on a previous increase of £110,775. The explanation was that turnover was, again, by far the highest in the Group's history. This necessitated increased stocks and the financing of increased trade debtors as predicted last year.

The lack of adequate space and plant for their growing output had increased costs in some cases. It was all the more creditable that the results should have been as satisfactory, but equally they had an obvious target for savings when the new factory at Crawley was available.

Sales of Vitamealo concentrates for Cattle, Pigs and Poultry continued to expand. It was highly satisfactory to be able to state that at the last Smithfield Show Vitamealo-reared pigs gained three out of five championships. 61.1 per cent. of all pigs exhibited were fed on Vitamealo. They won 63.5 per cent. of all prizes.

The vital necessity for a Research Department such as they had had for over 20 years was now widely accepted. The facilities in their new 300 acre home at Walton Oaks were unrivalled among comparable commercial organisations in this country. Among the products of the Research Department was one incorporating a new principle in the compounding of rations for farm animals. This they expected shortly to be marketing.

On the pharmaceutical side of the business all their products continued to be prescribable under the terms of the National Health Service and, as he said last year, in appropriate cases this applied also to Bemax.

In the export field, the phase of hard salesmanship was successfully entered and now it was a case of their manufacturing department striving to keep up with the orders which it seemed came in almost faster than they could cope with them.

The report and accounts were adopted.

NOTICES

THE WEST OF SCOTLAND AGRICULTURAL COLLEGE

The Governors invite applications from Graduates in Agriculture, Agricultural Economics or Economics for the following posts in the Agricultural Economics Department:—

(1) Agricultural Economist. Applicants must have experience in the Provincial Agricultural Economics Service or an equivalent qualification from post-graduate work.
Salary Scale—£635 x £25—£760 x £30—£900 (Intermediate).

(2) Assistant Agricultural Economist. Salary Scale—£370 x £20—£390 x £25—£515 (Intermediate).

Particulars and forms of application are obtainable from the undersigned with whom applications should be lodged not later than October 8, 1951.

N. B. BAIN, Secretary.

6, Blythswood Square, Glasgow, C.2.

VICTORIA UNIVERSITY COLLEGE

WELLINGTON, NEW ZEALAND

The Council of Victoria University College proposes shortly to appoint a **Lecturer in the Department of Economics**, and invites applications from suitably qualified persons for this post.

The salary will be £800 per annum, rising by annual increments of £50 to £950 per annum. The initial salary of the appointee will be determined according to the qualifications and experience of the appointee.

Duties to commence on February 1, 1952, or as soon thereafter as agreed upon by the Council.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is October 31, 1951.

UNIVERSITY OF THE WITWATERSRAND

JOHANNESBURG, SOUTH AFRICA

Applications are invited for appointment to a full-time post of Senior Lecturer in Mercantile Law on the permanent staff of the Department of Law.

The salary is on the scale £800 x £40—£1,000 per annum, together with a temporary cost-of-living allowance which at present is £150 per annum for a married man or a person with dependants, and £100 4s. per annum for others.

It is possible, duties are to be assumed on January 2, 1952.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is October 15, 1951.

SEEBOHM ROWNTREE requires four men or women not under 30 for social investigation (lasting two or three months and involving door-to-door visits in poor districts. Persons resident Bristol, Liverpool, Leeds or having knowledge East End of London particularly required.—Apply own handwriting to Rowntree, Hughenden Manor, High Wycombe, Bucks.

ECONOMICS Graduate, 27, knowledge of Accountancy and Statistics, fluent Portuguese and Spanish, experienced in sales and production, seeks worth-while post, possibly as Assistant to senior executive.—Box 751.

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Apply in writing with copies references and testimonials, giving full details education, experience and other qualifications to:

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AN International Company of pharmaceutical manufacturers wish to appoint an additional executive. The position will call for ability to handle in close co-operation with other executives the many administration problems facing a rapidly expanding manufacturing business. Qualifications deemed necessary are: first-class general education with an honours degree, preferably in a science, knowledge and experience, though not necessarily a qualification, in accountancy, and some years' experience in commercial administration. A minimum salary of £1,500 will be paid to the successful candidate.—Write in complete confidence to Box 753.

LARGE Group of Engineering Companies in North West require a Training and Education Officer. Candidates should have a degree in a faculty of Engineering and experience of industrial education in all its branches. The position carries a salary of between £750 and £950 per annum according to qualifications, experience and potential capabilities. Non-contributory Pension Scheme in operation.—Reply Box 739.

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INTERESTING work for competent economist in which flair for writing an advantage. Good pay. Send references and specimens of work to Box B32, Kidds Advertising, Albert Road, Middlesbrough.

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Candidates must hold a degree in Agriculture, Horticulture or Economics and for the senior post, must have had experience of investigational work. Conditions of appointment may be obtained from the Registrar, Wye College, Ashford, Kent.

August 31, 1951.

GUEST KEEN AND NETTLEFOLDS (MIDLANDS) LIMITED, Screw Division, require a Senior Cost Accountant at their large works in Birmingham.

Applicants aged 33-38 must be qualified, have good personality, and be able to control a large staff which includes mechanised sections.

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Applications, giving full details of education, qualifications, previous experience and salaries, to the Personnel Officer, Box No. 24, Heath Street, Birmingham 18.

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Applications to Managing Director, Cawood Wharton & Company Limited, 1, Cavendish Road, Leeds.

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS: The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1951. Interviews began in January and will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1951, may eventually be announced. Successful candidates may be appointed immediately. The posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. Candidates must have obtained a university degree with first or second class honours in a scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer posts taking their degrees in 1951 may be admitted to compete before the result of their degree examination is known.

Age Limits: For Senior Scientific Officers, at least 26 and under 31 on August 1, 1951; for Scientific Officers, at least 21 and under 28 (or under 31 for established civil servants of the Experimental Officer class) on August 1, 1951. London Salary Scales: Senior Scientific Officers (men) £750—£950; (women) £625—£850; Scientific Officers (men) £400—£650; (women) £400—£525. Somewhat lower rates in provinces.

Further particulars from the Secretary, Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1. quoting No. 3399.

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NOTICE IS HEREBY GIVEN that the Board of Directors have today declared an Interim Dividend (No. 110) on the issued Capital of the Corporation at the rate of 1s. per Unit of Stock, less Income Tax at 9s. 6d. in the £. This Dividend which is in respect of the year ending September 30, 1951, to be payable on and after November 6, 1951, to all Stockholders on the Registers on September 21, 1951.

The Transfer Books will be closed from September 22, 1951, to September 29, 1951, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

Registered Address:
10, Old Jewry, London, E.C.2.
September 18, 1951.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today declared an Interim Dividend (No. 28) on the Issued Capital of the Company at the rate of 4d. per Unit of Stock, less Income Tax at 9s. 6d. in the £. This Dividend which is in respect of the year ending September 30, 1951, to be payable on and after November 6, 1951, to all Stockholders on the Registers on September 21, 1951.

The Transfer Books will be closed from September 22, 1951, to September 29, 1951, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

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Factory, centrally situated in Edinburgh, one of the lowest rated cities in Great Britain; presently used as a printing works; 4 floors and basement having approx. total floor area 20,000 sq. feet; existing use—light industrial; assessed rent £235, derated to £58. No ground burdens, electric lift, two loading banks, all in modern condition, approximate entry December. Permission to view from and offers to Shepherd and Wedderburn, 16, Charlotte Square, Edinburgh.

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Prospectus from the Director of Studies, Department P17 WOLSEY HALL, OXFORD

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September 29, 1951 — One Shilling

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Shirking the Issues

THE character of the general election will not be firmly set until close to polling day. But unless there are dramatic changes in the next three weeks, it will have two distinguishing features. It will be an election fought between only two parties and without any issues. It is true that the parties are only now trying to put teeth into their policy statements. They are working, however, on unpromising material. Theoretically, at least, either the Labour or the Conservative programme, or even the principal speeches of the campaign, might after all bring out clear, general issues between the two parties. Theoretically, too, the poverty of the Liberal party in human as well as in financial resources might not be decisive; the Liberal programme might be so realistic, and at the same time so plainly and convincingly differentiated from the others, that a third party could at the last moment become important.

Both of these developments are possible, but both are very unlikely. The election campaign has in effect been running for almost two years on the present pattern; no party seems willing or able to inject into it new issues, at once large and precise, at this late stage. The two principal parties appear to remain as firmly united as ever on one main proposition—that the electors should not be allowed to give a verdict on the real issues facing the British people. Although most of its actions imply the opposite, when Labour appeals for votes it claims in effect that postwar Britain is the Government's firm and stable creation, and that its troubles come only from external difficulties that are no fault of the Government. And so, the implied argument runs, Labour's lack of significant new policies is natural because none is needed. The present benefits—no war, no unemployment, cheap food, low rents, comprehensive social services—will continue, provided only that the voters will leave the same men in charge.

The Conservative challenge is, or at any rate has so far been, hardly more definite. It is a claim that a Tory government could and would have achieved all that Labour has achieved, and a bit more besides—more houses, faster rearmament, yet fewer shortages, more production and lower taxes. Again, hardly anything has yet been said about the policies that will secure these ends; the claim is simply that new men doing much the same things will do them a lot better.

Campaigns planned on these bases can only be negative. The Conservatives try to treat present hardships as evidence of Labour incompetence. Labour goes back to recollections of the thirties to try to demonstrate not only Tory incompetence but also Tory ill-will towards wage-earners. These generalisations have so little practical significance that both sides are compelled to inflate the sham issues by emotion. Conservatives profess to see in Labour as a whole, and not merely in its Left wing, a deliberate drive towards the omnipotent, authoritarian state that is certainly far from Labour intentions; on the other side, Labour professes to see the Tories as "warmongers" and

grinders of the faces of the poor. Such charges could have no influence on anyone but stalwarts of the parties that make them unless they were accompanied by large differences about concrete policies. Since in fact the parties appear to differ very little when they come to details, the floating voter can rightly dismiss them as so much froth intended to conceal the lack of serious policy on both sides.

In the thirties, depression and the division over foreign policy gave to political differences a sharper edge than has been usual in the past two hundred and fifty years of British history. Now, with the majority of the Labour party embracing the doctrine of " consolidation " and the Tories at least a little liberalised, there are again no great dividing issues of principle. Political differences are about means, not ends. So much may be said in justification of the politicians' caution. What cannot be justified is their refusal to bring their competitive means into the open. Their motive for relying in effect on slogans and personalities is certainly neither the freshness of the slogans nor the attractiveness of the personalities. It is chiefly fear. The leaders on both sides know perfectly well that so far the economic weather of the postwar world has been, on balance, remarkably favourable to this country. They know that the improvements they promise or hint at cannot be achieved, and that present living standards probably cannot even be maintained, unless some government soon takes measures to toughen the British economy, to make it more competitive, more flexible and more expansive. But both parties have persuaded themselves that such measures—which would necessarily hurt some people immediately for the benefit of everyone in the longer run—would be unpopular.

There is much evidence that in this belief the politicians are mistaken. The consequences of acting on it are likely to remain damaging to both sides. If they continue to avoid real issues, presenting the electorate with a dull choice between almost identical vague aspirations, then there is every reason why the choice should remain indecisive ; the next government, whatever its party, may also have a small majority and such a government is incapable of decisive action that offends some sectional interests. Even if, as is perhaps more likely, the new government has a safe working majority, it will have no mandate for the sort of measures that a balance of payments deficit at the present rate will soon force on it ; the remedies are likely once again to be too little and too late. By believing that they cannot talk frankly about prospects and policies, the politicians themselves ensure that they will be unable to do what is needed, that they will fail in their tasks. The party that wins on such terms, even if it is with a large majority, is likely soon to find its supporters disillusioned and itself enfeebled and discredited.

An election without substantial issues, because the real issues are painful, is to the advantage of neither side. To persist in such a campaign is to confess the inability of both parties to shoulder the responsibilities of statesmanship for the nineteen-fifties. It is not too late for them to change their minds. Both would gain by deciding and defining what they propose to do in office. If either definition were moderately clear and coherent, that party would at least be likely to get more votes on October 25th than it would get if the polling were today. But on all the present evidence the voter will have to do the best he can to make up his mind without such aid to decision. He has to choose not between policies but between groups of politicians who will not say where they are going ; and neither the devil he knows nor the devil he has almost forgotten is impressive.

Outlook After Ottawa

NEITHER in its reporting nor in its comment has the British press done justice to the Ottawa conference which ended on September 20th. It was perhaps too readily assumed that the Council of the North Atlantic Treaty Organisation would do nothing more than talk amiably about decisions reached in the Washington discussions of the American, British and French Foreign Ministers and in the headquarters of General Eisenhower ; and certainly the past record of the Council suggested that it was as likely to shadow-box as to get to grips with reality. Instead—as Mr Gaitskell's statement on Tuesday clearly suggested—there was a real and useful contest of wills and views, which could only have been staged by bringing together the foreign, defence and finance ministers of the twelve allied nations. Nato, in fact, has had its first real council of cold war, and is the better for it. An organisation of this kind tolerates no vetoes, accepts no majority votes, has no executive powers ; it must, therefore, talk and persuade before it can act. There is now some hope that the way is open for a joint approach to the root problem of the Atlantic alliance—to make the Europeans' defence of Europe as strong as it should be by 1954 without ruining the economic defences against Communism built up by the European Recovery Programme.

Because the Atlantic Council, as it is coming to be called, talked mostly about economic matters, its political gestures and decisions should not be forgotten. It cleared the ground for the new status of Germany, the revision of the Italian treaty and the admission of Turkey and Greece. It encouraged, mostly in the corridors, much talk about the growing sense of an " Atlantic community," which was welcomed by its Canadian hosts. It issued a cool and sensible joint challenge to the Soviet peace campaign. It appointed a committee without any representative of the Big Three to recommend ways of getting frequent consultation on foreign policy, " with particular regard to steps designed to promote peace," and to start thinking of the problems of " economic stability and social well-being " that will arise " both during and after the present period of the defence effort." All this will help to give Nato some political personality. Finally, it was healthy and useful that the smaller members should have asserted their right to be consulted on major issues, great though the need still is for Nato to concentrate such powers of decision and action as it can acquire.

That there would be frank talking and even a head-on collision of economic views was certain in the circumstances that faced Ministers, especially Finance Ministers, in Ottawa. For here were the Allied chiefs of staff in the Standing Group and General Eisenhower asking for more men for a European arms production programme one-third greater than planned ; Europe balking at the domestic impact of their rearmament plans, and Britain facing a large unexpected deficit in its balance of payments ; Congress cutting the economic aid programme for the year to next June by nearly one billion dollars ; and Mr Snyder saying sternly that the Americans could not discuss or contemplate any additional aid in the immediate future. Moreover, Europe had hoped that Congress would produce a flexible programme of aid that would give both stability and impetus to its economy while it made the double effort to produce more arms and yet to maintain reasonable living standards. It had hoped for dollars to use in increasing productive capacity—dollars, for example, to buy copper and zinc with which the French claim they could make tank-destroyers much more cheaply than the Americans.

This was how Nato members had conceived that " burden sharing " might work in practice. Instead they found that aid would be of an orthodox kind, governed by artificial distinctions between military and non-military needs and offering a dole instead of a fund for investment in joint production—generous and valuable, but still a dole. Likewise, the British representatives found themselves facing, without prospect of American relief, a deficit in sterling and dollars far beyond anything foreseen when they undertook the three-year rearmament programme a year ago. The Americans were affected by caution and second thoughts, arguing that their productive capacity is beginning to feel the strain and that consumers in the United States cannot be asked for further sacrifices unless they can be convinced that Europe is doing everything possible for itself. These critical points of difference were unfortunate and they show the need for better joint planning in the future. The fighting men's claims and the politicians' misgivings have been confronted. That is Nato's job, and the fact that the Ottawa conference did not take final decisions on these matters does not write it off as a failure.

The outcome of the conference can be summarised under two heads: action and assurances, and suggestions for the future. The most important decision is the creation of an executive bureau of twelve, with a representative of each government, to re-examine national rearmament programmes and produce its recommendations by December. There are two things to be said in favour of this step. First, the new body has the power to negotiate directly with General Eisenhower and governments and to seek a compromise between their points of view. Secondly, if this body succeeds, there will exist for the first time early next year a Nato plan for what has to be done and who will do it. National legislatures and cabinets will have international sanction for unpalatable decisions, recommended by men of high political position ; for it is hoped that the work of this body will be done—as it obviously should be—by a select group of three men of the calibre of M. Monnet, Mr Harriman and Mr Gaitskell. The operation will be delicate and difficult ; but it must not be allowed to fail. There will be great temptation, even as things are, to scale down the European effort ; there will be greater resistance to doing more, even if the military need for more is proved beyond doubt. The first need is to secure the carrying out of current plans in the hope that joint action will bring lower prices, a check to inflation and more aid from America in a new form.

American officials, aware of the mistakes made in presenting Europe's case for aid to Congress, will do their best to bring relief with the powers and resources they have. It may not be much, for it must be realised that Americans have to be convinced that much is needed. Europe's half-hearted attempts to start executing its paper plans for rearmament are hardly calculated to convince Washington that it is in danger of overtaxing its strength. There is no such doubt anywhere about the British effort. There is talk of placing valuable military orders in Europe, of advancing $500 million towards the cost of building airfields and improving the communications of Nato's forces on the continent, of action to provide raw materials and to keep a rein on their prices. Such measures would help France and Italy and the Low Countries, but are less likely to benefit this country. Beyond this it is quite clear that no additional direct aid from America is to be expected between now and next June, and that no assurances have been given about what will be asked of Congress when it considers the burdens of 1952-3 next January. General Eisenhower believes it necessary and possible that Europe should create its own army and fulfil its plan of producing $1½ billion worth of " hard goods " by next June, and raise to $3 billion its production plan for 1952-53, with a prospect of easing off in 1954. Congress knows this. And so the circle within which Nato members must work is clearly drawn: the amount of aid that Congress will grant next year depends on the performance that Europe produces now.

If the picture is depressing it cannot be called surprising, nor is its appearance at this moment to be regretted. There had been a tendency for western governments to say as little as possible about rearmament and to leave it to political opponents to proclaim that strength could not be achieved without harder work or less comfort. The debate is now open and the issues frankly stated. Americans who know Europe well believe that it can greatly increase its defence production and take most of the effort in its stride. Europeans maintain that Americans underestimate their political difficulties and do not realise that success depends not only on American economic aid but also on the way the Truman Administration directs its own defence programme. The bickering drowns the one fundamental truth about common defence—that its success depends upon its being carried out quickly and that a heavy burden now offers the only chance of a lighter burden in future. Clearly, the need for agreement and action is so urgent that the debate cannot go on very long. Nato's " three wise men " must find some solution by the end of the year. And it will be found only if governments live up to the ideal they themselves set out in Ottawa—that henceforward they should deal with their common defence programmes and economic policies as a team and not as twelve allies pulling in diverse directions. The price of security is high but there should be no talk of slowing down the pace of Europe's effort to attain it. General Eisenhower has the right to ask for a bigger effort, and if Europe and Britain persist they will earn the right to ask Americans to regard the further assistance that may be necessary from them as no more than their fair share of the total burden.

The Liberals' Choice

ALTHOUGH the two main parties seem set on frustrating the main purpose of this election, that purpose is nevertheless plain. It is to establish a firm government, to break the political deadlock of the past eighteen months and to provide—if possible for three or four years—relief from the atmosphere of continuous electioneering. To the liberal-minded voter the differences between Labour and Conservatism are small enough for an effective government of either of them to be in present circumstances a lesser evil than an ineffective government of the other.

This is presumably as much the view of official Liberals as of any independent observer. But an obvious question follows from it. Is it logically compatible with that view to vote for any but one of the two principal parties? The influence of the nine Liberals in the present narrowly divided Parliament has been negligible. How many more would there have to be to exert an effective influence if the margin between the two major parties were greater than it was after the last election? If there were only a few more, and even if they began to agree among themselves, they would still have little influence unless the division between Labour and Conservative remained as narrow as it is. A Liberal vote is likely to be a contribution to the decision of the country's future policies only if the stalemate continues—if, that is to say, there is no decision at all. To vote Liberal may be more effective as a negative gesture of disapproval of contemporary politics than abstention. But, except where one of the main parties is supporting a Liberal candidate against the other party, it cannot be much more than that. In a three-cornered contest a vote for the Liberal candidate—even where he has a good chance of victory—runs the risk of being in effect a vote for the continuation of stalemate. That would be the worst possible outcome.

This is a deeply distasteful conclusion, to the resistance of which legions of wishful arguments will at once be called up. The past of the Liberal party is so great that even its palest survival rightly commands large funds of affection and respect. The Conservative and Labour parties embrace extremes, on the Right and on the Left, that are equally objectionable to any British Radical. Yet the fact of the two-party dominance of modern politics cannot be simply set aside. It is easy enough to understand why, in spite of some circumstances in its favour, there has been no revival of Liberalism since the war. Within both the other parties the centre of gravity has in the past ten years shifted a long way towards liberalism. The official Liberal party need not have been squeezed out by this pressure from two sides. The way to escape the thrusts would have been to get above them. The Liberal party could have remained a force if it had had in modern times a doctrine distinct from either of the others—a policy on a different political plane rather than a vague half-way house between two party programmes that already pay each other the sincerest flattery of imitation. In fact, so far from courageously defining a clear position for itself, the Liberal party has let itself fall victim to the vicious spiral of Parliamentary impotence and further electoral defeat. Official Liberalism has become, for all the brightness of its inheritance, an ill-assorted collection of disconnected and often unrealistic policies, whose proponents have leaned, on no predictable pattern, at some times to the Left and at others to the Right.

The strategy of the last election—the Liberals' appearance as a national party contesting the vast majority of constituencies—was a brave attempt to arrest the spiral. It might have been worthwhile, but the hope was forlorn. In the event, it failed intellectually as well as statistically; it clarified Liberal policy no more than it strengthened Liberal representation in the House of Commons. By its nature, it was a last gesture. Whatever hopes may have been legitimate before, since 1950 the Liberal party—in the sense of a national organisation seeking political power—has been kept alive by little but the reluctance of men to let an old institution die. It may well have an important future as a less ambitious organisation, concerned more with political thought and research than with the contest of elections outside the surviving Liberal strongholds. It is important that after the election the party's leaders should realistically consider such possibilities. But in this campaign the point has come where no Liberal can think of his vote primarily as an instrument for advancing his own party cause. He should ask what are likely to be its actual effects on the course of British politics in the next few years; and those effects have to be realistically thought of in terms not of the Liberal party but of the relative strength of Labour and Conservatism.

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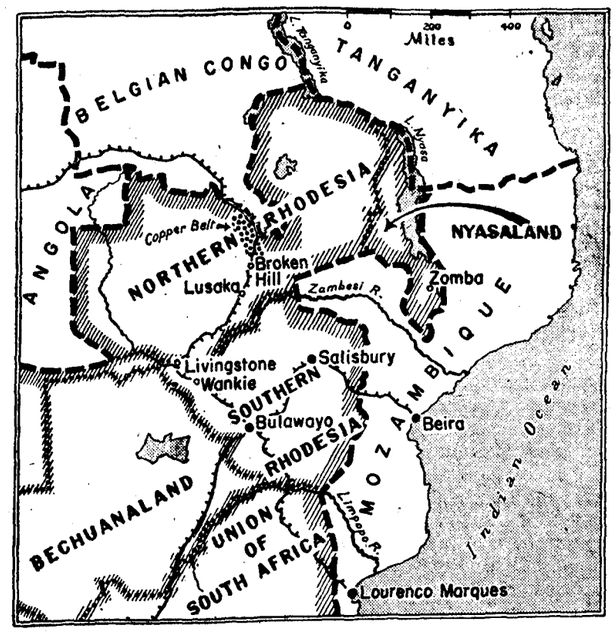
This is not an argument against voting Liberal. It is to say that the Liberal faces, if he examines his position carefully, a dilemma even more unpleasant than that of the floating voter honestly trying to assess the issues between the two main parties. Should the Liberal party contest as many seats as it can find money and candidates for, even though it knows that very few can win? Should the individual who has the chance vote for his Liberal candidate, even though he knows that thereby he can have no direct influence whatever on the course of British government in the next few years? To do so is made reasonable, in an Alice-in-Wonderland fashion, by the weakness and unrealism of the Labour and Conservative parties. To cry "a plague on both your houses" is perhaps as useful as anything that can immediately be done.

It is important—for the other parties as well as for Liberals—to recognise that this is the deeply pessimistic view implicit in each Liberal vote cast, in a three-cornered contest, on October 25th. The people who would like to support the Liberal party if they thought it had a chance still represent a very large section of British opinion. They draw on traditions more intimately associated with Britain's greatness than those of any other party. Yet to vote Liberal now is to say that for such people there are no immediate political results worth securing, that there is so little to choose between the two main parties that it is proper to register distrust of both even at the risk of helping to continue the stalemate between them. If things are really as bad as that, the Liberal party is right to try to keep a flag flying bravely in the storm; but Liberals must be the first to hope, even if they cannot believe, that British politics have not really sunk so low.

Federation and Fear

IT was never intended that the conference at Victoria Falls on the proposed federation of British Central Africa should make any far-reaching decisions. The conference was merely the culmination of a series of conferences held by the two Secretaries of State in the Rhodesias and Nyasaland. Its purpose was to help the governments concerned to decide whether or not to proceed with federation on the basis proposed, not to bind them to any particular course.

Viewed in this light the statement put out after the conference adjourned is not so inconclusive as it appears on first reading. In the first place, in spite of the Africans' uncompromising attitude before the conference, the discussions on federation are to go on. It is hoped, according to the statement, that the conference will reassemble in London in the middle of next year. Further, the delegates from the United Kingdom, that is, the Secretaries of State for the Colonies and for Commonwealth Relations, by endorsing the declaration in the statement that with the exception of the Africans the conference showed itself favourable to the principle of federation, have committed themselves more deeply than they have done hitherto.



What has persuaded them to do this in the face of the African attitude? Last June, when the report of the officials on federation was published, Mr Griffiths emphasised the assertion in the report that the need for federation was urgent. It was assumed that this urgency was caused by the racial policy pursued in the Union of South Africa and the fear of the spread of Afrikaner ideas and politics to the Rhodesias. It is true that, both last June and since, attempts have been made to present an economic case for federation. The dependence of the Northern Rhodesian copper mines on Southern Rhodesian coal is usually cited as an example of the dependence of the two territories upon one another. Another economic argument put forward is that the development of the three territories, particularly essential because their populations will have doubled in twenty-five years, could take place more easily if they were in closer association—if, for instance, the Zambesi were a source of power for the two Rhodesias instead of a frontier between them.

Yet the argument that political federation is necessary for closer economic association has never been convincing. If federation had been a simple matter to bring about, the economic case for it would have been stronger. But the known opposition of the Africans to federation must have made the British Government hesitate from embarking on the proposals, still less from proceeding with them after the African attitude had crystallised, if the main case had been economic. The political case has certainly more weight. While the Secretaries of State were in Central Africa, the formation of a so-called Democratic Party was announced in Southern Rhodesia, membership of which is restricted to Afrikaners. It is feared that in Northern Rhodesia increasing Afrikaner immigration may, in a few years' time, lead to an Afrikaner majority on the Legislative Council. But if it is agreed that the spread of Afrikaner ideas to Central Africa can be more effectively countered by a federation of the three territories than by each separately—an argument that is by no means proven—then that is an argument for doing something quickly. As it is, even on the most favourable assumptions, it will be a long time before the proposed federation can come about. The conference at Victoria Falls did not get beyond discussions of the principle of federation. Now comes the hard task of persuading the Africans in the three territories to agree to the principle. Only after all sides have agreed on this can the discussions on the proposed form of federation begin. At Victoria Falls the Southern Rhodesian and other delegates gave notice that they had reservations on some of the detailed proposals in the officials' report. It is probable that whereas Southern Rhodesians will want a majority on the federal parliament, the two protectorates, and particularly their African inhabitants, will insist that this wish shall not be granted. To reach a satisfactory compromise on this and other points is bound to take a long time.

The question is still asked therefore, now as in June, why the British Government is trying to achieve the very difficult and complicated task of federation when the fruits are so problematical. Perhaps the real answer is not the Zambesi's power or Wankie's coal or the import of Afrikaner ideas, but the very real and urgent need for better racial relations within the territories themselves. The main reason why Africans opposed federation was their fear of losing the protection of the British

Crown and being placed under the dominance of the European settlers led by Southern Rhodesians. They were afraid that they might lose their land and their political rights. And they hold these fears because of an increasing mistrust of Europeans, which is merely another aspect of the African nationalism that has been flowing at full flood since the war ended.

This very nationalism, coupled with the British Government's policy towards it, particularly in West Africa, has provoked corresponding fears of the Africans in the minds of Europeans. Hence the demand by the Northern Rhodesian Europeans for more self-government —for themselves. Hence the periodic requests from Southern Rhodesia for full Dominion status, which would remove the last vestige of the British Government's control over the colony's native policy.

On the face of it, to propose federation may appear a strange way of attempting to resolve inter-racial distrust. After all, it is not the first time that it has been proposed —and wholeheartedly opposed by the Africans. They could hardly be expected to look upon the new scheme as anything but another ruse to preserve the dominance of the Europeans. Yet there is just a chance that in attempting to allay the Africans' fears about federation the conference at Victoria Falls may have gone some way towards releasing the tension that has grown up between the two races. For instance, the statement declares that in any federation the protectorate status of Northern Rhodesia and Nyasaland will be accepted and reserved. This means that amalgamation of the three territories is ruled out unless a majority of the Africans themselves wants it. Secondly, the statement declares that land and land-settlement questions in the protectorates will remain the responsibility of the territorial governments, and not be given to any federal authority; and that the land rights of the Africans will remain secured in accordance with existing orders-in-council. Thirdly, it is declared that the political advancement of the peoples in Northern Rhodesia and Nyasaland will remain the responsibility of the territorial governments. It is further stated that these declarations should be enshrined as an integral part of a federal constitution.

Much more important, however, for the immediate future than these promises is the announcement, also contained in the statement, that Northern Rhodesian Africans would be willing to consider federation on the basis proposed "after the policy of partnership [between Africans and Europeans] had been defined, and as defined put into progressive action." It is still too early to appreciate the full significance of this announcement; but it is understood that round-table talks between the two races are to begin shortly. Thus, the meeting of Africans and Europeans in conference at Victoria Falls, in itself a step forward to racial harmony, is to be followed by further, more detailed, inter-racial discussions.

Economic and political partnership between the races, the statement goes on, is the only policy under which federation could be brought about. If some concrete progress is made towards this partnership, then all the discussions will have been well worth while, even if the scheme itself in the end comes to nothing. Without some such advance, for which the Europeans must take the chief responsibility, federation, even if it could be enforced, would achieve nothing. If Europeans and Africans in the three territories cannot co-operate, if the tension between them persists and increases, there can be no proper economic development—and no means of stopping the spread of the bitter racial politics associated with the Afrikaners.

Migrants Mark Time

THE international conference on migration which opens in Naples next Tuesday will have before it reports indicating that, if Europe's problem of surplus population is to be solved, over five million Europeans will have to cross the oceans to Australia and the Americas by 1956. Overseas emigration on such a scale has not been seen since the first decade of the century, when Europeans were crossing the Atlantic at a rate which at times exceeded a million a year. Today, when the doors of the North American continent are no longer wide open to all comers, the hard fact must be faced that emigration at that pace is beyond all practical possibilities. The thirty national delegations at Naples will serve their ends best if they refrain from all excursions into the realm of the ideal, and concentrate on seeing what can in fact be done to relieve Europe of some part of the pressure created by its population.

The choice of Naples as a meeting place is, however, unlikely to permit the delegates to underestimate the urgency of the problem. For the core of Europe's surplus population is to be found in Italy, and particularly in southern Italy. In March the Italian Government informed the Council of Europe that there are more than 3,000,000 potential emigrants in Italy, and estimates prepared by the International Labour Organisation for discussion at Naples put the figure even higher. With a potential increase in its working population of 250,000 a year, and a volume of unemployment which returns to the 2,000,000 level with monotonous regularity every winter, Italy provides Europe's most notorious population problem. Without Italy, indeed, there would be virtually no European pressure for emigration, for the problem of the German refugees from the East, discussed in the last two issues of *The Economist*, stands on its own.

This is not to deny the existence of substantial pockets of surplus population in other countries. The ILO has assessed the potential emigrants in Greece at over 300,000 and those of the Netherlands at 65,000 a year, while in Germany and Austria it estimates that there are over 1,300,000 *Volksdeutsch* and other candidates for emigration. But in the case of Germany there is considerable doubt about the numbers actually willing to leave Europe; a German estimate last March put the figure as low as 150,000. Even if the higher figure for Germany is taken as correct, it is probable that Europe could rid itself of most of its present surplus population by the normal processes of emigration if it were not for the exceptional pressure in Italy.

At the moment the scale of emigration is sub-normal. Between 1945 and 1949 nearly 2,000,000 persons left Europe to settle in other continents, the rate of movement being particularly high in 1948 and 1949; but during 1950 there was a sharp fall in emigration, which has been only partially remedied by some degree of recovery in the early months of 1951. This fall was due in part to the tapering off of the work of the International Refugee Organisation and the reduction of the displaced persons from Eastern Europe in its care to a relatively small hard core. But it also represented a slowing down in the rate of movement of ordinary migrants, as distinct from refugees; for example, emigration overseas from Italy, which in 1948 and 1949 had been running at nearly 200,000 a year, fell to below 140,000 in 1950.

To some extent this falling off was inevitable. After the war many former emigrants exerted themselves to bring their families to join them in their new homelands, and a fall in emigration was to be expected as soon as movements of this type which had accumulated during the war had been cleared away. It is doubtful, however, if this backlog accounted for more than 75,000 migrants from the whole of Europe in 1949. The greater part of the decline can be attributed to other factors, among which two are outstanding. At the receiving end, several governments—especially in Latin America—that launched grandiose immigration schemes in the first flush of peacetime have now exhausted both their enthusiasm and their funds; at the European end, a large proportion of those intending emigrants who had the money to buy passages have already crossed the oceans. Those who remain are mostly too poor to finance themselves.

The situation has been made worse by the fact that, at the very moment when overseas emigration began to dwindle, migration within Europe came to an almost dead stop. Intra-European migration seemed during the first postwar years to offer real hopes of easing the surplus population problem, particularly for Italy. Four years ago, when the European Recovery Programme was being shaped, the Committee for European Economic Co-operation estimated that some 680,000 workers were needed in various west European countries. Between 1945 and 1949 over 1,100,000 persons did in fact migrate from one west European country to another; but by the beginning of 1950 this flow had virtually dried up, and the OEEC then estimated that no appreciable shortages of labour remained in its member countries. Although intra-European migration has been a favourite topic at gatherings concerned with European unity ever since the Hague Congress of 1948, most delegates to Strasbourg are by now fully aware of its strict limitations, and in May the Consultative Assembly gave formal recognition to the fact that "since the problem of surplus population cannot be solved within the framework of Europe, some solution must be sought on the inter-continental level."

What form is that solution to take, and how is it to be initiated? The Council of Europe itself has not got beyond the stage of creating a European Manpower Board and collecting information. The ILO, however, held a preliminary conference on the problem in the spring of 1950, and the conference which it has now convened at Naples will be presented by its Director-General with an outline plan for the transfer of 1,700,000 Europeans to new homelands within five years. It has been made clear that this programme would supplement, rather than supplant, existing national schemes for helping immigrants. As well as providing a clearing-house where aspiring migrants could be matched with immigration possibilities, it would assume the much more costly responsibility of making interest-free loans, repayable over thirty months, to the poorer migrants and for making outright grants to the poorest. It might even operate its own shipping, as the International Refugee Organisation did.

It is only to be expected that most of the interested governments will give this project a warm welcome in principle, and then explain why they cannot, for a variety of reasons, contribute generously to the necessary funds. The costs of such a scheme must be considerable; at present transport rates, for example, the ILO estimates that the shipping of an average migrant family to South America or Australia costs between $700 and $800. The Naples conference is being asked to provide a budget of $10 million a year, and a revolving fund of $25 million from which loans to migrants could be made. But the countries most interested in shedding surplus population or receiving immigrants are either already committed to substantial expenditure under existing migration schemes, or are unlikely on their past records to contribute any large sums to the common pool. And the United States, which is already relieving most of these countries of a large share of their economic burdens, can hardly be blamed if it interprets any suggestion that it should foot the bulk of the migration bill as merely a new attempt to extract economic aid.

The Naples conference, however, may well lead to the expansion in some form or other of the resources available for the transfer of European migrants overseas. Any achievements secured by the ILO initiative will be welcome, not only for the economic benefits which a healthy rate of emigration can bring to both Europe and the receiving countries, but because some lessening of the population pressure is essential to the political stability of several European countries. Time is as important as money; even a modest improvement in migration, if made with the minimum of delay, can be more valuable than ambitious long-term projects which show no immediate results. The problem is partly psychological; many a European will be more heartened by the knowledge that a limited but steady flow of emigrants is actually on the move than by lavish promises of great things to come.

Even negative decisions may have their value. Recent debates in the Economic and Social Council suggest that a number of Latin American states are loth to invest in immigration schemes before seeing how far they can persuade the United States to finance them, and a firm pronouncement from Washington might stimulate some of them to act more briskly on their own account. There is, after all, no dispute about the value of suitable European emigration to the receiving countries, and most of these have every reason to expect more economical and more lasting benefits from an international programme than from their own sporadic and often unsuccessful efforts. Similarly, a frank discussion of real possibilities may induce certain European governments to consider whether they are not pitching their estimates of surplus population somewhat too high, and whether they could not in fact ensure a decent living for many of the people of whom they have hitherto hoped to rid themselves. What is required at Naples, in fact, is not only an effort to get a practicable scheme going at the earliest possible moment, but also a ruthless puncturing of unfounded illusions on all sides.

NOTES OF THE WEEK

The King

During this week the nation has anxiously awaited the bulletins about the King's health. His medical advisers have properly emphasised that the period of anxiety after his serious operation last Sunday is not at an end; yet his people at home and abroad have heard with relief and thankfulness the news of his progress and hope that it will continue. King George VI has completely captured the sympathy, admiration and affection of his people; for his strength of character and his devotion to public service have been plain for all to see. He has never spared himself, even after ill health first struck him two years ago; and the heavy burden of public duty has exacted its toll. All of his subjects in Britain and beyond the seas pray for his complete and rapid restoration to health.

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Dilemma in Persia

Mr Attlee's Cabinet, at the moment of writing, has to take a momentous and difficult decision. The wild but cunning Dr Mossadegh, without support from parliament and on his own responsibility, has withdrawn the residence permits of the British employees of the oil company still left in Abadan. And the stern protest made by the British Ambassador in Teheran, coupled with reports that London and Washington were consulting about the action to be taken, have merely prompted the Persian Prime Minister to alert his forces in Khuzistan and threaten destruction of the Abadan installations if British forces should land. This may be bluff, but it is what Dr Mossadegh wants believed; and this wanton suggestion that he might destroy the great refinery he has tried so hard to seize is further proof of the fanatical determination with which British policy has to deal.

There must be considerable sympathy with the Government over a grave issue which should normally be kept above party disagreements. For whatever decision it takes—to use force now, to use it later, or to use it not at all—must affect the election campaign now beginning. Yet Mr Attlee's dilemma is largely of his own making, and Dr Mossadegh is merely exploiting the situation created by the British decision neither to withdraw all personnel from Abadan nor to protect British property there by force. In the hope that the regime would not survive Persian realisation that the oil industry faces ruin, a posse of the oil company's staff was left in Abadan to keep the flag flying. Now nearly two months have passed since Mr Churchill unwisely declared in the House of Commons that the Conservatives would "oppose and censure by every means in their power the total evacuation of Abadan"—and Dr Mossadegh is still there, defying the mounting but ineffective Persian opposition to his policy. The Cabinet must feel bound by Mr Attlee's reply to Mr Churchill that "our intention is not to evacuate entirely" and by the Lord Chancellor's assurance that the Government "accept all the implications that follow from that decision," even though Washington advises against the use of force.

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Complete evacuation of British staff two months ago might by now have brought Dr Mossadegh down; but now there is no middle course. The Persians have been told to show every courtesy in their expulsion of the British next week, so guarding against the possibility that insult or injury to them would make London act in anger. The choice is between sending strong forces now and leaving Abadan completely in Persian hands. It is easily made only if the Government is quite clear what it wants to achieve. It can do without Persian oil, both crude and refined, important though it is to the free world; for the supplies can in time be replaced by oil from other Persian Gulf fields. It can go on hoping that hard economic facts might yet bring a change of government in Teheran and the return of the British. In other words it can go on being patient and leaving Dr Mossadegh to alienate opinion in Persia and in the free world. Thereby it would avoid the dreaded accusation of "brutal imperialism," which Asian and Middle Eastern powers might make in the United Nations, and would avoid bloodshed and its consequences. It is the course one would expect most members of the Cabinet to favour.

On the other hand, to abandon Abadan is clearly to invite confiscation and pilferings in other parts of the world. "Nationalisation" is already appearing as a slogan in other areas developed by British work and capital. Restraint commands little respect in the present mood of the Middle East and Asia. These are not points that British policy can brush aside. Without an election around the corner Mr Attlee might well have decided to wait a little longer for economic disaster to bring Dr Mossadegh down. As it is, he must be sorely tempted to say that, for once, it is Britain's patience that is exhausted.

* * *

Making Room for Defence

Mr Gaitskell's statement on his return from Ottawa should do much to clear away misconceptions and misreporting of British views on the defence programme. To have made it clear that this country has no intention of discarding any part of the £4,700 million programme to which it is committed was obviously desirable; equally it was legitimate to stress the weight of the burden which it imposes, concurrently with a formidable balance of payments problem, upon the British economy. All these matters were discussed at Ottawa, but "the general feeling" was that the execution of the programme, though difficult, was not impracticable—provided that co-operation among the allies and an equitable distribution of the burden of defence can be secured. Meanwhile, the burden-sharing exercise proceeds, whereas the burdens of high import prices, the loss of Persian oil and the fall in dollar earnings of the sterling area are already being felt in force. Whether Mr Gaitskell or a new Chancellor has to bear the responsibility for tackling these problems after October 25th, they will call for courageous and unpopular measures that will have to go well beyond the "further steps to restrict imports and expand exports" that Mr Gaitskell mentioned.

Although some of the assumptions on which the present programme was based have not been realised, the present British effort will not be reduced or delayed. But the Ottawa meeting raised the much more difficult problem whether present programmes are sufficient to satisfy military needs. Mr Gaitskell was perfectly frank about the economic implications for this country of such a decision, if in fact it should prove necessary to take it. To carry out more than the present programme would, in his judgment, involve "something like a war economy" for the member countries of Nato, both internally and in their relations with each other. It is very difficult to quarrel with this conclusion. Ottawa revealed much concern about the repercussions of the present programmes on standards of living, and Mr Gaitskell mentioned "the dangers that any too severe impact of that kind might bring" though he did not take issue with the broad conclusion in the discussions that these dangers could be surmounted.

To admit the need for a quasi-war economy if the present defence effort should prove inadequate and have to be increased is to concede for the first time that room has to

be found for defence. Hitherto, it has been supposed that the needs of defence could be found from expanding production, by a modest reduction in consumption that has not in fact occurred, and by sacrificing the surplus that Britain earned abroad last year. Instead, there is a large deficit of which the reserves can take care temporarily but not indefinitely, and a struggle of competing needs for defence, exports, capital construction and consumption that is being resolved, if at all, only by the crudest methods of control. The new government, whatever it may be, will have to take more determined measures than these if defence, even on the present scale, is to be pushed forward at speed.

* * *

Germans Face a Vital Decision

Critical decisions about the future of Germany had to be taken this week in Bonn. The West German parliamentary leaders have had to make up their minds how to answer Herr Grotewohl's latest proposals for re-establishing unity of the West and East German Republics. The governments of the Occupation powers are not intervening; they made their own proposals for free all-German elections as far back as May, 1950, and are still waiting for an answer from Moscow. Now Dr Adenauer must be trusted to handle his own colleagues and the Soviet German premier as he thinks best in Germany's interests.

An extremely difficult situation faces the Chancellor. He has just begun talking with the Allies about carrying out the Washington decisions, which mean in effect an alliance of Western Germany with its neighbours. On the other hand, Herr Grotewohl has made some genuine concessions to the western view and has hinted that more might come. As a result, the West German leaders are much more divided in their opinons than before. They differ, it is true, only on tactics, as none of them wishes to live in a Germany united under Communist domination. Dr Schumacher, however, has taken a stand which makes it extremely difficult for the Chancellor to plead for rejection of the Soviet German proposal on the grounds that the Washington decisions will give the Federal Republic a stronger stance from which to talk unity later. Dr Schumacher has already declared that anyone taking this line is open to the suspicion of being a tool of the occupation powers. He believes it would be best to challenge the Russians to show their hand. Dr Reuter, the Social Democrat Lord Mayor of Berlin, has taken an initiative of his own. He has suggested that a start be made on all-Berlin elections, as agreed laws already exist in the city. The Soviet German side has lost face by rejecting this proposal.

The immediate tactical issue is simple but important. It is whether the West German terms for free elections should be simply repeated *ex cathedra* from Bonn, or whether they should be discussed round the table with Eastern Germany. The mere fact of bringing Bonn representatives to a conference would certainly represent a measure of success for Moscow. It would be hard for West Germans to reject the Soviet proposal that the conference should quickly work towards conclusion of a peace treaty, to be followed by the withdrawal of American troops. But at the time of writing it looks as if the conditions for electors laid down by the Bundestag have checked the Grotewohl initiative.

* * *

Unity on Bonn's Terms

The West German representatives should, and could, stand by the terms for free elections that they laid down when the Atlantic powers were much weaker than they are today. These conditions meant in effect the dismantling of the Soviet system in the Russian zone, some considerable time before elections were held, so as to restore free political activity in some measure. Beyond this, if a conference were to take place, the Federal Germans would have to demand that the all-German government should be free both in principle and in fact even to join the Schuman Plan and Nato if it wished. It must not be bound to a false neutrality. For their part the United States—and indeed the British and French—would have to make it perfectly clear that in the foreseeable future there would be no withdrawal of their forces, which is the chief aim of Soviet policy in Germany. This would be essential, for without such a declaration elections, however free in theory, would in fact be held under the shadow of Russian might.

In the unlikely event of Moscow's allowing all such terms to be accepted by Grotewohl, the "Austrian solution" frequently advocated in these pages would have been achieved for Germany. However difficult to work out, and however much its success would depend on Soviet relations with the Western Allies, it would provide the way of re-uniting their country which, by one means or another, the western powers must eventually offer the Germans. They must offer it because it is evident that the Germans are not likely to prefer any alternatives which the west can provide; and because history teaches that the division of a country is a dangerous threat to peace.

* * *

Pie in the Sky?

Anxiety about the King's health has overshadowed the preparations that the parties are steadily making for next month's trial at the polls. Yet the campaign is in any event developing slowly and cautiously. The two opposing armies are reconnoitring their ground very carefully before committing themselves to battle. The Conservative leaders at Mr Churchill's home at Hyde Park Gate, and the Labour leaders at Transport House, have in these days been grappling with essentially the same problem: how much can they afford, in the present straitened condition of the nation, to promise to the electors? Must they indeed promise much at all, except to offer their brand of administration as superior to that of their opponents?

For the Tories this is a peculiarly difficult choice. Power lies so close to their grasp that the temptation to clinch the issue by holding forth hopes of more bountiful times to come—times in which new houses will rise at the rate of 300,000 a year, in which the real benefits of the welfare state will be maintained at a lower cost by wise administration, in which both prices and taxes will be lowered and food supplies increased—is very great. But against this view certain responsible voices, including, it is reported, that of Mr Eden, have been raised among the Conservatives to urge that it would be both wrong and foolish for them to burden themselves with a series of promises which might be very difficult, if not impossible, to carry out. These advisers would have Mr Churchill appeal to the country primarily with the promise of "clearing up the mess," of providing careful economy and sound administration—in short, to ask for the "doctor's mandate."

There are three streams of opinion inside the Conservative party which Mr Churchill has to reckon with in his final decision on the party's policy. On the one hand there is the bulk of solid Conservative opinion which stands primarily for an election cry of "Sound Government." Side by side with it are today's Tory Reformers, Mr Butler's young men from the Central Office, who have drawn their ideas from the reformist side of Liberalism as well as from the Shaftesbury tradition of Tory benevolence. They want a promise that the welfare state and the social services will be maintained. And then there are those Tories whose views stem from the Manchester school of realistic economics, men like Mr Eccles, who are prepared to commit themselves frankly to the view that a six per cent cut in government expenditure is necessary for economic salvation, even though

it would inevitably involve cuts in the social services. Since the Tory Reformers and Mr Eccles tend to cancel each other out, the odds are that the Conservative policy, when it appears, will be in essence an appeal for a new government rather than a detailed promise of the policies it will execute.

* * *

Laying the Party Lines

In one vital aspect of policy, the Conservatives have to consider not merely propaganda, but counter-propaganda. They have to be ready to combat the idea, whether it be shouted or merely muttered by their opponents, that a Churchill government might be worse fitted than an Attlee government to maintain the peace. One Labour Minister, Mr Robens, has already expressed the view that the Tories, though equally anxious to avoid a war, may well blunder into one, and Mr Bevan was quick to stress the same line in an article in a Sunday paper. A hint of it was even to be seen in Mr Attlee's cautious speech to the Scottish Labour party, when he asked "What do the Tories mean when they talk of 'a strong foreign policy'?" Before the election is far advanced this issue of the preservation of peace, the central issue of foreign policy, may be thrusting itself more and more to the centre of the stage.

Nothing can undo the fantastic blunder of the Bevanites in bringing out their internecine pamphlet "Going Our Way" within forty-eight hours of the election announcement; but now that a truce has been hastily patched up between Mr Bevan and the unions, the Labour Executive can go on to formulate its election appeal. This will undoubtedly be based on Labour's past record and future administration. The cry will be one of "Attlee rather than Churchill" instead of "Socialism rather than Capitalism." There are, it is true, one or two goods with which to deck the shop-window—the state fruit and vegetable markets, further laws against monopolies, dividend limitation—but experience of office has made Labour clearly aware of the confines, financial and military, within which such a policy must operate.

The Liberals face an even greater dilemma, that of forging a policy for a third party at a time when the essential purpose of the election is to choose between the other two contenders for power. They are seeking a programme that will face the realities of the economic situation and which will put the high cost of living in its proper place as an unpleasant symptom. But their temptation will be to fall back on their record in the last Parliament as the defenders of individual liberty and their advocacy of co-ownership and of regional devolution.

The other party in the field will be the Communists, who are running 24 candidates. The fact that 20 of these are standing in Labour constituencies, where they may split the Left vote just enough to let a Tory in, and only four in Tory strongholds, shows how much there is in the Communists' protestations that they are on Labour's side. The reverse is, of course, the truth. They hope that a Tory victory will give them a chance to win over to Communism a section of the Labour vote, and particularly a section of the trade union vote.

* * *

Right Industrial Policy?

The disadvantage of fighting an election campaign on one's opponent's record rather than one's own policy is that it encourages a like tactic from the adversary. Present discontents are an asset to the Tories; but the Tory record is still almost as great an asset to Labour. This is particularly annoying to those younger Conservatives who, bearing no responsibility for the Baldwin-Chamberlain era, want their party judged on its present merits.

The pamphlet "A New Approach,"* published recently by a group of young Conservative MPs, is designed (with obvious sincerity) to demonstrate those merits to trade unionists. One of the chief co-authors is himself an active trade unionist, the other has had—as clerk, unemployed man, general labourer—an effective worm's eye view of industrial relations. They appeal to the trade union movement to recognise its own interest in higher productivity and its own peril from the monolithic state; to appreciate the Conservative Industrial Charter as the best means of achieving security, incentive and status; to realise, in the words of Sir David Maxwell Fyfe's foreword, that "the association of 50 years ago which tied the Trade Union movement to Socialistic theories has long outlived any usefulness which it may have had."

The appeal is in itself both sound and shrewd. Delivered and heard in an atmosphere untroubled by historical echoes, it could have a considerable effect on that influential minority of trade unionists who actively consider and shape union policy, and, through them, on the passive majority. It will, however, take more than an enlightened pamphlet or so to convince organised labour (or indeed anyone else) that the Tory leopard has changed its spots. "Conservatism since 1939 has renewed itself," say the authors. It is no longer, they imply, the party of the Blackleg's Charter or of supine acquiescence in mass unemployment. "Alone among the political parties, the Conservative party has re-thought its philosophy in the light of modern developments." The claim is large, and hard to justify on the evidence of Hansard or the Conservative press. The time may come when it is visibly justified. Indeed, a victorious Conservative party which did not in considerable measure justify it would rapidly qualify for the fate of American Republicanism. But how generally, within the Conservative party, is this necessity realised?

* * *

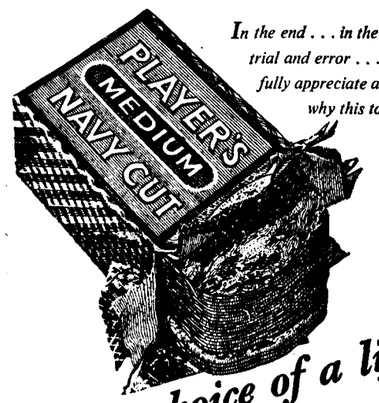
Treaty Revision for Italy

Wednesday's declaration by Britain, America and France that they favour a modification of the Italian peace treaty is welcome. Both sides are to be congratulated on bringing it about, the Big Three for taking the plunge and Signor De Gasperi, the Italian Prime Minister, for his negotiations with them while they did so. It was high time this move was made, in view of the west's new relations with Japan and its current attitude to Germany. Mr Churchill long ago told the Italians that they must work their passage home, and for some time the obligation has lain on the democratic powers to recognise that they have done so.

Signor De Gasperi has had a diplomatic success that he very much needed. Once again a serious Cabinet crisis is brewing in Rome and this start on the revision comes at a peculiarly useful moment in Italy's internal political struggles. Indeed, if Signor De Gasperi had failed to secure the declaration, he would probably have faced a party revolt on his return from America. As it is, his influence among the Christian Democrats has lately waned more quickly than many observers had expected during the summer and he again has a difficult period ahead of him, sooner in fact than had been foreseen.

The present declaration of principle must not, however, be taken as making any formal change as yet in the status of the Italian peace treaty. The treaty has not been abrogated or rescinded, and its terms cannot be altered without the agreement of at least a majority of its signatories. However, a chain of events has now been set in motion. The Italians

* "A New Approach." By Ted Leather and Harold Watkinson Conservative and Unionist Central Office. 11 pp. 6d.



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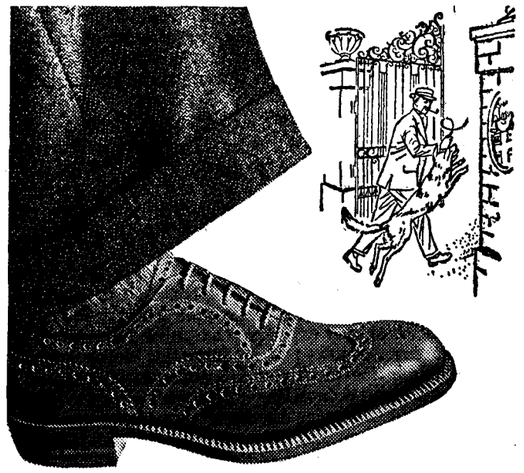

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have been asked to be more specific about the clauses in the treaty to which they object, and Signor De Gasperi has indicated that they will reply within a fortnight. The future position will then obviously be a matter for further negotiation, and it would be wrong for anyone in Italy to count too many chickens before they are hatched. The rate of progress ought still to depend to some extent on the development of events in Italy, and—although Mr Morrison disclaimed in Ottawa any British intention of driving a bargain—on the progress Italy itself makes in negotiating with Jugoslavia a settlement over Trieste.

* * *

M. Pleven in Trouble

M. Pleven has at last managed to put an end to the special session of the National Assembly which had lasted six weeks of the holiday season instead of the intended ten days. Right up to the last minute the Socialists, Communists and Gaullists, who have between them an absolute majority, resisted the adjournment. But M. Herriot, declaring that no positive proposal could be made, quietly put up the shutters and said he would reopen when he judged the moment opportune.

The "little session" has been disastrous and it is hard to see how M. Pleven's coalition can recover from it. The final passage last Friday of the MRP Bill admitting the principle of state aid to non-state (Catholic) schools provoked a Socialist declaration of non-co-operation until the law was repealed. M. Pleven's survival demands at least abstention by the Socialists, but they have no scruples about making parliamentary democracy unworkable. That they would have no mercy became clear when, mainly to embarrass the MRP, they introduced a Bill for a sliding wage scale. This was carried, against all the government's financial plans, by means of Communist and Gaullist support; although it provided for a sliding scale, the reverse of the Gaullist wage policy under the system of *Association Capital-Travail*, the RPF leapt at the chance of bringing the government down. It was only the refusal of the Upper House to return the bill to the Assembly for several weeks that saved the government from extinction.

During the recess there will be the cantonal elections and the British general election, both with their bearing on French socialist policy. Much more important, however, will be the final elaboration of France's civil and military budget for 1952. The civil budget will be submitted to parliament before the end of the year; the military one depends on the outcome of further Nato conferences (which themselves must wait upon the *mise au point* of the plan for a European army). M. René Mayer has made no bones about what is to come. He came back from Washington with the promise of a million tons of very expensive and rather poor coal (to be paid for commercially); of an increasing dollar inflow into France from the placing of US armament orders and from US military "occupation"; and with a vague hope that Nato would set up an economic standing group that would dam the tide of Europe's inflation wherever it most threatens to swamp national economy. In November M. Pleven's coalition will be given its last chance to prove its worth. The only alternative to it seems to be a Gaullist led coalition of RPF, Conservatives and Radicals, whose policy is more easily imagined than ascertained.

* * *

More Help for Indo-China

Next week General de Lattre de Tassigny, the

above all, with the Americans understanding more clearly that the campaigns in Korea and Indo-China are but two fronts of the same war. The General is a persuasive spokesman, and Indo-China is now to receive a priority second only to Korea. It will probably receive the bulk of $1,000 million from the Americans between now and next July. It is well understood that one reason why the United States will and should increase its support is that whatever France spends on Indo-China is taken away from the defence effort in western Europe. This is particularly true now that the total cost of the Vietnamese war is increasing, as more and better equipment is used and bigger forces are recruited on the spot. Backed by the general mobilisation order signed in July, the intention is to bring the Vietnamese army up to a strength of 120,000 men as soon as possible.

"Once Tongking is lost," General de Lattre had told the National Press Club, "there is really no barrier before Suez." This is putting the matter in an exaggeratedly simple form, but it is true that a victory in Vietnam—say, as complete as that in the Greek civil war—could have an effect out of all proportion to its cost.

General de Lattre left behind him a fairly stable military situation, and he will be back before the better weather next month re-opens the campaigning season. He cannot, however, be quite so happy about the political front, the state of which depends to an alarming extent on his own power to instil confidence. Nevertheless, several factors should now assist him. The threat of a Chinese invasion against a largely isolated French army has greatly diminished; the chances of more than clandestine Chinese support for the Vietminh have been reduced by the UN victories in Korea, and Mr Tran Van Huu, the Vietnamese Prime Minister, has had extensive evidence at San Francisco, in Washington and now this week in London, of the sympathy as well as the growing strength of the West.

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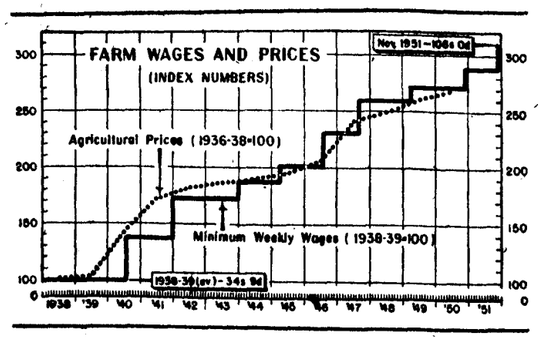
Agriculture at the Crossroads

This is a critical period for British agriculture. Production, which last year reached a peak of more than 40 per cent above the prewar level, threatens to decline instead of continuing its upward trend. The June 4th returns showed a reduced wheat acreage and a smaller cattle population. Farmers are not growing enough feedingstuffs to produce the extra meat for which the nation hopes. Part, but not all, of the disappointment can be attributed to a year of bad weather, now culminating in a poor harvest.

Farmers complain that rising costs are inhibiting their efforts. The latest example is the award by the Agricultural Wages Board of an extra 8s. a week to farm workers and a



to invoke the procedure of a special price review. The Government, under agreements which it foolishly made with the farmers' leaders, has no choice initially but to meet the whole bill for increased costs, although it could in theory reverse its decision at the next regular price review. That bill amounts in a full year to £16½ million for the wages award (if confirmed) and £20 million for other costs. It certainly means higher prices for consumers in the coming winter.

Under present world conditions, a high output from British agriculture is more necessary than ever. But it is high time that farmers absorbed a larger slice of their rising costs through improved efficiency and better utilisation of labour. The accompanying diagram shows that wages have risen no faster than prices during a period in which rising production and increased mechanisation have offered an ample margin for profit. Farmers should be told to digest their gains before asking for more.

* * *

Bomb Happy

New recruits for civil defence have dwindled to the merest trickle. The rate of recruitment rose to about 12,000 a month at the beginning of the Korean war, and in the second quarter of this year was still as high as 5,000 a month. But in July it was less than 3,000 and in August less than 2,000. This decline is partly due to holidays, partly to the end of the Home Office's recruiting campaign, and partly no doubt to the reassuring effects of the possibility of a truce in Korea. The total strength of the Civil Defence Corps is now 152,368—a long way still from the very modest target of 470,000. The strength of the Auxiliary Fire Service is 10,607, towards a target of 60,000.

The average number of civil defence workers per thousand of the population is 3.5, but curiously enough it is lowest in London and the North-East, the very areas where a large civil defence force might be needed. In the country, perhaps, a course can be a social gathering of people who know each other; in the big towns it is merely tedious, and there is a general impression that less can be done to mitigate the effects of an atom explosion than can in fact be done. The Social Survey found last year that one-fifth of the population thought that they would not be safe within 50 miles of an atomic explosion, and there is no reason to think that they are much better informed now.

In October the Home Office is to start a new recruiting campaign, probably with some co-operation from the BBC and the cinemas. But, unpalatable as it is, the fact must be faced that unless the propaganda appeal can quickly be made much more effective the Civil Defence Corps will not reach adequate strength except by making attendance at a course compulsory.

* * *

Harlow Makes Progress

The industrial estate of the new town at Harlow was officially opened this week, and the town's development has reached a new stage. Seven factories are ready and seven more are being built. These visible signs of progress are small by comparison with hopes, but they are large by comparison with fears. A year ago there was much reason for concern about the industrial prospects of Harlow. Essex has an unsatisfactory railway system; the only main road through the town is small; there appeared to be more than the usual proportion of idealism in the town's lay-out; a new towns. It was no wonder that prospecting industrialists were deterred.

Many things have worked to improve this situation. Not least important have been the outward and visible signs of houses where the workers could live—and houses, moreover, that show a liveliness of conception and an originality of execution which are of themselves an earnest of courage and confidence.

NEW TOWN HOUSING PROGRAMME, 1951

Leading Towns in Home Counties	Number of Houses Authorised to be Started in 1951	Number Expected to be Completed in 1951	Total Completed by May 31, 1951
Basildon	560	150	...
Crawley	1,000	520	213
Harlow	900	630	284
Hatfield	515	120	1
Hemel Hempstead..	950	610	354
Stevenage	440	200	49

To attract industries is still, however, the key problem of the new towns, and though for Harlow the signs are better than they were, they are still far from reassuring. Most of the completed houses are occupied by building workers, and the corporation's policy is to go on housing builders until the permanent complement for the town is reached. Meanwhile, not only is the new community badly out of balance, but those industries that are being attracted are too much weighted on the side of light engineering. The town will certainly not be firmly established until a much higher proportion of its residents is employed in a larger number and a wider range of local industries.

* * *

Proposals for Palestine

For thirty years the words "Palestine" and "conciliation" have presented a contradiction in terms. The Palestine Conciliation Commission set up by the United Nations in 1948 therefore started life with a handicap. It could overcome its unfortunate name only by intelligent timing of any proposals it had to make. It chose a wrong moment when it selected this month for an effort to replace the Israel-Arab armistice agreements by some more permanent arrangement. Why choose a time when the Arabs and Egypt had just struck a new note of dudgeon with the United Nations over its vote condemning Egypt's blockade of Israel at the Suez Canal? No dispassionate person can quarrel with the actual content of its proposals, which are sheer commonsense. They suggest agreement on war damages, repatriation of some of the Arab refugees and payment of compensation to the rest through the medium of a United Nations trustee, and other adjustments. But, over Palestine, commonsense without timing is vain.

The core of the Commission's problem is that only two of the countries concerned—Israel and Jordan—vitally need the changes that a peace would bring. Peace would also, no doubt, afford Lebanon a few economic advantages. But to Syria, Egypt and Iraq it is, economically speaking, immaterial whether there is a settlement or not. Indeed, in all these countries the maintenance of an uncompromising semi-belligerent attitude presents something of a gain when viewed from the narrow angle of the home politician. The chances of securing the consent of the Arab front to an all-round settlement are therefore negligible.

The Israelis, living as they do sealed off from all contact with the state of mind in adjacent states, do not realise how

Conciliation Commission should remember that the armistices were only reached piecemeal, and that no one can hope to extend them, except inch by inch. The only way of breaking the deadlock is to make some small beginning which an Arab prime minister, when presenting it to his Parliament, can point to as a gain—on balance—for his side.

* * *

Paying for Israel

Israel's prolonged cabinet crisis—which has now lasted since the elections on July 30th—is not its leaders' worst preoccupation. Food shortage, due partly to last month's drought but mainly to lack of foreign exchange, has become the main topic of conversation and controversy. Several public statements by ministers (those in the last cabinet still hold office) reveal how tense is the struggle for such currencies as are available. The Foreign Minister, Mr Shertok, has left to attend a fresh dollar-gathering rally in Washington.

One cause of trouble is of course the rising world price of materials but another, and an even greater, is the tremendous current rate of immigration ; this was fast approaching the 150,000 mark at the end of the first six months of 1951. The newcomers are, for a varying period but at least until they learn Hebrew, consumers only, and it is calculated that every 150,000 of them add £I 10 million to the import bill. Statistics for the first months of the year show a rise in exports, but in a measure totally insufficient to offset the rising bill.

Last year, a payments deficit—visible and invisible—amounting to £I 90 million was offset by the means described in *The Economist* of May 12th. Can this year's deficit —a worse one—be righted from the same sources ? The 1951 campaign of the United Jewish Appeal in America—the source of gift dollars—has so far collected $55 million and hopes for another $35 million ; about two-thirds of its collection goes to Israel. Israel's own bonds drive in the States has in four months collected $70 million towards its three-year target of $500 million. The United States government's recently made grant-in-aid affords another $50 million. This year's release from Israel's sterling balances—already fully drawn upon—is £9,000,000. It appears, therefore, that Israel, despite the immigration rate, can, in 1951, just manage to round the corner. But for 1952 the prospect is black, for by then the bonds drive will have lost its first impetus, and the sterling balances will be exhausted. Only if the Finance Ministry has an inexhaustible supply of fresh stunts up its sleeve can unchecked immigration be allowed to continue.

* * *

Talking About Talking in Korea

Last week the Communists opened a fresh chapter in the story of the Korean campaign by announcing their readiness to renew the armistice talks—the course of which, to date, is described on page 749. General Ridgway had told them plainly, when they broke off the talks a month ago, that he was always ready to start again, provided the setting of any new meeting was such as to offer a reasonable chance of success; and he had since repeated that offer. However, the Russians and Chinese, in gaining publicity for their own "offer to renew," have no doubt secured the propaganda advantage they sought. Now the problem is to get the negotiations started on a realistic basis. For not only is the basic question still unsettled on which the talks foundered before the San Francisco conference—whether the Communists can bring themselves to accept any terms except the impossible ones of a cease-fire on the thirty-eighth parallel—but there now seems to be a dangerous tendency for the Communists to set too much store by the terms on which the main negotiations themselves shall take place. In replying to last week's offer General Ridgway very wisely laid down conditions which might prevent further accusation by either side that the neutral zone had been violated, and he suggested—but did not insist—that an alternative to the ill-omened and Chinese-dominated Kaesong should be chosen as a site. The Communist liaison officers, however, walked out of the meeting on Tuesday rather than discuss these terms.

Though such behaviour obviously risks landing both sides in another winter campaign, the UN negotiators will almost certainly have to put up with some measure of Communist prevarication if peace is to be won. It appears to be due in part to the well-known inability of Communist delegates to negotiate except at the highest level, since they cannot depart from their briefs after reaching the conference table. It is also due to the Communist determination to make the best propaganda capital they can even out of military defeat—they appear to be quite friendly at the current liaison meetings and the Chinese at least seem genuinely anxious to reach a settlement.

On the other hand, a balance must be struck. If the Communists want peace, they cannot also expect to get it entirely by their own methods. Only if General Ridgway were granted outright his basic demand of a defensible armistice line partly north of the parallel, could he afford to enter further negotiations which might again make him appear to be the suppliant and the Communists the victors. And since such a crucial Communist concession is most unlikely, except after further hard bargaining in a genuine resumption of the full armistice negotiations, General Ridgway has no alternative but to hold out for adequate safeguards to the conditions in which the talks themselves take place.

* * *

Exercise Counterthrust

The seven-nation, seven-day manœuvres staged in the British zone of Germany last week provided some evidence that the Atlantic nations are tackling their defence problem in a realistic manner. The defending forces resisted the temptation to fritter away their armoured units in attempts to halt every enemy thrust, preferring to mass their armour at key points from which it could disrupt the attackers' drive by getting at its flanks. The limitations of armour were also carefully brought out ; use of the *autobahn* was forbidden, the ground chosen for the exercise gave little opportunity to take tanks across country, and infantry screens were widely used to protect tanks from bazooka fire when approaching woodland. The attacking forces used infiltration tactics based on experience in Korea, and on both sides it was assumed that ground troops were permanently in danger of air attack. No amount of realism, however, could disguise the difference between fighting on a forty-mile front, to which Exercise Counterthrust was confined, and fighting on the 500-mile front which in fact confronts the Atlantic armies in Germany.

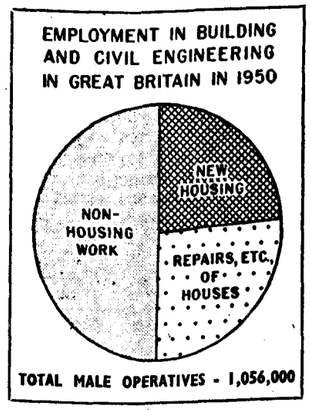
While the participating units were predominantly British, the 100,000 men engaged included French, American, Belgian, Dutch, Danish and Norwegian troops—a large number of German civilians were also employed as transport drivers —and this juxtaposition vividly revealed the discrepancies between the equipment of the different armies. During the exercise Field Marshal Slim spoke candidly about the critically weak state in which the Atlantic forces still find themselves ; and General Juin, in a remarkably frank statement, said that he had deliberately delayed assuming command of the Nato land armies until now because he had no wish to command a mere staff. Exercise Counterthrust, however, seems to have impressed General Juin more favourably, although he thought it over-optimistic to assume that a strong attacking force could be brought to a halt so quickly. On all accounts both British and other troops appear to have acquitted themselves well in a gruelling test,

although Nato has still a long way to go before it can consider its German "front" secure. Those who argue for and against the rearmament effort during the election campaign should not overlook the fact that the cream of the British Army is committed to two vulnerable fronts—Germany and Korea—and needs all the support in equipment, reserves and aircraft that it can get.

* * *

Liberal Housing Policy

The Liberal party has published an "interim" report on its housing policy. Many of the suggestions are unexceptionable and familiar. Two points can, however, be extracted which are of special interest. The first is the explicit recognition of the competition between housing and rearmament. This awkward fact has been skated over by both the main political parties. In the 1951 Economic Survey it was stated that it was not intended to reduce the housing programme as a whole, "but there may be some interference with local housing programmes." Mr Marples in his housing pamphlet published by the Conservative Central Office adroitly set the question of rearmament on one side. The Liberal party rightly thinks that rearmament may seriously affect house-building, and it is concerned to reduce the cost per house so as to maintain the number of houses and flats built, in spite of other demands on resources. The nation will have to face the same problem.



The second and more controversial proposal is concerned with the balance to be maintained between new house-building and repair and maintenance. The Liberal party is anxious to make good the deterioration in prewar houses due to inadequate maintenance and repairs. It therefore advocates a 25 per cent increase in controlled rents, to be devoted to repairs. As the diagram shows, the manpower devoted to the building of new houses is already slightly less than that devoted to repairs, maintenance and conversion. As the resources allocated to housing ought not to be increased, larger expenditure on repairs would involve a reduction in the volume of new building. The Liberal party's housing committee considers that this possibility must be faced. It would take some political courage to plead on an election platform for a policy involving a reduction in new building. It remains to be seen whether the Liberal candidates will actually do so, whatever the party's pamphlets may say.

* * *

British Council on the Defensive

In two successive years the British Council has been instructed by the Treasury to cut its expenditure on work in foreign countries by something over £300,000. As expenditure under this heading in 1949-50 was £1,740,000, it is not surprising that the tone of its latest annual report, for the year 1950-51, is defensive. It is designed to fasten the shutters against further cold draughts. But defensiveness is not an endearing quality, and this report will do little to widen the Council's circle of friends in this country. The cuts have been most bitterly resented, and some good work has, no doubt, been sacrificed ; but it is difficult not to feel that there was also much cotton-wool padding to soften the impact.

The Council's activities have unfortunately been restricted by other agents besides the Treasury. In 1950 the actions of the Communist governments forced it to withdraw from Hungary, Czechoslovakia and Bulgaria. The only remaining links behind the iron curtain are now in Poland and China, and in China at least their survival seems very doubtful. The value of the Council's work must therefore now be judged entirely by its effects on Britain's allies and on Arab and other countries in the half-free world.

Those effects are necessarily too intangible for confident judgments to be passed. It does appear, however, that at least one ground for criticism is in process of being put right. In the past too many vague and woolly lecturers seem to have been sent abroad to lecture on vague and woolly subjects related to the British way of life. The demand for this type of lecturer has declined and in its place there is an increased demand from specialist groups for lecturers on subjects related to medicine, agriculture, education and the social sciences. Spaniards want to know about British methods of anaesthesia and Pakistanis about agricultural research. This kind of contact has more valuable and permanent results than those typified by the Australian lady who told Sir Alan Herbert: "We are glad to see you. You may not be much good, but you are a bit of England."

* * *

Correction

In a Note of the Week on page 669 of *The Economist* last week the British action in stopping sugar bound for Persia was reported as saving the United Kingdom $750,000. This figure should have been $20,000,000.

Assurance of Prosperity

All who are intimately acquainted with the speculative business which has been transacted this year, and who are aware of the means which are too often resorted to, in order to postpone the consequences of losses incurred in that way, are not without their apprehensions that further cause for uneasiness will be experienced during the next five months ; but be that as it may, so far as the general commercial prospects of the country are concerned, it would be difficult to conceive a more favourable combination of circumstances than present themselves at this moment. We have just explained the grounds on which we have come to the conclusion that money (capital) must remain abundant and cheap; in addition to that important element, notwithstanding the defect in the potato crop, it is not too much to say that we have just concluded a harvest which, taken altogether, has perhaps never before been equalled for quantity and quality. On the Continent the result, especially as regards the rye crop, to them a most important one, is not nearly so favourable. But *nowhere* is the harvest really bad. Then comes the next important element of our trade—the cotton crop: that, too, there is now no doubt, will prove the largest of any on record ; and in addition to this, the supply of all the other raw materials of importance promises to be large. With such a concurrence of elements of success, we cannot but look forward with the greatest confidence to a continued full employment of the people, and to an abundant and cheap supply of all the chief necessaries of life, both in food and clothing ; and as long as such is the case, we cannot feel any apprehension for the prosperity of trade, whatever momentary clouds of discredit may pass over it as the consequence of individual instances of speculation.

The Economist

September 27, 1851

Letters to the Editor

Germany and the West

Sir,—A newspaper here recently reprinted an article of yours, the basic thought of which seemed to be: "Can one trust the Germans?" I have seldom heard so foolish a question. How much more justified are we Germans in asking: "Can we trust the English?" No, we cannot. Too much speaks against you. We have seen through your game a long time and know exactly what it is all about—particularly those of us who experienced the first world war and realised its causes. You and the Americans can only speak of your luck in finding so many traitors among the German people who smoothed the way for you and saw to it that we lost the war. You and the others cannot claim to have won the war.

Your policy during the last years was very unwise. Why had England to inflate into collective guilt what was done in Germany only by a small, bad clique? How foolish and shortsighted this was! Are you really so blind that you do not see what immense danger, to you in particular, threatens from the East? In one or two years Russia will probably be ready. Would it not have been much wiser for England and America to ally themselves firmly with Germany, and to try to achieve by means of fair treaties what you are trying today to secure by intrigues? Do you believe you can ever eliminate Germany completely as a Great Power? It is only side by side with Germany that you can exist at all. Consider history, and you will find that Germany never disappointed its treaty partners, but was always betrayed. It would therefore be right and decent to aim at an alliance, to set up 100 German divisions, which could be supervised as long as your completely unjustified mistrust continues. The prerequisite would be to guarantee Germany's pre-1914 boundaries, to win a commercial partner in Germany and not to try to exterminate the German people and make them economically helpless by emigration. You and the others have no need to steal German patents in the guise of war booty; in free economic relations you can partake of the advantages that the Germans will aways have to offer.

What is the use of a treaty with Japan to you? Conclude a better with Germany. You thought you could let Germany sink to nothingness, but we, the Germans, are in any case bound to win, while you will lose more and finally everything. What you want to destroy within Germany is growing *abroad* under German spiritual leadership to a far more mighty danger. Do not imagine that it would be an advantage for you if the Russians destroyed the Ruhr, your bogey of German economic competition. The Russians would only regard it as a first step to forcing you too to your knees.

Only a powerful Germany, firmly allied to you and the Americans, can keep away the misfortune that the Russians will bring you. But for that you need more frankness, more philanthropy, more humanity. You can rely on us; and one can only beg a beneficent providence to give you and your people the intelligence and insight to see it in time.—Yours faithfully,

PETER LAMBERTUS

Bielefeld

The Age of Inflation

Sir,—Mr Recknell inquires how my pensions proposals could be worked. Not being an actuary I cannot say. Let him however inquire of: Association Professionnelle des Banques, 18 rue Lafayette, Paris IX; and Commission Paritaire, 33 Avenue Hoche, Paris; where such schemes are in successful operation. There is, I suspect, a working foreign precedent for every single proposal made.

Mr Hepburn objects that a money premium increasing with the cost of living becomes a heavier burden on the payer. This is an excellent example of Euclidean thinking in a non-Euclidean world. For in fact most money incomes rise with the cost of living. An alternative suggestion is to make the premium a constant proportion of current income. To take out ever more policies of the present kind is not at all the same thing: it is merely to set aside still more good money in order to receive bad. Nor can it be seriously suggested that with-profits policies are an important mitigation of the halving of the value of money.

Mr Maynard appears to be quite right. I also erred in saying that first war pensions were based on 1922 prices. They appear to have been settled in 1918 or 1919, and therefore not to have lost purchasing power—yet.

If this debate really stimulates a successful attempt to stabilise money its initiator will be only too pleased to emerge a false but useful prophet. But in saying that my prophecy must be rejected you have not posed the essential political conditions. Inflation must be taken as far out of party strife as foreign policy. No conceivable change of party in power will "put value back into the pound," in Mr Menzies's phrase of 1949. Only a coalition, or an all-powerful extra-parliamentary commission, could achieve the extreme ferocity and icy impartiality required. But is this, let us not say possible, but going to happen? Do you think it is going to happen? If you don't what right have you to deny the prospective losers their protection?

You have, I think, much exaggerated the inflationary effect of these proposals. Well aware that unless people are cheated by inflation it will continue, I made proposals not to stop cheating but to cheat everybody. As to belief in the stability of money, do you know anyone, except politicians on public platforms, who holds this belief? About 4,000,000 people's wages are already on a sliding scale. To relieve replacement of income-tax, or to reform insurance, would upset nobody's confidence, except in the value of accounting textbooks. To link "fixed" interest with the cost of living would increase saving. But I need not enumerate. The gain in justice and rationality would surely outweigh the dubious loss through further inflation.

Rising prices can, as you say, destroy democracy. But only if these proposals are not carried out.—Yours faithfully,

YOUR CORRESPONDENT

Food *versus* Homes?

Sir,—According to Dr Stamp's letter in *The Economist* of September 1st, a loss of 80 per cent of its agricultural output is involved in using farm land for open density housing. This has not been the experience of First Garden City Ltd., a pioneer in open development.

The 4,630 acres estate owned by this company in Hertfordshire comprised in 1903 a dozen farms on which arable cultivation was practised with average commercial results. Today 1,700 acres constitute the town area of Letchworth surrounded by 2,930 acres of green belt. The build-up portions of the town area carry 4.5 houses to the gross acre having their own gardens which, in Dr Stamp's phrase, respond to hand cultivation. Gardens, supplemented by allotments, produce very large amounts of fresh vegetables, poultry and fruits. At Letchworth long before 1939 the existence of the market provided by the new town had led to the farms in the green belt being largely turned over from arable to animal husbandry and thus being much more intensively cultivated. War and postwar needs have intensified this trend. The food output of the estate taken as a whole, so far from diminishing, has increased in terms of nutritional value—perhaps doubled. But Letchworth incidentally houses a population of 21,500 souls—and before long will house 30,000—under conditions regarded by them as incomparably preferable to those of urban or suburban life, or—for the great majority—of life in purely agricultural districts.

This is no argument against Dr Stamp's call for economy in land-spending nor in favour of siting new development on the edges of towns already too large to have a worthwhile identity of their own. It does go to show, however, that more open development of future housing points the way to a pattern of life more civilised and humane than the life of strap-hangers and flat-dwellers. Our overgrown towns with their sprawling suburbs are a legacy from the railway age—in the age of electricity and of motor transport much of industry can be dispersed to economic advantage, and population with it. New life can be poured into historic country towns and compact new towns, sited with an eye to true economy in land use, can compete with these in offering our people homes where they can work a bit of land of their own and raise fresh food for their families. Here is a way to grow both more food and happier men: for Englishmen by nature are sons of the soil.—Yours faithfully,

ERIC MACFADYEN, *Chairman*,
First Garden City Ltd.

Letchworth

Books and Publications

Apologia pro Vita Sua

A King's Story: The Memoirs of HRH the Duke of Windsor, KG.

Cassell. 440 pages. 25s.

This book, many may say, should never have been written. It is, according to such opinion, undesirable and undignified for any member of the Royal Family, let alone one who was that family's head and the nation's sovereign, to discourse in print on his private affairs; it is particularly undesirable to rake over events which, having once roused dangerous passions, mercifully led to what is universally recognised as the happiest outcome for the country and the Commonwealth.

A different book might have justified that view. Written in self-pity, resentment or rancour, such an autobiography might have been not merely regrettable but thoroughly mischievous. It is, on the contrary, a most dignified, objective and historically valuable work whose readers will, it is safe to say, look on the Throne with an enhanced and deepened respect; and if it does recall past indignations, that is a small price for historical justice. To the student of society its interest lies less in the final drama, fascinating as that is, than in the earlier description of the upbringing of a Royal heir and the attempted analysis of his peculiar relationship to ordinary human society. The Duke's story contains an element common to all his generation with its Victorian background, its consciousness of dizzily accelerating change, its conflict of standards, and its disorientation by war. The stresses undergone by the "lost generation," however, have special significance when they affect a young man whose lifetime duty is to embody that very sense of continuity, security and established authority which he and his contemporaries so inevitably lack; and when, through the same circumstances which have made that duty psychologically harder, the time-honoured precedents shaping its performance have largely become unreliable.

"A King's Story" is little concerned with the purely constitutional aspects of this change; the social aspects are given full value. As the embodiment of continuity, security, a paternal unifying principle, it has become more than ever the Monarch's duty to show himself to his people, to spread even more widely, by personal contact, the reassuring sense of what they symbolise. The greater the lack of these things, the greater the importance of this function and the calls which it makes on all members of the Royal Family. The conflict between this view and the older, less exacting, social conception of kingship as the formal and ceremonial apex of the social hierarchy comes out plainly in the account of those tireless postwar journeyings through the Commonwealth and Empire. But there is more to the social role of royalty than the embodiment of those cohesive and continuous elements. Not merely the King's public acts, but his entire private life, must be symbolical and representative; a life which the great mass of his subjects can, through him, vicariously live with self-approval. His recreations, his family relationships, whatever of his opinions and valuations are recognisably implicit in his activities, must build up an identity embodying, as it were, the national super-ego. It is just possible for an exceptionally devoted, well-balanced, self-disciplined and self-abrogating individual to live up to the super-ego's specifications without hypocritical concealment, provided that he himself accepts them. But the acceptance, as well as the devotion, must be genuine.

As Prince of Wales and as King, the Duke of Windsor neither wholly accepted these specifications nor felt it his duty to conform to them in his brief leisure hours. In particular, he was unwilling to substitute the public conscience for his own when deciding (as, at some stage, he must have decided, though the memoir is silent) to continue a friendship with a married woman for whom he was beginning to feel a dangerous attraction. From the moment when that attraction became a vital factor in his life everything, including all his own most creditable qualities, worked ineluctably towards crisis. The closing chapters of the book have an almost classical dramatic tension, inevitability unfolding from inevitability. Could there have been a different issue had the first lead to public opinion come from other men than Stanley Baldwin and Geoffrey Dawson? Hardly; though the world might have been spared a national display of self-righteous censoriousness as stomach-turning as any in British social history. The lead was given; the response followed; and no counter-stroke was in good conscience possible. "By making a stand for myself, I should have left the scars of a civil war . . . not less a war when it is fought in words and not in blood." The choice was narrowed: a surrender felt to be as ignoble as it was intolerable, or abdication; and for the sake of the Crown as much as for his own, the King renounced his heritage and accepted exile.

The story is told with restraint and with patent sincerity; there emerges from it a personality both sympathetic and dignified. The Baldwinian myth of the King's irresponsibility and selfishness, accepted so readily by the very public which had sentimentalised over Prince Charming, should by this book be demolished once for all.

Whose Plan?

Principles of Private and Public Planning. By Wilhelm Keilhau.

Allen and Unwin. 272 pages. 16s.

In this most stimulating, closely-reasoned but possibly over-ambitious book, Dr Keilhau sets out to rescue the concept of economic planning from the exclusive possession of the state planners and to re-establish it in its proper and universal application to economic activity in general. Orthodox economic theory, concerning itself above all with the establishment of static compatibilities, has depicted to the lay eye a process of automatic, impersonally determined mutual adjustment between economic qualities—supply, demand, price—to which the processes of human decision are merely subordinate and secondary.

Dr Keilhau's correction of this picture, while involving some fairly minute and illuminating dissection of the processes by which economic adjustments develop from the first sense of an unfilled want to the final action directed to filling it, is essentially of an almost comic simplicity. "Geography is about maps, biography is about chaps"—and the core of Dr Keilhau's argument is that economics is also "about chaps"—and not about abstract quantities or statistics or impersonal pressures, which merely register the results of the way chaps behave. Whoever takes an economic decision makes a more or less long-term, more or less rationally-motivated plan to benefit somebody. The somebody may be himself, or the shareholders of the firm which he directs, or the members of the non-commercial group (club, church, mutual benefit society) whose affairs he is conducting, or the inhabitants of the area, whether parish or sovereign state, to which his decision refers. Planning is universal and everywhere involves essentially the same elements; the question to be answered is not "Plan or no plan?" but "Whose plan?"

The answer, in each case, must derive partly from a consideration of these necessary elements of the planning process; the recognition, personal or vicarious, of a want and its occurrence in time, the further recognition of the goods and services by which to fill it, of the methods by which they may be secured, the weighing of the sacrifices involved in securing them against the urgency of the want, the decision to act (or not to act), and the drawing up of the necessary schedule of practical activities—the plan proper. Evidently that answer will vary according to the nature of the want and the state of technique to be applied to its satisfaction. But it will also vary with political ideology.

The liberal ideology to which Dr Keilhau adheres must be justified on ethical grounds; and he accordingly devotes four vigorous though sketchy chapters to establishing the view that the supreme function of the state is to enlarge the "spheres of freedom" in which individuals exercise their specifically human right of choice. The implications of that view in relation to the planning process ramify out through considerations of the division of authority, the role of public enterprise, the importance of monetary stability, the concept of welfare, the significance of national budgets, and many more. They are far from indicating a *laisser-faire*, "night-watchman" state as ideal; they are equally far from indicating a totally centralised plan.

The frontier dividing the publicly planned from the privately planned field can be as rationally drawn—and revised—by liberals bent on maximising freedom as by authoritarians concerned only with technical and administrative efficiency. Dr Keilhau is confident that one day it will be so drawn. His book is a notable addition to the armoury of modern liberal thought.

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A Political Process

Manstein: His Campaigns and His Trial. By R. T. Paget, KC, MP. With a Foreword by Lord Hankey. *Collins.* 239 pages. 15s.

This book is an account of the trial for war crimes of Field-Marshal Manstein, and the author is Mr Reginald Paget, KC, who acted as counsel for his defence. Mr Paget declares that in his opinion an advocate, having made his case in court, "has no business to criticise the judgment" in a proper judicial process, and if he had regarded the trial of Manstein as a "judicial" one, he would not have written about it; but as he considers it to have been "a political as opposed to a judicial process," he has put on record his criticism both of the constitution and the findings of the court.

> The trial, he claims,
>
> involved the application of a law which did not exist to facts which were not and could not be proved in accordance with any system of evidence by a court with no jurisdiction save physical power.

He is concerned with the particular case of Manstein, for whom he clearly conceived a strong personal attachment while conducting the case, but his legal argument strikes at the basis of the procedure used for all trials for war crimes under the Royal Warrant of June, 1945. He was the first and only counsel for the defence to challenge the legality of the Royal Warrant, which German lawyers in other cases had not dared to attack, and the speeches on both sides on this all-important question are given in full in an appendix to the book. The court, as might have been expected, found in favour of its own legality, but it is difficult to see how anyone with no vested interest in the Royal Warrant, and what has been done under it, can deny Mr Paget's contention that it contravened several articles of the Geneva Convention on the rights of prisoners of war, so that international law was violated by the very instrument which was supposed to affirm and enforce it.

The Allies in 1945—and in particular Britain, with the special responsibility for upholding the tradition of British justice—had in effect the choice between two alternatives: to deal with the Nazi chiefs and certain categories, such as the *Einsatz* units and SS concentration camp guards, by a simple decree of outlawry, or to proceed to the trial of individual war criminals by a strictly correct legal procedure. Unfortunately, the decision was to adopt neither of these courses, but to act by a legal procedure which was full of illegality. This made it possible to spread the net more widely than could have been done with a proper judicial process, but the moral and political result has been, and will be, disastrous. For the discredit which has come to be attached to the system in such borderline cases as that of Manstein (rendered the more conspicuous both by his outstanding military record and by the late date of the trial) has served to call in question the condemnation of others about the enormity of whose offences there can be, historically speaking, no doubt.

Empire with a Difference

The New Soviet Empire. By David J. Dallin. *Hollis and Carter.* 218 pages. 18s.

One hundred and fifty years ago the Napoleonic Empire was the chief problem of European politics. Today Stalin's "empire" equally dominates the international stage. One is almost tempted to say that it is the fate of revolutions to be tamed inside their own borders and then to be carried abroad, in some bastard form. Before the war Stalin was the apostle of "socialism in one country"; then the Red Army carried his brand of socialism up to the Elbe. The successful Chinese revolution still further extended Stalin's sphere of influence, so that now he finds himself at the head of a gigantic bloc with a population of some 800 million.

Mr Dallin's latest book is devoted to this new empire. He sees in Soviet Russia the only remaining "imperialist" power in the sense used by Lenin or Hobson. This paradox is more attractive than accurate, for Mr Dallin would certainly not pretend that Russia is seeking outlets for its surplus capital and goods. The Soviet Union exploits countries within its orbit by means of Soviet-dominated mixed companies and trade agreements, in which prices have nothing in common with the prevailing terms of trade. Internally, the old equalitarian ideal has long since been forsaken. A new privileged class, the Communist bureaucracy, has come to the fore and if it does not accumulate capital, it accumulates "joys" and lives in greater luxury than did the ruling class in Tsarist days. The only relatively good feature of the regime is its treatment of minorities, which are all equal before the prevailing lawlessness.

Mr Dallin uses in this book many reports by Soviet refugees. He knows Russia intimately and one has come to expect substantial fare from him. Yet, this time, it turns out to be a rather meatless Russian salad. In scarcely more than 200 pages he deals with subjects as diverse as the Jewish question, Russia's expansion, Soviet medicine, and trends within the Politbureau. Many topics are only glossed over. Thus, Mr Dallin dismisses in a few pages the major issue of the attitudes of the new Soviet generation grown up since the revolution. To Mao's China, which has opened new vistas and pitfalls to the Russian Government, he devotes even less space, though he includes China in the new empire. One feels as if the author had given the manuscript to his publishers before it was completed. The same feeling is created by a certain lack of balance. Mr Dallin draws comparisons with Tsarist Russia and Nazi Germany, yet the real analogy is with Napoleon's France. Napoleon and Stalin controlled empires, but empires with a difference, and what must be explained is not only their hideousness—this is done often enough—but also their attraction and driving force. To paint only the seamy side is neither good history nor good social analysis.

The New Marshall

Economics: An Introductory Analysis. By Paul A. Samuelson. Second Edition. *McGraw-Hill.* 762 pages. 36s.

Professor Samuelson's textbook requires no more introduction to English than to American teachers of economics. In three years it has deservedly gained a unique position in its field. Indeed, there would be little exaggeration in saying that it is becoming as dominant an influence on a generation of students as Marshall's "Principles" once was.

This second edition, the product of extensive revision, does more than consolidate the achievement. The main aim has been clarification; Mr Samuelson has succeeded in making the argument flow as smoothly at what were some sticky points as it always did at most points. But he has also put in some useful new material, of which the most notable is a discussion of wages and of the distribution of income in general. This is the fourth of the five main parts into which the new edition is divided. The book now achieves a high degree of success in linking the modern, "national income" approach to economic aggregates with the more familiar discussion of the components of the economy. The first part sets out basic concepts and the institutional framework. The second covers national income, employment and monetary theory. The third embraces what used to be called the theories of value and costs. The fifth—and to the British student the least satisfactory—examines international economics; it is perhaps significant of the American origin of the book that this occupies less than a tenth of it.

In general, however, the width and balance of Mr Samuelson's book is remarkable. Even so, the greatest of all its virtues is the energy and enthusiasm with which it is written and which can hardly fail to penetrate to the student. The trouble taken by the author is exemplified by the fact that most of the illustrative tables are brought up to 1950. Most impressive of all is the way in which the emphasis of interest has in this edition been shifted from the trade cycle to the problems of inflation. If Mr Samuelson maintains anything near this flexibility, he will continue to provide many economics students with their basic textbook for many years.

Figuring in French

Quelques Aspects Fondamentaux de L'Economie Mondiale. Institut National de la Statistique et des Etudes Economiques. *Presses Universitaires de France.* 340 pages. 1,000 francs.

L'Espace Economique Français. Institut National de la Statistique et des Etudes Economiques. *Presses Universitaires de France.* 144 pages. 1,000 francs.

The first of these two official studies from France sets out and discusses, in a world setting, facts about population, standards of living, food and raw materials, capital investment and international trade. Drawing on an immense amount of information from various sources, it traces general developments over past years and leads up to a series of present-day balance sheets (generally based on 1949 figures) between geographical regions. One of these, for instance, shows the ageing population in central and north-west Europe set against the much younger population of eastern countries, another the density of population related to agricultural area, a third the concentration of two-thirds of the world's energy in Western Europe and North America. After an analysis of the food situation, the not too gloomy conclusion is reached that the earth can supply a higher population, provided attention is focused on immediate and simple aids to food-growing in the highly populated countries of the Far East and Latin America.

Attempts to compare the standards of living in different countries seem surrounded with difficulties, especially when considered in terms of social security measures. It is impossible also not to feel somewhat dubious about international comparisons of capital investment. This is a particularly precarious piece of national accounting and a deeper probing into original sources would be necessary before any confident application of the figures could be made. But, throughout this book, there are many illuminating charts and interesting methods of presenting statistics; and all sources of the original data are given. It is a pity, however, that there are a number of discrepancies—usually small ones—between the figures in the text and those in the tables and some instances of hastiness in compilation or proof-reading.

The second of these publications shows how population, employment, production, taxes and various social factors in France are distributed between its 90 departments. This is done in some 300 maps of France in which each department is shaded according to the strength of the phenomenon concerned, seven gradations being allowed for each map. A few of the main statistics are included with the text which comments on the maps, most of which refer to one of the years 1946, 1947 or 1948. This study is said to be only a first attempt with many gaps yet to be filled, but it will be welcomed by all interested in the economic geography of France.

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CASSELL

newly trained workers into the armed services. But the complaints are a diminishing chorus. Most producers are tackling the problems which they alone are competent to deal with.

Foremost among these is the shortage of skilled manpower. Tool-makers, die-makers and machine tool operators, trained during the last war, moved into other fields during the postwar slump in the industry. In replacing them the crucial factor is time. Several years are required to train a machine tool worker, and all industries today are competing for a limited supply of trainable manpower. The labour turnover is also abnormally high because so many learners must be hired and because the patriotic incentive of a great war is lacking. Big defence plants are accused of "stockpiling labour." While hiring in advance of need is inevitable in a time of rapid and nation-wide plant expansion, the machine tool makers hope that Mr Wilson will issue a directive against the "pirating" of their workers.

Cincinnati has become a kind of exchange centre for ideas on how to break the manpower bottleneck. That solid, slow-growing city has always been an excellent source of skilled labour. Recent years have seen comparatively few strikes in its machine tool plants. In a precision industry, calling for a high degree of individual skill, there is more occupational pride than in mass-production fields. Most machine tool plants are small, and their labour-management relations are based upon mutual respect. Moreover, the industry has, even in normal times, an unusual *esprit de corps*. Problems of personnel training are being constantly explored by a national association, to which all the big companies subscribe. Helpful hints are exchanged over the telephone or at the luncheon table, for the normal spirit of competition weakens when every company has more orders on hand that it can fill, with backlogs ranging from six months to two years. Plant training programmes, for women as well as men, have been resumed on patterns created during World War II.

The industry has been through all this before, and not many years ago. Indeed, there is a growing disposition to resent the familiar reference to machine tools as the great defence bottleneck, to point out other obstacles—the critical copper shortage, for example—or to assert (what is true) that many domestic and foreign customers could not immediately use the tools on order even if they were delivered. There are still plenty of worries, the worst being the shortage of structural steel for plant expansion. Both in Washington and throughout the country, the supreme incentive of wartime need is lacking. Yet leading executives, with experience of making tools for two world wars, are confident that, given time—and there is no getting away from the fact that it takes time to produce machine tools—the industry will provide the tools that are needed, as it always has in the past.

American Notes

All-out on the Atom?

At his first press conference this week Mr Lovett, the new Secretary of Defence, brought firmly down to earth premature hopes of impregnable security at bargain prices inspired by Senator McMahon's speech on mass production of atomic weapons. The outlook for new and revolutionary developments is promising, he said, but for the present the United States must rely on proved and available models. Senator McMahon himself had made no promises of an immediate revolution in weapons which would make present defence spending unnecessary. What he argued was that an all-out effort, increasing the money spent on atomic development from just over $1 billion a year to $6 billion, would produce, by 1955 or 1956, an almost limitless flow of atomic weapons which would provide much greater deterrents to aggression at far less cost than conventional arms. He put the savings at $30-$40 billion a year out of future defence budgets of $60-$80 billion. This way it would be possible to escape the choice between financial bankruptcy and military disaster which Senator McMahon and many other Congressmen believe stares the United States in the face.

Much more Congressional enthusiasm greeted this argument than the other which accompanied it; that a new effort should be made to reach an enforceable international agreement to disarm. No Senator voted against the recent $59 billion appropriation for the services, but Senator Douglas's anguished whoop of frustration at the sanctity of military demands expressed an uneasiness shared silently by many. Senator McMahon, as chairman of the Joint Committee on Atomic Energy, speaks with an authority which few are qualified to challenge, thanks to the secrecy which surrounds atomic developments. His statement capped a fortnight in which the President and others, less well informed, had made broad references to fantastic new weapons and the Air Force, beating the other services to the draw, had unveiled its B-61 Matador, a pilotless bomber, and announced the formation of the first pilotless bomber squadron. It is small wonder that the Defence Department, which has nearly completed work on the military appropriations for the year beginning next July, is concerned lest the public should assume that a cheap and easy short-cut to security has been found.

Mr Lovett conceded, however, that there were grounds for optimism about new weapons. Among those revealed to the public is the President's request for another $484 million for the hydrogen bomb plant being built on the Savannah River in South Carolina; this is taken to mean that the Eniwetok tests showed conclusively that the super-bomb can be constructed. The second is the announcement that the use of atomic weapons against troop concentrations will soon be tested at Frenchman's Flat, in Nevada. The tests, it is said, will be of new light atomic bombs, not, as yet, of atomic artillery. One bomb, at least, will be exploded over troop positions to measure its effectiveness and determine how much time can elapse before troops can enter the area. If the tests are successful, production of a whole family of atomic bombs, designed for different purposes, will be put in hand. But cautious observers point out that the tactical atomic bomb is still in its infancy and doubt whether in the near future it will make conventional arms obsolete or, by itself, prove conclusive against an aggressor.

* * *

Farmers' Privilege

It is the farmers' privilege, particularly in an election year, to have the best of both worlds. Cotton farmers, who last spring were threatening to send the Price Administrator back to Toledo for daring to put a 46 cent ceiling on raw cotton, are being given every encouragement, now that the price has fallen to 35 cents a pound, to hold their crop off the market to force a price rise. Congressmen from cotton-growing states have issued a proclamation urging every grower to apply for a government loan on half his crop, and Mr Brannan, the Secretary of Agriculture, has been quietly seconding their efforts. If inflation is a bad thing, deflation, or disinflation, it appears, is even worse.

The present loan rate is 32 cents a pound, so that growers can hold out for a better price at little risk. If the price rises, they redeem their cotton; if it falls they keep the cash and let the cotton go—to the government. The Secretary of Agriculture has also succeeded in persuading the Export-Import Bank to enter into negotiations for dollar loans to foreign countries for cotton purchases. Since the Munitions Board indignantly turned down demands that cotton be stockpiled (pointing out that the stockpile is meant to include only critical materials not available inside the country in time of war), there has been Congressional agitation that a "military reserve" of cotton be accumulated.

If Mr Brannan's problem is to keep cotton off the market, the Price Administrator's is to find some means of bringing beef to the table at prices people can pay. Livestock prices, which are not controlled, have moved steadily up, and although the number of cattle is 4,000,000 greater than it was last year, slaughtering is down from 10 to 20 per cent. Even the Army has had to go away empty-handed, and look abroad for 10 million pounds of beef; packers, squeezed between rising livestock prices and the fixed prices they may charge, contend they cannot afford to bid when they are losing $20 a head. Some packers are closing down and protests from unemployed meat workers are beginning to be heard.

A very little relief was granted when the controllers allowed an additional penny a pound to the packers to make up for what they lost when the prices of hides, tallow, and other by-products fell. But this was swallowed up at once in the cattle markets, where firms not above falsifying their accounts offer more than they are permitted to, and thus deprive law-abiding packers of their supplies. The hurried enforcement drive now going on can hardly take the place of the slaughter quotas, which were designed to control this situation, but which Congress lifted in July. Their reimposition is not given a very good chance, despite the present chaos. Mr DiSalle has never lacked courage, but his hopes of a quieter life in Ohio politics, either as Senator or Governor, are not hard to understand.

* * *

Wild About Harry

Whether or not the eighteen plainclothes policemen, indicted in Brooklyn for conspiring to receive $1,000,000 a year in graft, are guilty is now unlikely ever to be known for certain. For the case against them depended on Mr Harry Gross, the bookmaker who had confessed to paying this sum in "ice" for the protection that made it possible for him to earn $100,000 a year by his illegal activities. And the case therefore collapsed completely when Mr Gross finally refused to repeat his evidence on the witness stand, in spite of two days of most unjudicial browbeating from a judge who threatened to let him rot in jail for a thousand years if he persisted in his silence. It may be that Mr Gross was inspired with gratitude to the men who are said to have found, when he went broke two years ago, that they could not live without his bribes and arranged for him to be set up in business again. It seems more likely, however, that when he eluded his guards, ostensibly to enjoy a day at the races shortly before the trial opened, his lips were sealed with hard cash; $75,000 has been mentioned. He himself maintained that the lives of his wife and children would have been endangered had he spoken.

Mr Gross has already been condemned to 1,800 days and $15,000 in fines on the sixty convictions for contempt of court which his silence brought upon him; his sentences on the gambling charges to which he has pleaded guilty could run to as much as 68 years in jail and fines of $40,000. But unless new and quite separate indictments can be obtained against them, the eighteen policemen will go free. By waiting until the trial had begun before he refused to testify, Mr Gross forced the dismissal of the case against them and the law of double jeopardy prevents a new trial on the same charges. Since they have not been found guilty, the Police Department might even be required to reinstate them. New York's cops are reported to be humming "I'm just wild about Harry" as they go their rounds.

The Brooklyn District Attorney was certainly not to blame for the failure to secure convictions in this case, but across the harbour in Staten Island another District Attorney, Mr Methfessel, is in trouble for his failure to prosecute another group of gamblers, the three Dalessio brothers. He excused himself to the State Crime Commission on the grounds of lack of evidence, but another witness testified that she had seen him playing roulette with the Dalessios. Mr Methfessel promptly had her arrested for perjury and Governor Dewey equally promptly had him suspended from duty for "gross abuse of power" for "personal or political purposes."

However, it is not the Republican Mr Dewey who will be the immediate beneficiary of these sordid demonstrations of how justice has been frustrated in Democratic New York City by the alliance between organised crime and public officials. It is Mr Rudolph Halley who, as counsel to the Senate Investigating Committee, first brought this alliance to the notice of the public and who is now running as an independent candidate for the Presidency of the City Council. His aim, like that of so many before him, is to beat Tammany, the Democratic organisation in the city, and to "kick the underworld out of politics." New Yorkers might be well advised to put the ball at his feet next November.

* * *

Power for Aluminium

Last weekend Mr Charles Wilson, the defence mobiliser, dramatically asked aluminium producers in the Pacific north-west to let him know within forty-eight hours how much time and money it would take to move their plants to other districts where more electricity was available. Mr Wilson seems to have taken fright at the news that drought had forced the huge hydro-electric installations on the Columbia

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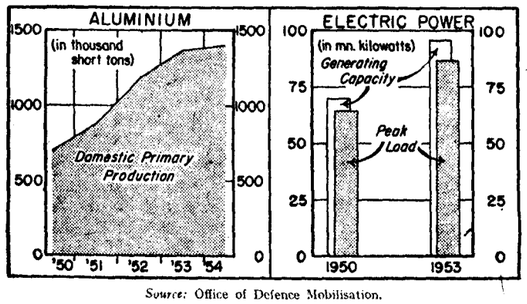
River to reduce supplies of power to the plants that provide half the country's aluminium. Already three "potlines" have been closed down and, if it does not rain soon, not even a "brown-out" on the Pacific coast can save output of aluminium in the area from a severe reduction, perhaps of as much as 30 per cent. Both aluminium producers and local officials assert that Mr Wilson is exaggerating the danger and that in any case the right solution (as well as the one most advantageous to themselves) is to bring more electricity to the district by speeding the construction of additional dams.

Mr Wilson will probably have to accept this view, for it is difficult to see where the aluminium producers could now find electricity available in the quantities and at the low

PROPOSED EXPANSIONS IN CAPACITY



Source: Office of Defence Mobilisation.

prices they need. The Tennessee Valley Authority is already discouraging additions to aluminium facilities in its area. It is planning to double its power capacity—to 6,000,000 kilowatts—but by means of steam, not hydro-electric, generators, which will mean an increase in its charges. This is the largest individual project in plans that call for a rise of nearly 40 per cent in the country's electric capacity by 1953. Whether this will be achieved is another matter, for at present the programme is running behind schedule, because of shortages of materials both for building and equipping the new plants.

Over 1,500,000 kilowatts of this supply of power were intended for the use of new aluminium facilities. In July plans called for doubling aluminium capacity by the end of 1953 and now that the Air Force is thinking in terms of 125 groups instead of 95, it is expected that the aluminium industry will also be asked to raise its sights. It is already in the privileged position of being the one civilian industry that is able to obtain as much structural steel as it wants and the scarcity of power seems to be its only technical problem. The aluminium programme has been held up by a political problem as well; in the last war government financial assistance for expansion was used to break the Aluminium Company of America's monopoly of the industry and this time it was hoped to bring about a further proliferation by the same means. But the only small firm that has so far been both willing to go into aluminium production and acceptable to the mobilisation authorities was proposing to establish itself in the north-west; the shortage of power there has now led the government to reconsider this project. It seems that, if the services are not to go short of aircraft, the giants of the aluminium industry will have to be allowed to grow still bigger.

* * *

Senator Douglas Upheld

Thanks to the tradition of senatorial courtesy, which permits a Senator to block federal appointments in his State by declaring them to be "personally obnoxious," Senator Douglas has been upheld in his struggle with the President over the men to fill two vacancies on the bench in Illinois. The Senate Judiciary Committee has refused to report out favourably the President's two disputed choices. These two judgeships, which it is urgent should be filled, may go begging for some time; Mr Truman has declared that he is satisfied with his nominations and that the responsibility for the vacancies must rest on the Senate.

When the President refused to accept Senator Douglas's recommendations, polls were taken of the Chicago and Illinois Bar Associations and the President's candidates ran far behind those chosen by Senator Douglas. This may not necessarily have been what decided the Judiciary Committee, but it is the third time in a year that disapproval by the bar has preceded disapproval in the Senate. It will encourage the American Bar Association, which has recently adopted a resolution asking both parties to pledge their presidential and senatorial candidates, to consult the Association before appointing judges.

The present case offers a good example of the defects in the present method of filling judicial vacancies. The overriding of Senator Douglas was, in part, a result of the President's coolness toward a fellow Democrat, and a Fair Dealer, who not only favours General Eisenhower for the presidency, but is alleged to have political ambitions himself, if only for the vice-presidency. The ability to name judges is a matter of political prestige, and the Democratic organisation in Illinois is powerful. Mr Truman's choices have the enthusiastic support of the local politicians, while those of the Senator, however great their merit, were alleged to be "politically inactive." Moreover, it is said that Mr Truman had already promised one of the judgeships to Representative Sabath, of Illinois, whose nephew, in fact, was one of the two men selected by the President and pigeon-holed by the Senate. It is an interesting footnote that both Mr Truman and Senator Douglas agreed that all three great religions were entitled to be represented on the bench. By agreement, a Protestant has secured one place, and a Roman Catholic and a Jew were, in both cases, recommended for the others.

Shorter Notes

The Government has ordered the retrial of Mr William Remington, the former civil servant whose conviction for perjuring himself, by denying that he had been a Communist, was reversed by the Court of Appeals last month. The reversal was based on irregularities in the trial; the chief of these were that no exact definition of what constitutes membership in the Communist party was given and that the judge's charge to the jury had been inadequate.

*

The Congressional correspondents' committee has rejected the demand of the American Society of Newspaper Editors that representatives of the Soviet news agency be expelled from the press galleries in retaliation for the imprisonment of Mr William Oatis, the Associated Press correspondent in Prague. The committee "believes that the principle of a free press cannot be upheld by abridging it" and that it is not its function to enter the field of international diplomacy.

*

Both the American Constitution and the Declaration of Independence are now safe for ever from the gnawing tooth of time—and from the caterpillar that managed to break into the glass case earlier this year under the eyes of the librarians of Congress. Each sheet now rests between glass plates, filled with helium gas and permanently sealed with a new alloy; a special system of lighting has been devised, which will not fade parchment or ink.

THE WORLD OVERSEAS

Korea's Hundred Days of Hope

IT is now fourteen weeks since Mr Malik, the Soviet delegate at United Nations headquarters, proposed that the belligerents in Korea should start discussions for an armistice. It was noted at the time that his proposal was tacked on to the end of a speech that was devoted almost entirely to a vicious attack on the western democracies. But Mr Malik had at least broken the icy silence with which all United Nations efforts to get Communist leaders to discuss a ceasefire in Korea had so long been greeted.

On June 25th, two day after Mr Malik's statement, the Chinese Communists' official newspaper declared that "the Chinese people fully endorse his proposal"; but this endorsement, like the proposal itself, was embedded in a mass of anti-American vituperation, including claims that the allied forces in Korea had been decisively defeated. Undeterred by the unpromising tone of both the Soviet and the Chinese statements, the Governments of those members of the United Nations which had sent forces to South Korea's aid held immediate consultations on the situation, and agreed to make a new cease-fire offer. On June 29th General Ridgway, the UN Commander-in-Chief in Korea, broadcast to the Communist commanders a message beginning "I am informed that you may wish a meeting to discuss an armistice" and suggesting a meeting on a hospital ship.

Generals Peng and Kim Il Sung, the Chinese and North Korean commanders, replied on July 1st, agreeing to "talks concerning cessation of fighting and establishment of peace," but proposing that they should be held at Kaesong on or after July 10th, the delay was explained as due to transport difficulties. To this General Ridgway agreed, although he also offered to begin the talks earlier and thereby to avoid unnecessary losses. This offer was not accepted, and the negotiators did not in fact meet at Kaesong until July 10th.

Communist Demands

At the first meeting General Nam Il, the North Korean representative, immediately tabled proposals for the withdrawal of both armies to the 38th parallel and the subsequent withdrawal of all foreign forces from Korea in advance of a political settlement. The United Nations representatives made it clear during the next few days that neither of these conditions was acceptable. The first would in practice have meant the withdrawal of the UN forces from an area of 2,000 square miles and their relinquishment of a relatively strong position in exchange for a longer and almost indefensible line; the second would have meant the complete abandonment of South Korea to the pressure tactics of its Communist neighbours. At first the Communists insisted that there could be no cease-fire unless these terms were accepted. But on July 21st they obtained a four-day recess in order to study the rival proposals, and then agreed to defer the question of the complete withdrawal of troops to a later date.

This made it possible to begin discussions on the fixing of a demarcation line. But it brought no further progress, for the Communists still flatly refused to discuss any line other than the parallel. Fifteen meetings were devoted to this question, including the celebrated occasion when General Nam sat in complete silence for over two hours. Statements from the UN side that it was not thought essential to draw the line exactly along the existing battlefront, and that reasonable adjustments would be willingly considered, brought no corresponding softening of the Communist attitude. Eventually Admiral Joy proposed for the United Nations that each side should appoint a single delegate to meet privately and explore the situation, and the Communists agreed to this, although they found it necessary to appoint two delegates, one North Korean and one Chinese. These small closed meetings began on August 17th, but it is impossible to judge whether they might have produced any results, for six days later the Communists abruptly broke off all negotiations for an indefinite period.

The Neutral Zone

The reason given for this rupture was an alleged violation of the Kaesong neutral zone by UN aircraft. To bring this incident into perspective the whole history of the neutral zone must be reviewed. Kaesong lies near the west coast of Korea, in the only area south of the parallel still held by the Communists. When it was first proposed as a site for armistice talks the United Nations suggested that a neutral zone should be drawn round it, but the Communists rejected this proposal, and used their control of the area as a background for propaganda giving the impression that the UN delegates, entering Kaesong under white flags and guarded by Communist soldiers, were virtually suing for peace in the traditional manner of the defeated. General Ridgway accepted these humiliating conditions in order to get the talks started, but dug in his heels when on the second day of the meetings UN press correspondents bound for Kaesong were turned back by armed Communist soldiers. The talks were suspended for three days, and resumed after the Communists had accepted the idea of a neutral zone and promised to withdraw all troops except a few policing patrols to at least five miles from Kaesong. This promise was broken on August 4th, when a company of armed Chinese was marched past the conference building. General Ridgway again suspended the talks until adequate guarantees against further incidents were provided by the Communist commanders; and in giving these guarantees on August 10th, Generals Peng and Kim promised that, if there was any similar violation of the zone by UN forces, they would not "terminate the negotiations rashly and irresponsibly without going through the procedural steps of protest, investigation, consultation and settlement."

Twelve days later these promises had apparently been forgotten. On the night of August 22nd, UN liaison officers were abruptly summoned to Kaesong and informed that all meetings were henceforth suspended. They were told that three hours earlier a UN aircraft had dropped three bombs in the conference area; but the only sign of damage was a hole in the ground six inches deep and two feet across, and the officers' request to be allowed to return in daylight for a further inspection was refused. During the next few days the Communist commanders not only accused the UN forces of having tried to murder their delegates, but produced a new crop of alleged violations of the Kaesong zone, some of which, they said, had occurred much earlier but had not been reported owing to their desire not to interrupt the talks. The UN Command denied that any of its aircraft had been over Kaesong at the time of the alleged bombing, or that they had, as the Communists claimed, attacked vehicles in which Communist delegates were travelling to Kaesong; it had already denied a charge of responsibility for the death

of a Chinese platoon commander in the neutral zone on August 19th, but the denial did not prevent this officer being given a lavish funeral at which lurid accusations were made against the UN Command. The only charge which the UN admitted to be true was one of firing on a point in the neutral zone by an aircraft on September 10th.

The record of the hundred days since Mr Malik made his statement is, in sum, scarcely consistent with the Communist thesis that the UN Command has blocked the achievement of a cease-fire. The UN Command issued the first invitation to the talks, and then yielded to the Communist preference for Kaesong. It accepted Communist control of the conference zone as long as it was exercised with restraint. It sought a simple cease-fire based on the existing front, but indicated that it would consider reasonable adjustments to that line. It introduced the idea of holding small informal meetings in hopes of breaking the deadlock, and there may be significance in the fact that these meetings were apparently proceeding smoothly when the Communists broke off negotiations. It is again on the initiative of the UN Command that fresh contacts have now been made between liaison officers on either side.

Atlantic Council in Session

[FROM OUR CANADIAN CORRESPONDENT]

AT Ottawa Nato found itself facing for the first time—though not without warning—the conflict between the militarily desirable and the economically and financially possible. Finance ministers and defence ministers sat with their foreign ministers for the first time; and perhaps the most eloquent expression of the issues before the Council was the sight, on several occasions, of the twelve finance ministers having more sympathy with each other than with their Cabinet colleagues. The doctrine of Cabinet responsibility was not entirely inviolate; but it was of great value that, for example, the finance ministers should hear directly from foreign and defence ministers, instead of hearing about foreign problems only from their own colleagues of foreign affairs.

The crucial problem before the Council was expounded at an early sitting when Mr Gaitskell replied, extemporaneously, to Mr Acheson's speech on the report of Nato's Financial and Economic Board. Mr Acheson stressed speed and production as Nato's main tasks. He used the simile of two fast cars racing along a straight road and said the only way the second car could pass the first was to put on a real burst of speed. He instanced the immense increases in American production, and then said: "It is not a choice between military production and civilian consumption. We must, and can, increase both." Mr Gaitskell's reply, warmly praised and bitterly criticized, was the key speech of the meeting. He wished he could agree with Mr Acheson, but he couldn't. It might be true that the United States could have both more guns and more butter. But the scale of its effort had already tended to make it more difficult for its allies to increase their production. For Britain and continental Europe it was a choice between defence and civilian living standards.

The Europeans agreed with this. The Canadians, on the whole, thought he was right. But nobody was convinced that Europe was doing all it could. The statistical exercise by the Financial and Economic Board had been intended as a preliminary basis for working out a more equitable sharing of the burden. But it clearly did not provide a solution to the conflict between defence needs and economic capabilities. Only political authority can assess possibilities which Governments deny to exist. Something more than expert studies was necessary; but something less than supernational decision. Hence there developed the idea of resorting to the authority of personal prestige and position. The original French request was for General Eisenhower alone to undertake the burden-sharing study. This was soon turned down, and extended to the idea of a three-man body. The Americans were said to be thinking of Mr Harriman as their man. Mr Gaitskell insisted on political status and was anxious to be the British representative himself. The French were believed to be thinking of Jean Monnet.

This was the background to the American, British and French proposal for a three-man committee—promptly saterised by Mr van Zeeland as the "Three Wise Men." But the Council was in no mood to delegate a vital responsibility of this sort to representatives of the Big Three. Already there were rumblings of discontent about the Standing Group on the military side. Neither the smaller European powers, nor yet Canada, would accept a body on which the views of the American, British and French Governments would have full expression, while the interests of the other nine powers might be judged *in absentia*.

The resort to personal prestige was therefore modified to the extent of appointing a 12-man committee, of which three Wise Men might do the real work, but which would ensure that the other nine governments had an adequate voice in any recommendations that might be made to or about them. How much prestige and authority remains is a question for demonstration.

The paradox of the whole Nato concept appeared vividly as the Atlantic Council tried to find a course between national sovereignty in the economic and financial sphere and joint international planning in the military sphere. It recognised, belatedly but unanimously, that the gap between military requirements and economic capacity demands international planning and decision. But eleven of the powers also showed quick sensitiveness about any dictation from the twelfth, or indeed about any abrogation of their sovereignty. Eleven of the twelve powers felt, and many of them voiced, concern at the way Washington had announced its decision about admitting Turkey without consulting them. The Standing Military Group came in for criticism on similar grounds. "The generals," it was said, "speak only to admirals, and the Standing Group speaks only to God."

The American delegation was clearly much aware of this feeling, and went out of its way to avoid the appearance of pressure. But it was a curious background for the resounding speeches about Atlantic Community which were such a feature of the public pronouncements of all the chief ministers. The effect of all the speeches about Article II and the long-range objectives of economic integration seemed to be to commit the principal powers in an unforeseeable future to a pooling of sovereignty which none of them showed the slightest intention of accepting in the foreseeable future.

Towards a Wage Settlement in France?

[FROM OUR PARIS CORRESPONDENT]

THIS summer the French trade unions have been demanding three main concessions from the government: a higher minimum wage, abolition of minimum wage differentials between regions, and a sliding wage-scale which moves whenever there is a rise of 5 per cent in the cost of living. The government retains, within the restored system of collective bargaining, the one *dirigiste* function of fixing the minimum wage. In principle the minimum is agreed by a mixed commission of all parties concerned. In practice the commission can never agree on the composition of the family budget representing the workers' real needs. So the govern-

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NICKEL is sometimes found in meteorites, alloyed with iron, but in the earth's crust it does not occur in the metallic state. More than four-fifths of the world's supply of this valuable element is mined in the Sudbury district of Ontario from deposits of "pentlandite"—a mineral containing sulphides of iron and nickel. A corrosion-resistant silver-white metal, nickel is well known in the form of nickel-plating, but it is far more important as a constituent of alloys. It is used for example in stainless steels and to add strength and toughness to alloy steels for motor cars, aircraft, armaments and machine tools. It is alloyed with copper and other metals to make condenser tubes and coins. Together with zinc and copper it forms nickel silver, the basis of plated tableware, and with chromium it is used extensively in gas turbine engines and to make heating elements for electric fires. Nickel and its salts are also used in alkaline storage batteries and in the manufacture of enamels. Besides producing large quantities of wrought alloys containing nickel, such as nickel silvers and cupronickels, I.C.I. uses a nickel silver alloy to make 'Lightning' slide fasteners, and nickel catalysts in the manufacture of cyclohexane, one of the intermediates from which nylon is produced.

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The lately decreed new minimum of 20,000 francs (in Paris), an advance of 15 per cent on the previous legal minimum, has disappointed all the unions whose claims averaged about 23,000 francs. On regional differentiation, justified originally by variations in the cost of living throughout the country, the government has reduced the maximum discrepancy from 13.5 to 10 per cent. MM. Pleven and René Mayer, determined, like all the government, not to allow any automatically sliding scale, were temporarily steam-rollered in the National Assembly last week when a Socialist Bill to establish just such a thing was voted at its first reading by 410 to 203 by an unholy alliance of Socialists, Communists, Gaullists and a few of the MRP. The horror of the Bill lies not only in the automatic slide but also in a provision admitting the revision of the family budget upon which the cost of living is based without reference to the government or parliament.

Clamour for a Sliding Scale

The minimum wage is calculated on a 45-hour week, the average working week in France today. (The "statutory week" is 40 hours, above which all work, while remaining perfectly legal, must be paid as overtime.) The minimum wage is reckoned, however, not strictly by the week or by the month, but by the hour, on the supposition that the workman is really working the 45-hour week. On that account the legal minimum takes no account of underemployment—a fact which has prompted the CGT to propose its own minimum (23,600 francs) on the 40-hour legal week. So it is certain that the present legal minimum protects insufficiently a number of workers in sweated private industries, especially in the country and in small towns. To this category of *économiquement faibles* belong also all those whose pensions are inadequate to withstand any inflation whatsoever. As always, single people are the main sufferers.

Apart from the problem of the underpaid, the minimum wage is important in its relationship to the whole wage-scale. In theory, changes in the legal minimum do not affect the "wage-fan." Practically, they nearly always do. After the new minimum was fixed this month, the employers' association (CNPF) with unaccustomed zeal hastened to invite the industrial federations to negotiate a wage-scale rising from a higher base than the legal minimum. In many industries —e.g., textile, building, motor—new contracts have since been signed giving throughout the whole scale as much as a 17 per cent increase on the previous level. (The increase of 15 per cent in the legal minimum itself is clearly a flea-bite to the larger industries.) In Renault's, for instance, not a single employee is earning as little as the legal minimum.

Thus, in spite of the government's refusal to meet the unions' claims, the edge has been taken off the early autumn discontent by the action of a big sector of industry. These wage-increases of 15 to 17 per cent come, however, after a rise in the cost of living which has already absorbed about 10 per cent of them. Bread and coal are already up and the price of electricity is to be raised in November. So there is little cause for elation. The politicians are well aware that the real test will come towards the end of October, when it will have become evident whether or not the government is capable of stemming the inflation. If it is not, there will be a real popular clamour for the sliding scale (assuming that it has not previously become law as a result of the present Socialist-Communist-Gaullist manœuvre). In that event the French economy will set out inevitably on the down road. There is, however, no reason to presume that inflation must continue. The *opération bifteck* (which is fighting against a distribution chain of eight or nine middlemen, several of them tightly "ringed") cannot yet be pronounced a failure. It is therefore possible that a number of limited successes (such as in another field are attending the anti-road-hog campaign) may tide economic life over the turn of the year. With next year's taxes in the offing a happy Christmas is absolutely indispensable.

The trade unions themselves remain as disunited as the political parties. In reply to exhortations by the CGT for unity of action in wage-claims, the Christian union (CFTC) has indeed replied with agreement to discuss a common programme. But *Force-Ouvrière*, which seceded from the CGT after the last war, has refused all negotiations with the Communist-led body. French labour is handicapped time and again by the unions' weakness in wage-bargaining just as it is frustrated in parliament by the doctrinal disunity of the Socialist Party and the MRP. But fresh sources of strength are not visible.

Has Russia All the Raw Materials?

A. N. NESMEYANOV, Chairman since last year of the Soviet Academy of Sciences, claimed a few days ago that thanks to the discoveries of its geologists the Soviet Union has now all the raw materials it requires and "need seek nothing outside its frontiers." If one were to judge only by the existence of deposits of potential sources, there is much justification for such a claim. The Soviet Union, not unlike the United States in this respect, has within its vast territory almost all the principal raw materials necessary for economic self-sufficiency. Yet the problem which has always faced the Soviet leaders has been not so much the scarcity of materials as the shortage of machinery and qualified labour necessary for their exploitation.

It is true that during the three decades of the Soviet regime it has been proved that Russia possesses much richer natural resources than had ever been expected. Before the Revolution only one-tenth of the territory had been explored. By 1945 nearly three-quarters had been submitted to detailed geological surveys and the results were very satisfactory. According to Soviet data, published in the late 30s, the USSR with 1,654 billion tons of coal less than 2,000 yards below the surface has the richest coal deposits in Europe and the second richest in the world. The iron ore deposits, put at nearly 11 billion tons, of which 4.5 billion are suitable for exploitation in the near future, would account for roughly half of the world's reserves (both coal and iron figures include deposits of low quality). Oil reserves were put by various estimates at 3.5 to 5 billion tons. The USSR is one of the major producers of manganese, chromium, gold and asbestos and has vast deposits of many other minerals.

Yet, with all these resources, the Soviet Union in 1950 produced only 260 million tons of coal, 27 million tons of crude steel and 37 million tons of oil. These are very large quantities compared with 1913 or even the late 20s, but they are still far behind the American output and much below the ambitious projects of the Soviet planners. This discrepancy between resources and production confirms the thesis that the main Soviet worry is not the natural resources but the other factors of production.

There are, however, certain raw materials which must be scarce in the Soviet Union, since it has been trying to import them till quite recently. The most important are rubber, cotton and wool, tin, tungsten and molybdenum. In their attempts at reaching self-sufficiency Soviet leaders proceeded rapidly with the extension of cotton production in Uzbekistan, Tadjikistan and the Caucasus and efforts are being made to improve the production of artificial fibres. The production of synthetic rubber and the cultivation of rubber-bearing plants (*kok-sagyz*) are also strongly encouraged, though no data is available on the progress achieved in this sphere. Judging by the efforts made to speed up the output of uranium in Saxony and Czechoslovakia, uranium may also be scarce in the Soviet Union, though there are apparently many deposits, particularly in the Fergana Valley in Central Asia.

The Soviet policy of self-sufficiency was certainly prompted by the fear of encirclement and war. Like all such efforts at major national economic expansion the cost had to be borne by the home consumer. The achievements were tremendous and so were the costs. Then, after the last war, Stalin, the advocate of socialism in one country, in one closed Soviet economy, found himself at the head of a tremendous economic bloc extending from Shanghai to Berlin. Yet the Soviet psychosis of economic self-sufficiency seems to have persisted. The pride taken by M. Nesmeyanov in the availability of all raw materials "within the Soviet borders" seems to indicate that, even in the changed circumstance, the Soviet leaders continue to make a virtue of what was probably once a necessary vice.

Politics of Afrikanerdom

[FROM A CORRESPONDENT IN JOHANNESBURG]

THE regained unity of Afrikanerdom is to bear the neat hallmark, "the National Party." The title is a misnomer. Despite formal promises of equality to the English, Dr Malan's party is more than ever before the party of the Afrikaner *volk*. The English section of the white population find no spiritual home in it. That is why they are flocking to join the torch commando, whose real significance is that it represents the re-entry of the South African English into active, angry, if sometimes muddle-headed, politics. The United Party failed, after all, to unite, and so long as the present polarisation persists, the United Party is unlikely to stage a comeback. But national unity is not within Dr Malan's grasp either: only Afrikaner unity, which is quite a different thing. White South Africa is a house divided.

Both General Smuts and General Hertzog were great South Africans as well as great Afrikaners. Of the two, General Hertzog was more the Afrikaner, but even he had no time for the *Broederbond* with its creed of Afrikaners as top-dogs, while on the non-European front he was careful to extend the hand of friendship to the Cape Coloured people. The "National Party" has tossed these Hertzog principles overboard. The English are estranged: the non-Europeans, including the Cape Coloureds, are estranged. It seems a high price to pay for Afrikaner unity.

Dr Malan however does not think it too high, and neither apparently does Mr Havenga, whose compliance was certainly the most important factor in achieving this Afrikaner unity. Earlier hopes that Mr Havenga was entering the camp of the victors only in order to re-introduce Hertzog principles have faded. He accepts the virtual disfranchisement of the Cape Coloureds. Nobody now therefore believes that the protests he is pledged to make when the government in due course discards the Hertzog-Smuts formula of representation of Natives in the House of Assembly will have much effect. If the Nationalist upperhand represents a real political revolution, then Mr Havenga, one of the last of the Boer War heroes, is its tragic von Papen.

There is nothing outwardly tragic about Dr Malan. He has sacrificed no principles he once held. At 77 he retains great mental if not physical vigour. He has always believed in Afrikaner unity first and foremost. Bearing no ill-will against Englishmen, he simply thinks that in South Africa the Afrikaner is right and it is for the English to acknowledge this. If Englishmen want to live in South Africa they must adopt the Afrikaner way of life, just as if they lived in America they would have to adopt the American way of life. Besides, in the Afrikaner way lies the only real hope of saving "white civilisation": to reject firmly for all time any idea of political equality for non-Europeans. The English South Africans must have no truck with British liberalism, which is destructive of "white civilisation" in Africa. Sooner or later Afrikaner ideas must also prevail in the rest of Southern Africa, for the same reason. The future really lies with the past—with the Voortrekkers and their idea of "no equality between black and white in Church or State." English liberalism in the Cape was an unhappy and unfruitful interregnum.

The English Outnumbered

Within the Nationalist camp, the overriding aim is to preserve the regained Afrikaner unity. Nothing else is more important than this, for only when Afrikaners stand united can they lead South Africa along the right road. There must be no more splits and schisms among Afrikaners. Even without the English vote the Afrikaners can rule, as the 1948 election showed. The Afrikaners outnumber the English and are increasing their numbers faster. (Immigration would upset this and therefore must be restricted.)

This does not mean that there may not be personal rivalries. When Dr Malan goes, there may be more than one claimant for the leadership. Dr Malan is a Cape Nationalist. So is Dr Donges, by far the cleverest man in the present Cabinet. So is Mr Erasmus, whose role as a party organiser is still in Nationalist circles regarded as more significant than his being Minister of Defence. The leader of the Transvaal Nationalists is Mr Strydom. His chief followers in the Cabinet are Dr Verwoerd, the Minister of Native Affairs; Mr Swart, the Minister of Justice; and Mr

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Eric Louw, the Minister of Economic Affairs. Mr Strydom and his supporters fear British influence and want a republic quickly. They also tend to distrust the concept, which is essentially Dr Malan's, of a republic still within the Commonwealth. On all fronts, the Transvaal Nationalists are more extreme than the Cape Nationalists: more anti-British, more anti-Native, more anti-capitalist. Though the Nationalist Party was born in the Cape and the Free State, the Transvaal Nationalists today feel themselves the stronger section and are confident that Mr Strydom will one day be Prime Minister, if not first president of the Republic. On Mr Strydom's burly shoulders has descended the mantle not of Hertzogism but of the more potent, longer-lived Krugerism.

Though these personal rivalries may one day become serious, there is no sign at present of them affecting Afrikaner political dominance. The lesson Dr Malan has continuously drummed into the heads of his Nationalists is that if they again fall into schism, they will again be driven into the political wilderness, and that this is the greatest evil that could occur. There is plenty of evidence that the lesson has been learned. Thus Dr Donges is both an ambitious man, and a much cleverer man than Mr Strydom; but if it appeared that Mr Strydom was in the stronger position, Dr Donges would probably not refuse to serve under Mr Strydom. He might rely on his cleverness to see that the policies Mr Strydom pursued did not differ materially from his own ideas. But this would not be difficult, since the differences between them are not really great. While it is true that the Nationalists have a "moderate" section and a more extreme section, there is no great dispute about fundamental objectives, including Native policy and a republic. The pace may be different but the goal is the same. To win over the English vote is not a primary consideration of "National Party" policy. The appeal is essentially to Afrikaners.

To come back to power the United Party must secure more Afrikaner supporters. It is finding it very difficult to do this: the Afrikaner unity achieved by Dr Malan is real. The other problem for the United Party is the success of the Nationalists' *apartheid* propaganda, among Afrikaners. Seeking the Afrikaner votes they must have, United Party speakers again and again are stolidly asked at meetings: "If you don't stand for *apartheid*, then won't your policy mean our daughters will be marrying Kaffirs?" The most emphatic negative carries no conviction whatever—perhaps because it is negative.

If present tendencies continue to operate, the floating vote may disappear in South Africa. By and large, it will be English ranged politically against Afrikaners, with the Afrikaners in the majority. The interesting question is how long the "National Party" of the *volk* will be prepared, in deference to the English minority, to postpone the declaration of the republic which, as Mr Strydom points out, it is already within their power to achieve.

Gold Coast—The Next Stage

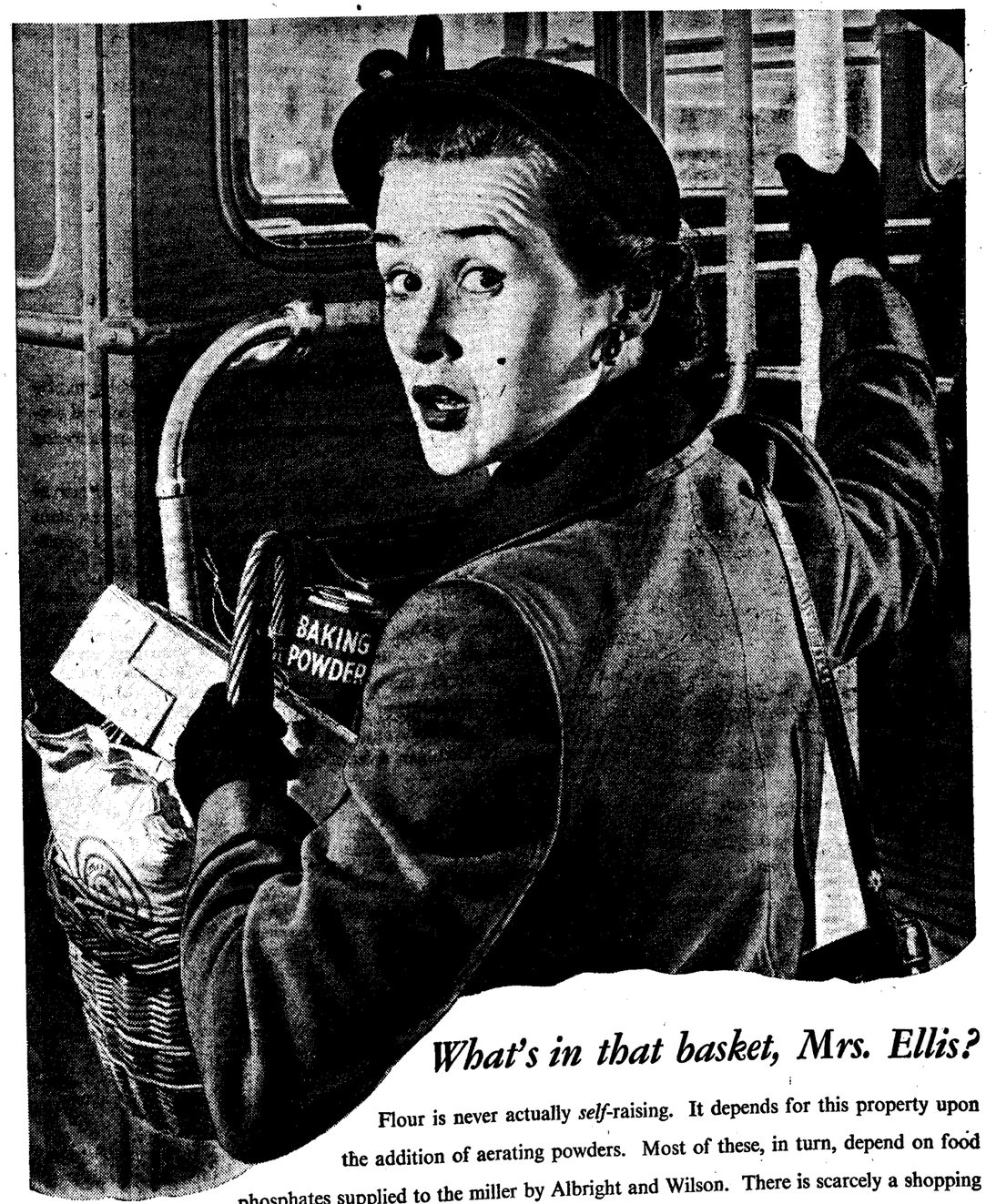
AFTER six months in office, the people of the Gold Coast are now looking to Dr Nkrumah, the Leader of Government Business, to deliver the goods. The tumult and the shouting which accompanied the inauguration of the new constitution, and the exciting first general election, have died down; an impatient and inexperienced electorate now clamours for results. Menacing signs of a split in the Convention People's Party are discernible. As a result, all the stress in Gold Coast politics is now on an ambitious development plan.

The total estimated cost of this plan is £74 million. The time-table is elastic; no date is given by which it is to be completed. As in the development plans which almost every Colony has now adopted (though on a smaller scale) expenditure is divided into certain broad categories—productive development, communications and public utilities, social services, administration. In the earlier days of the Colonial Development and Welfare Act, argument was about whether the bias of a plan should be on "development" or on "welfare." The Gold Coast puts the emphasis firmly on development, with the social services (except for education) as an also-ran. Particular attention is to be given to agriculture, industry and water, and especially interesting are the many proposals for industrial development. The Gold Coast proposes to establish a sack-making industry, a cement factory, textiles, shoe-making, brewing, canning, vegetable oils, and brick and tile manufacture. A special psychological significance attaches to this determined drive towards industrialisation—it meets the long-held suspicion of colonial peoples that they were being deliberately prevented from industrial advance because their manufactures might compete with the British export trade. With this resentment was coupled the belief that only through industry could real wealth be attained; agriculture was all very well, but in the colonial peoples' minds it was linked up with all the degradations of poverty. Industrialisation became, therefore, the symbol of a new era. Road and rail communications, which also play an important part in the plan, are seen as the key to government development projects, and also to the attraction of private enterprise.

Need to Attract Capital

The need for attracting outside capital has now become one of Dr Nkrumah's major difficulties—one that has never been seriously faced before by Africans. Under the old regime it was "the Government"—in other words, British officialdom—which was responsible for securing grants from Britain, or organising loans on the London money market, or—at the worst—for imposing unpopular taxes on the people themselves. It was also considered (and not by Africans alone) the responsibility of the British people to justify their imperial role by giving economic help to their dependencies. But foreign investment capital was something rather to be feared, particularly when it came in the guise of big private companies commanding the trade or the mineral resources of the country, and even outside technicians and managers provoked an uneasy antagonism. Today, if Nkrumah is to deliver the goods, he must have capital and technical help from outside—even if it be private capital. He has hopes of raising two-thirds of the £74 million required locally—from surplus balances, current revenue and export duties on cocoa; but the remainder must come from loans or investment. In the debates in the Legislative Assembly on the Development Plan, opposition spokesmen taunted the government with its inability to raise the necessary funds, and its failure to guarantee its credit and stability in "the eyes of the finance world." To this Nkrumah replied that "the government appreciates the need for co-operation and assistance from overseas as regards technicians, investment capital and the like."

The extent of the Gold Coast's foreign needs are much greater than the £28 million required for the Development Plan. Pride of place in all Gold Coast schemes is given to the Volta River Project for hydroelectric and irrigation development based on the exploitation and processing of aluminium. The publicly owned parts of this plan will cost another £65 million, and the only immediate possibility of making progress depends on a private company taking responsibility for the non-public part—the extraction of bauxite and the operation of the factory for processing aluminium. All the technical details are ready. The scheme has been found practicable from both the engineering and economic points of view, and the Gold Coast's bauxite reserves are estimated at 225 million tons. The main aluminium companies have pronounced the scheme sound, but none has yet committed itself to the undertaking. In all, the extent of foreign aid needed to carry through all



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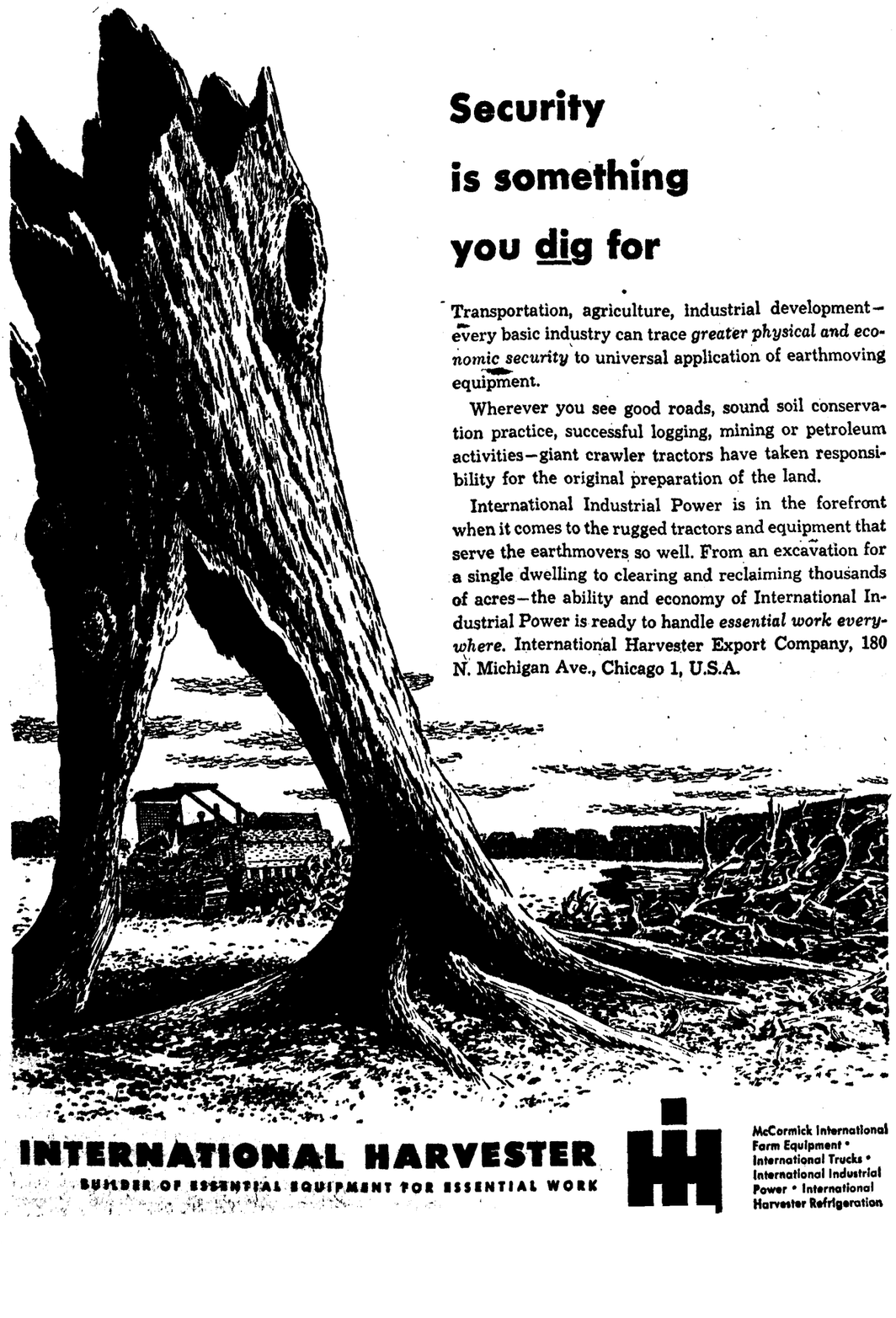

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the development plans is reckoned, by Nkrumah himself, to be from £80 to £100 million.

In the meantime, however, less expensive schemes can be tackled. From next January all primary school fees are to be abolished, and the Assembly gave unanimous approval to the plan for a mass literacy campaign. A Mineral Resources Board is being created to examine the mining industry, with particular reference to the question of whether the country is deriving the maximum benefit from the exploitation of its mineral wealth. Heavy compensation is to be paid to farmers for cutting out diseased cocoa trees; and an Industrial Development Corporation is to be set up.

Rumours are now going the rounds that the only possible way for the government even to begin to meet all these obligations is by increasing taxation. The present income tax hardly touches the bulk of the African community—will it be extended in scope and increased in severity? And where, in the end, will the outside capital come from? ECA has granted about £500,000 for some minor road and rail development, but this is a drop in the ocean. There are no large funds available at the United Nations. Would the world's money markets have confidence in a loan?

The Gold Coast Ministry of Development which was created last June to take charge of the Volta scheme and its subsidiaries has now been closed, and Dr Nkrumah, who was Minister of Development, will become the chairman of a new Development Committee of the Cabinet to supervise the whole field of operations. A European civil servant has been appointed Secretary of Development. Everything is now ready for advance—except the money.

Sweden's Trade with Eastern Europe

[FROM OUR STOCKHOLM CORRESPONDENT]

THE extent and nature of Sweden's trade with Eastern Europe is of considerable interest and importance to the rest of Western Europe. Sweden is an important neutral; it has concluded, in 1946, an outwardly impressive five-year credit agreement with the Soviet Union; and in its large iron-ore deposits it possesses potential exports of great value. But in the first half of this year imports from the Soviet Union and its satellite states represented only about 7 per cent of total Swedish imports. This figure, it is true, is a little higher than the average computed by OEEC for the countries of Western Europe. But this is mainly due to the comparatively heavy imports from Poland, which were about six times as large as those from the Soviet Union. The latter accounted for less than 1 per cent of all Sweden's imports. Imports from Czechoslovakia and Eastern Germany were much smaller than those from Poland, but were still considerably larger than the Soviet imports. There was practically no trade at all with Rumania and very little with Hungary and Bulgaria.

As an outlet for Swedish exports Eastern Europe has also played only a small part. During the first half of this year it took little more than 6 per cent of total Swedish exports. Poland took about 3 per cent, but the Soviet Union only took about 1.5 per cent. When, in 1946, Sweden undertook to grant to the Soviet Union very large credits in order to facilitate purchases of Swedish products, it was stressed by those who advocated this policy that Sweden would gain much from closer contact with the Russian market. Those expectations, however, have not so far been fulfilled. If allowance is made for the incorporation of the Baltic states into the Soviet Union, imports from Russia do not form a larger share of total Swedish imports now than before the war—rather the reverse.

According to the provisions of the agreement credits could be obtained up to a limit of 1,000 million kroner. But the credits actually granted will probably not much exceed a total amount of 500 million kroner. This will not be regarded as unsatisfactory by the government. Sweden's financial strength was over-estimated in 1946, and in any case the political outlook has changed in a way which could not then be foreseen. It is quite certain that if the confirmation of the agreement by the *Riksdag* had been delayed only for a few months it would never have been given.

So far, in spite of the credit agreement, Russia has taken no more of Sweden's exports than it did before the war. The figures may rise to some extent during the later part of this year and during next year, when the last deliveries under the agreement take place. But the increase cannot amount to much. By the middle of this year the value of unfilled orders was approximately 230 million kroner.

Sales from Sweden to Eastern Europe do not include any war materials. But there is no very clear line of demarcation between military and civilian goods; and it cannot be denied that Sweden, like several other countries of Western Europe, supplies the Soviet Union and its satellites with some commodities of considerable importance. Engineering products, particularly electrical machinery, have been a main item in Sweden's exports to the Soviet Union. There have also been substantial deliveries of trawlers and fishing craft. Metal manufactures and machinery also form an important part of Sweden's exports to the satellite countries, especially Poland and, to some extent, Czechoslovakia. Pulp and paper have also been exported to Poland in fairly large quantities, though the share of Poland in the total Swedish trade in such commodities is a small one.

Iron Ore Exports

The importance of Sweden's exports of iron ore to Poland and Czechoslovakia is frequently exaggerated. During the first half of this year the three leading buyers of Swedish ore were Great Britain, Western Germany and the United States, each of them taking roughly 25 per cent or a little less of the total iron-ore exports. Belgium was the fourth largest customer, taking 15 per cent of the total. But total sales to Eastern Europe were only about 10 per cent of the whole, Poland alone taking approximately 7 per cent. Their imports of Swedish iron ore are no doubt of considerable importance to Poland and Czechoslovakia, and an interruption of these supplies would have very adverse consequences. On the other hand, Poland is a leading exporter of coal to Sweden and it would be rash to contend that the harm done to the Polish economy through a break in the exports of iron ore would be greater than the damage which a retaliatory ban on Polish coal exports might inflict on the Swedish economy.

Before the war there was very active competition between British and the Polish coal in the Scandinavian market, and in its commercial treaty with Great Britain in 1933 Sweden practically pledged itself to take at least 47 per cent of its total coal requirements from that country. Those days are unfortunately past. During the first six months of this year Britain contributed only 10 to 11 per cent of the total Swedish imports of coal and coke. The supplies from Poland, on the other hand, amounted to some 40 per cent of the whole. Western Germany with more than 30 per cent came next. Deliveries of coal and coke from these two countries are more essential than ever during the present international shortage of fuel. High-quality iron ore is also a scarce commodity today, and in order to secure a sufficient supply of fuel Sweden may have to reserve more of its iron ore and other raw materials for those countries which are able to contribute substantially to covering its indispensable needs of coal and coke. For Sweden to cut its trade with Poland so long as there is no alternative source of fuel of the same capacity is practically out of the question.

THE BUSINESS WORLD

New Basis for Markets?

THE Stock Exchange has not held for long the mood of exuberance that was its spontaneous response to Mr Attlee's election decision—and to its own assumption that a Conservative government will be returned. The barometer of the equity share markets, which was of course the most sensitive to these hopes, rose in two days last week by a shade more than it fell after the thunderclap of Mr Gaitskell's dividend project last July, but since then it has lost almost the whole of this unspectacular advance. The barometer of gilt-edged prices, which had only flickered upwards, had also been slipping back even before the worsening of the Persian situation provoked an abrupt movement. And the volume of business has slackened. To some extent this quick fading of market ebullience reflects questionings about the basic assumption—not because the City has really changed its view, but simply because it is wisely recalling how far former election forecasts have gone awry. More particularly it reflects a realisation that the advent of a Tory government, while it would blunt the sharper points of the barbs that have been driven into the flesh of investors as such, would not promise of itself any early lightening of those burdens of economic difficulties that they carry in common with the rest of the community. For both these reasons, what some commentators conceived to be the City's careless rapture has already given place to careful calculation. Investment advisers are now settling down to the sober job of appraising the implications of October 25th on several alternative assumptions. Most of these exercises are being founded on the hypothesis that there will be a Conservative government with at least a working majority, for this, obviously, is the hypothesis that implies the biggest change in the climate within which investment takes place.

Even on this hypothesis, however, the nature and extent of the change could vary within very wide limits, determined principally by the degree of toughness and orthodoxy with which the new government approached the problem of inflation. The nature of this approach is of most vital concern for every section of the Stock markets, but it is perhaps in the gilt-edged market that this would be most clearly and quickly apparent. The acid test of the economic wisdom and political courage of the new government will be the extent to which it founds its anti-inflationary measures upon use of the price-mechanism, in its manifold forms, instead of upon physical directives and rationing. But most of the major measures for shifting policy in that direction would have to wait upon the budget (or upon specific legislation that could scarcely be introduced before the budget in any case). The one direction from which an over-riding disinflationary pressure could be quickly brought into play is that of monetary policy. If, therefore, a new government acknowledged the obvious importance of giving early proof of its realism and determination, it is to monetary weapons that it ought to turn.

It is far from certain, however, whether even a courageous Tory government would in fact do so. There has been so much muddled thinking about monetary policy in the past twenty years, and so many vested interests have been built up in cheap money (notably those of the Treasury itself, and of housing finance) that many people who extoll the virtues of the market-place in almost every other instance resolutely deny them in this one instance. Others shrink from the use of the interest rate weapon for the opposite reason, holding it to be so potent and salutary in its effects that it would be dangerous, or at least imprudent, to allow it free play. But although the advice it would receive from banking circles would be confused and conflicting, a new Tory government would undoubtedly be more inclined towards monetary policy than any British government for the past twenty years. It would also be much more sensitive to criticism founded upon a continued expansion of the volume of credit—which certainly will continue to expand unless strong disinflationary measures are applied.

This means that even a government without any strong belief in the efficacy of dearer money as such might find itself impelled to impose restraints upon the quantity of money. And unless it went even further in the direction of physical controls and the euphemistically styled "selective" credit policies than three Labour Chancellors have ventured to do, its only means of quantitative restraint would be the orthodox techniques of central banking. In other words its first step would have to be a discontinuance of the practice—unprecedented before 1939—whereby central bank credit is in effect available on tap to the commercial banking system. If the initiative in central credit creation were thus restored to the monetary authorities and was then used to put a firm restraint on the whole volume of credit, rates for short money and floating debt would rise forthwith; whether Bank rate was also raised, and to what extent, would of course depend on the degree of pressure that the authorities deemed necessary in the light of subsequent experience. For reasons fully discussed in three articles in *The Economist* last May, this is the realistic way to reintroduce monetary discipline; it is much to be preferred to the method, generally assumed in City discussion, of trying to guess in advance what level of Bank rate would be stiff enough, and then of imposing such a rate forthwith.

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The gilt-edged market, which in the past week has plainly shown its first apprehensions of moves in this general direction, has so far formulated only the most general views about the possible market repercussions. At present, virtually the only conclusion that most people are prepared to venture is that the short bonds would be more vulnerable than the medium-term and longer stocks—an opinion that has been clearly shown in a moderate narrowing of the very wide spread of the yield spectrum. This conclusion is based mainly on the argument that the short bond market is at most times largely shaped by specialist institutional investors, chiefly the discount houses; these carry bonds on borrowed money, the cost of which would be immediately responsive to a tightening of central credit supplies. It should be noted, however, that the margin between money costs and bond yields is not finely adjusted, so that, except at the very outset, short bonds might not be unduly sensitive to a general rise in money rates—unless the rise was very abrupt and was regarded as the forerunner of further rises. On the other hand, if the policy of restraining the quantity of credit were pursued impatiently, without giving the rise in rates time to check marginal demands for bank advances, there would be a possibility of gilt-edged sales by the banks as well as from industry—in which case the focal points of strain might be in the medium and longer term sections of the market.

Against these adverse implications for gilt-edged on a fairly short view, there would have to be set the important longer-run benefits for all fixed-interest stocks of a determined assault upon inflation. The inflationary influences are now so strong and inflation "psychology" is so widely diffused, however, that the chances of a sufficiently tough policy to show results in the medium term are not great—even if the Government had great political fortitude. But the quick resort to a firm monetary policy would be an earnest of good intentions.

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In the ordinary share markets there has been an almost complete disappearance of the natural but never immodest burst of activity that the election announcement produced. The fact that leading industrial shares failed, even so, to regain their levels of mid-June—a few weeks before dividend limitation was introduced by White Paper—did not, of course, prevent the usual misleading headlines of the "Millions made from Stock Exchange boom" kind, nor left-wing moralising about sordid greed. It would, of course, have been a very odd Stock Exchange that did not rate the possibility of the end of a Labour government, and one that has never concealed in word or deed its dislike of the private investor and its distrust of the security markets, as being worth a 4 per cent rise in share values; and that 4 per cent has now almost disappeared. No fortunes have been made; there is no equity share boom; but there is the opportunity, which thoughtful investors are taking, of considering the change in the ordinary share outlook that would follow a change of government.

The immediate change would be the disappearance of dividend limitation, which will otherwise be a certainty in the new session. For relief from that mixture of spite and injustice, the equity shareholder would certainly be grateful. It would, in fact, be the first occasion since the war on which a major obstacle to a reasonable investment policy had been removed and a gross injustice towards the legitimate rewards of risk-bearing put right. There are other obstacles and injustices that will remain for a much longer time; the return of a Conservative government will not get rid overnight of penal profits tax that saps industry's capital resources, or remove the control of capital issues, or halve the doubled stamp duty. Nor, after the damaging way in which the Stock Exchange and other financial institutions have been represented to the popular mind in recent years, would a Tory government be likely to come out openly as champion of "the City." It is as likely to appeal to industry for "moderation and restraint" in dividend payments as Sir Stafford Cripps ever was, and as likely to get a faithful response. The prospect that a Conservative government would provide for the investor is not a tear-away jump in dividends so much as the chance for the soundest companies to make moderate and regular increases in dividends that reflect the increase in their true profits and productivity, without the shackles and anomalies of statutory dividend limitation.

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Past attacks on the investor and on the Stock Exchange have reflected chagrin at the supposed "benefits" that inflation has bestowed on ordinary shares. A new evaluation of equity share prospects, if a change of government results from the election, would first need to assess the chances of a decisive change in monetary policy, which has already been discussed. That would be a contribution to eventual economic health of decisive importance, but it would end the automatic advance in equities that has been a feature of the market for more than a year, and at particular points in industry it might conceivably have its effect upon earnings. On the other hand, it would have little or no influence on near-term economic and industrial problems this winter. It would not shift the power peak, produce another ton of coal or steel, or recruit another locomotive crew. It would not restore the balance of payments, or stem the drain of dollars; it would only be the first start towards these ends. It would not immediately produce a strong flow of risk capital or promote a resurgent willingness to save. It would have little immediate consequence for the cost of living and wholesale prices.

But given courage and time, the working out of a policy of monetary remedies to remove inflation—instead of a system of controls that purports to keep the effects of inflation in check—would introduce a new element into equity share calculations that has been wholly unfamiliar in a dozen years of war and postwar inflation. The object of such a policy would be to remove a superabundance of demand that has guaranteed full employment, high money profits, easy sales in a sheltered home market, freedom from compulsion to embark upon commercial adventure, and the utmost rigidity in the use of labour and in the deployment of resources. It would be the object of monetary discipline to make room for changes in the manufacturing economy, to accommodate more of the demands for resources that could survive the test of market price and to exclude some of those demands that are at present imposed by means of controlled prices and allocation of physical resources and output. If the way were cleared towards a freer economy of this kind—and indeed it is a very big "if"—the ordinary share investor would be confronted with a task of assessing a variety of different factors affecting different industries, instead of basing himself on the comfortable assumption, as he has been able to do for many years, that a lucky dip in the industrial

share market is quite as promising as the shrewdest selection.

All this, no doubt, is a long way off, if indeed it comes at all. In the short run, the equity shareholder's hopes are centred in the removal of the dividend limitation threat and in the end of the discriminatory attacks of recent years. They cannot be encouraged by the economic prospects of the coming winter, which look dire on any political assumption. On these calculations, the more cautious attitude of the ordinary share market this week does not come amiss. This caution, it should be emphasised, is combined with the assumption that a Tory government is in prospect. If there were to be any development in the election campaign that seemed to favour a return of a Labour government, the market's reaction would be sharp indeed.

Winter Coal and Beyond

THIS winter's fuel outlook offers one shred of comfort to members of the new National Coal Board; the crisis may not rest primarily on coal output, but on the incapacity of the railways to move coal from the pits. The railways show strong signs of replacing coal as the nation's most crippling industrial infirmity. It is new for them to be hard put to move coal in summer: but already coal from the East Midlands for London is having to be shipped coastwise through Immingham, and if many miners around Doncaster had not taken the morning off a fortnight ago to see the St. Leger, some mines might have had to stop raising coal because it could not be carried away from the pithead. Coal stocks will probably fall short of the figure the industry hoped for this winter, and there will be insufficient large coal and coke. But if the present slightly encouraging output trend continues to provide 200,000 tons a week more than last year until December and a smaller increase of, say, 100,000 tons a week thereafter, then output, coupled with vigilant economy by consumers, should meet the winter need. Imports of coal on any considerable scale—as distinct from small special imports for the gas industry—are now out of the question; neither the coal nor the ships are to be had without disrupting supplies for the rest of Europe. Given the dollar cost of importing American coal and the margin of risk involved (perhaps 2 per cent of the country's yearly consumption), the Government may have been right in putting the onus of getting through the winter where it ordinarily belongs—on British miners and consumers.

The winter will be an anxious time for the new Board, even if output comes up to its expectations. It will have to show a completely new kind of determination and foresight if it is to get away from the preoccupation of day-to-day crisis and begin to make an attack upon the problems that will confront the industry for the next few years. These problems bulk large enough, in all conscience. Since April the mines have been losing manpower at the rate of 17,250 a year, and in recent weeks the decline has grown faster than ever: though recruitment is quite good by earlier standards, the wastage of men from the industry threatens to become calamitous. The next three fuel winters look particularly dangerous. On the present rising curve, inland consumption may catch total production by 1952-53; the "cushion of exports," already wafer-thin, will be wholly gone. In Europe, the British coal industry, already in poor odour, will be in total disgrace. And after 1955, when new techniques may begin to transform output, overseas markets for coal, and British goodwill in them, may be gone.

Long before that, the new Board will have to come to grips with an internal problem—the demand for reorganisation. Within the next four weeks, the Board may become answerable to a Government committed to decentralising it. The Lancaster-Reid-Young plan has become more or less official Conservative policy since its authors, the industry's three weightiest critics, produced it three months ago; its proposal for a policy-making central board working direct (that is, without divisional authorities) to fewer, larger coal areas must be reckoned with as the likely framework of any reorganisation imposed from above. Decentralisation has become something of a vogue word inside the NCB and outside it; now the industry is confronted with at least one confidently defined meaning that could conceivably be put into practice. The Conservative demand for more local independence in coal has indeed been echoed, with the considerable variations to be expected, in a Co-operative Party study. If Tory prejudice against coal nationalisation and Labour prejudice in favour of the particular structure set up five years ago were both out of the way, there would be a chance for reason to take a share in devising the most effective way of running the coal industry.

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Some of the most painstaking study, and conceivably the most useful conclusions, made by any independent investigators since the National Coal Board was formed have just been published by the Acton Trust*. Its double monograph is sharply critical of the NCB, but equally unfavourable towards some remedies suggested by the Board's critics. It has attempted to get beyond a comparison of ideal patterns of organisation, and also to fasten upon the real effects of the present centralised structure. The conclusion reached is that real decentralisation is "not simply an aim which can be achieved by organisational changes, but is primarily a problem of the adjustment of human relationships." The study does not reject changes in structure, but neither is it attracted to some solutions that rely mainly upon formal pyramids of organisation. On the Lancaster-Reid-Young proposals, it comments:

> . . . they provide measures for splitting the industry into a number of units, each of which may itself remain highly centralised and each of which is large enough for such centralisation to be felt as oppressive by operational management. They achieve decentralisation at the uppermost level, but not at the lower levels. But it is at precisely the uppermost level where the degree of decentralisation is already greatest; the Divisions maintain a very considerable degree of independence from the Coal Board.

The conclusions also underline the distinction between the formal and the informal structure of an organisation. In the structure of the present Coal Board, efforts have been made to delegate more authority; but where, for example, a headquarters' representative may formally be only one of the members of a committee sitting round a table, informally his advice and views may dominate the decisions simply because he is associated with the other members' immediate superiors. A simplified formal structure by itself may not necessarily get rid of this feeling among operational managers dealing with higher officials or with specialists: and it is the operational manager who is the key man in the industry. Upon him—or upon him and the NUM lodge secretary—depend to a degree that can hardly be exaggerated the morale and the total effort of the individual pit.

* "The Extent of Centralisation," Parts I and II. The Acton Society Trust. 2s. each.

Today the British pit manager, as the Acton Trust points out, too often feels the most frustrated man in the industry. Historical forces have been undermining his position for a quarter of a century, since the time when he was often the uncrowned king of the village. Full employment and loss of mining manpower have sapped his power to give or withhold work; bitter memories of big strikes and tragic labour relations in the past explain why the men still regard him as a mine-owners' representative, not their leader; and the union has tended to usurp his local authority. Developments in mining technique have brought in the technical specialist to share and sometimes to dispute his authority on technical mining matters for which he nevertheless retains an onerous legal responsibility. These influences are at least partly independent of the form of ownership of coal mining, though difficulties encountered in a few of the largest colliery companies before nationalisation have been extended to the whole industry by organisation under one single ownership. It is not easy to determine how far the mine manager's difficulties have really been increased by remote control under the NCB; but undoubtedly he often thinks they have.

It does not dispose of the pit manager's frustration to conclude that he is often responsible himself for a considerable part of it. The coal industry between the wars attracted limited numbers of the best managers, and mining technique has proceeded faster than many of them could keep pace with. The industry's greatest weakness at the end of the war, as Sir Charles Reid recognised in his first report, was the lack of men of the right kind; it still is. The Coal Board has begun to tackle this problem for the future by providing scholarships for men both from inside and from outside the industry; but the raising of the general managerial standard in this way must take a considerable time. "All responsible persons in the industry," comments the Acton Trust report, "agree that the manager's status should be raised, not lowered—but they also agree that before this can be done a more highly trained type of manager must be brought into being."

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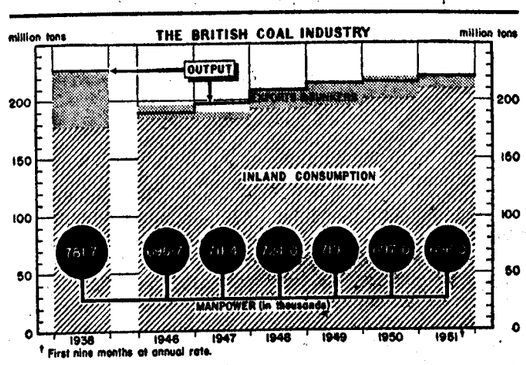
There is some sign that the deeper human problems such as this are realised in the counsels of the Board. The new team is thinking out the lines of reorganisation and the chairman has known leanings towards decentralisation. Some simplification of the Board's own procedure and some extension of authority to sub-committees has already come about. But enthusiasm for decentralisation has to be tempered by the realisation that the quality of staff in the different areas is far from uniform; what the industry needs at this moment is not an ideal structure, but one that will make the best use of the men now available.

That being so, the Board and its critics will probably opt for evolution, not revolution. The human effects of a massive reorganisation upon overstrained and not always adequate personnel who had at the same time to keep up output have not yet altogether subsided since the NCB was set up in 1947. Another major reorganisation, too drastically administered, could set the industry back another three or four years. What improvements have come about in the present structure of the Board—and they are admittedly limited—have resulted largely from giving up rigid uniformity and in giving good mining men their chance. Any final formula of administration must be concerned with the human problems of decentralisation that the Acton Trust has touched upon. There may even be certain patterns of decentralisation that could to some extent be tested in advance; whether one form of organisation may require more top-grade mining engineers behind administrative desks than another, for example, is not to be determined once for all by drawing a new administration chart.



Nor can the most pressing production problems of the industry be solved by reorganisation, much as they can be affected by it. The NCB will enter upon wage negotiations this autumn through pressure of circumstance, with no better wage structure in mind. It might be able to achieve slight improvements in adjusting district differentials that bear no relation to local manpower needs or to local mining efficiency; but the Board has not given any sign of new ideas upon wage policy. Whatever may be the role of the centre in future organisation, the Board's grip upon forward planning and development, both in evaluing and in pressing forward projects, should be stronger than it now is. Some tightening of efficiency within headquarters might assist here. It cannot be said at the moment that the Board is getting good value for the huge volume of information that flows periodically into Hobart House, partly because the same information is often duplicated or supplied to departments that no longer need it, partly through inadequate statistical appreciation of the data within headquarters. In addition, there is a pressing need—with some signs of an answer—for the more rapid spread throughout the industry of some of the new techniques that have been proved in recent months. First and last there is manpower. Reorganisation can only be one means towards solving these problems and improving the morale of the industry. They demand, equally, direct attack.

Business Notes

The Dollar Gap

When the Chancellor of the Exchequer speaks to the bankers and merchants of the City of London at the Mansion House dinner given by the Lord Mayor next Wednesday, he will deal at some length with the deterioration that has occurred in the dollar balance of payments of the sterling area and will announce the figure of the dollar deficit incurred during the third quarter of this year. There has been a certain amount of intelligent leakage that should have prepared the world for a loss of close on $500 million in the gold and dollar reserve over this period. This will also be the measure of the actual deficit of the sterling area, since very few Marshall aid reimbursements remain to soften the impact of the dollar deficit on the actual gold and dollar reserve. A loss of this magnitude would reduce the reserve to about $3,400 million, a figure admittedly far higher than that at the time of sterling's devaluation, but hardly high enough to justify Mr Gaitskell's assurance that "it gives us the essential element of time to correct the situation"—especially when the intended timing is linked to a conference of sterling area finance ministers to be held early next year "to deal with the dollar problem as it affects the sterling area as a whole."

In the statement at a press conference this week at which Mr Gaitskell gave these doubtful reassurances, he also pointed out that the gold losses incurred during the third quarter of this year were to a large extent "the result of temporary factors." There have been some heavy non-recurring dollar payments that the Chancellor declined to specify, and considerable loss has also been incurred as a result of the cessation of Persian oil supplies. In addition, the circumstances that led to the earning of large dollar surpluses in 1950, namely, stockpiling and exceptionally high commodity prices, have now changed; Mr Gaitskell was forced to admit that "the underlying position [of dollar earnings and expenditure] is much less favourable." Apart from the measures to curtail imports that are to be taken in concert with the rest of the sterling area, the solution of the dollar problem is being tackled by the British Government by direct negotiations with the United States for "steady purchases" by that country of sterling area raw materials at "reasonable prices." These talks presumably relate to such commodities as tin, rubber and wool, which at present are not being handled by the International Materials Conference in Washington.

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"Steps Must be Taken"

Mr Gaitskell was even less informative on the question of the balance of payments as a whole. As a result of the extra burden imposed by the rise in import prices—a burden, he said, that involved just as much of an extra load as the additional amount Britain is putting into defence this year—there is now a "large trading deficit as against the surplus earned last year." This was followed by the trite observation "we cannot afford to go on doing that for long" and by the promise that "we shall have to take further steps to restrict imports and expand exports"—but what steps were not specified. The balance of payments problem is clearly linked with that of defence and will be affected by the decisions that may ultimately be taken as the result of the Nato burden-sharing exercise. This is far from complete yet, though Mr Gaitskell pointed out that a valuable interim report from the Finance and Economic Board of Nato had been received at the Ottawa Conference and that for the time being "we are quite content to leave the matter there."

What mainly appeared to worry Mr Gaitskell was the demand made by the military advisers of Nato for a further increase in the scale of all defence programmes including the British. To this Mr Gaitskell countered "I cannot see how we in the United Kingdom can do more than we have promised and are carrying out unless there were to be a radical change in the economic policies of all the members of Nato involving something much more like a war economy both internally in each case and in their relations with each other." That, perhaps, is not an unreasonable attitude. But in the Government's dealings with Britain's external financial problem, discretion has clearly been the better part of valour. The mass represented by the balance of payments troubles is being left to the care of whatever administration the general election may throw up. There was no hint in Mr Gaitskell's statement of appropriate measures to deal with the situation. The drift continues.

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The Fund and Gold

Little by little the picture of the debate on premium gold sales that has been proceeding at the International Monetary Fund is coming to light—though as yet only a small part of the scene is revealed. Mr Gaitskell, at his press conference this week, said that the problem of premium gold sales had not in fact appeared on the agenda of the governors' meeting, but that it was to be considered by the executive directors of the IMF after the end of the annual meeting. Mr Gaitskell also gave some indication of official British policy in this matter. The British Government, he said, supported the view of the IMF that gold producing countries should sell their gold exclusively to central banks and, therefore, at the respective parities of their currencies. But he implied that if there were any deviations from this rule they should be allowed on a non-discriminatory basis. He admitted that the British representatives at the IMF would be supporting a demand by Southern Rhodesia for equality of treatment with South Africa in the matter of premium gold sales. When news comes from Washington of the decisions taken in this matter by the executive board of the Fund, it will be very surprising if this principle of equality of treatment is not officially recognised. If it is, there is no doubt that all gold producers will be entitled to the facilities that South Africa now enjoys in selling gold at other than premium prices.

The alternative, that South Africa should relinquish a part of its present freedom of action, has not even been considered. That was made abundantly clear by a remarkable statement of Dr Holloway, the South African alternate governor on the IMF Board on his return to South Africa from the Washington meeting. In this Dr Holloway contended that the fund had no authority whatever to intervene in the arrangements made by gold producing countries in selling their gold at other than parity prices. Dr Holloway added

> The Fund now finds that it cannot suppress the trade in gold by the public without breaking the articles of agreement which brought it into being. This explains its evident embarrassment. It also explains why South Africa did not again raise the question at the IMF annual meeting.

This assertion that the fund cannot attempt to check premium sales of gold without breaking its own agreement calls for highly dialectical interpretation of an agreement all signatories of which bind themselves to serve the cause of exchange stability. There can be no real refutation of the view put forward by the International Monetary Fund when it made its first move to stop international transactions in gold at premium prices, that these operations were calculated to disturb the exchange relationships between members of the Fund and to call into question the official parities of their currencies.

Whatever one may think of Dr Holloway's legal interpretations of the Fund agreement, his statement is an unmistakable indication of the confidence South Africa now has in the strength of its position. South Africa may not stand an early chance of getting the higher dollar price of gold for which it has long campaigned, but it insists on remaining free to order its premium gold sales policy as it wishes. If the rule of non-discrimination is to apply, this means that all gold producing countries will in fact be given the same freedom. The International Monetary Fund, will in that case, be prepared to turn over to member nations the responsibility for regulating the premium gold market. That may well be the burden of the decision taken by the executive directors of the Fund which is due to be announced in the course of the next few days. If so, it will be another abdication of power and authority by the Fund. If this freedom is used without restraint, it may have a considerable effect on the free market price for gold. That effect would be not only sharp but sustained were it not for the cloud of inflationary suspicion by which all major world currencies are now overshadowed.

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Retreat from Rating Revaluation?

It now seems clear that the brave attempt to revalue all rated property in time for the lists to be brought into force by April, 1953, has been abandoned. In a written answer just before Parliament rose, the Minister for Local Government and Planning announced that the difficulties in recruiting staff made it impossible for the Inland Revenue to complete the new revaluation lists in time and instructions have been given that they are to concentrate on properties other than houses—a decision that implies that commercial properties are to be reassessed immediately and that revaluation of houses is to be postponed indefinitely. Sixteen years have elapsed since the last general revaluation and the immediate consequence of falling back on piecemeal revaluation can only be that the commercial ratepayer will suffer a considerable increase in rates while 75 per cent of the country's total rateable value represented by houses will be unchanged. It remains to be seen whether the new valuation lists will be used in Schedule A income-tax assessments.

Thus the experiment of transferring responsibility for valuation from the local authorities to the central government has proved a lamentable failure. The intention of the Local Government Act of 1948 in making this transfer was to secure, as far as possible, a uniform standard for rating valuations throughout the country, on the basis of which an equitable distribution of government grants to the local authorities would be possible. All authorities with a rateable value per head of population below the national average were to receive an Exchequer equalisation grant equivalent to the rates payable on their deficiency of rateable value. To have left the local authorities to make their own valuations for the rating might indeed have been a temptation for some of them to adopt an unduly low standard and thus to attract an unfair amount of grant. But a fair distribution of the grant still depends, as it has always done, on a uniform standard of valuation throughout the country; this does not exist now and it will be indefinitely postponed by the decision to abandon the revaluation of houses. For four years since 1948 a pool of Exchequer equalisation grants and education grants of about £170 million has been shared among the authorities in proportions that are admittedly inequitable. Since these inequities are not, it seems, to be corrected by revaluation, immediate investigation of hard cases and remedies for injustices are surely required.

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Gaffe at Gatt

The sixth session of contracting parties of the General Agreement on Tariffs and Trade continues at Geneva in closed sessions from which little information has emerged in the last few days. All accounts from Geneva, however, suggest that the proceedings are still reeling somewhat from the blow of Sir Hartley's Shawcross's extremely candid opening speech for Britain, a speech (briefly noted in these columns last week) that was tantamount to a provisional notice of withdrawal from Gatt.

So far, the United Kingdom government, like other governments, has not felt able to commit itself finally to the General Agreement, and we shall need to consider how far its present provisions, with the undoubted restrictions which they impose on us in such matters, for example, as preference between Commonwealth countries, and with their unsatisfactory bearing on the relations between the contracting parties and the International Monetary Fund, are counterbalanced by tangible advantages in the promotion of world trade.

Equally harsh was Sir Hartley's opposition to the proposal to give Gatt somewhat more permanent and continuous form by creating a standing committee of the contracting parties and providing great security of tenure for the secretariat:

> I am, and my Government is, a life-long supporter of the fullest possible degree of international co-operation. But that co-operation is not always promoted by the mere multiplication of formal pieces of international machinery, and we are not convinced that a standing committee would, in the present provisional stage of the General Agreement, be a useful thing. We feel that at this time, when there are already in existence a multiplicity of international bodies, some of which are perhaps less useful than the expenditure of experts' time and taxpayers' money on them might have entitled us to hope, new accretions of international machinery ought not to be established unless a clear case has been made out to show that they will in practice achieve useful results.

This negative attitude and these assaults on the basic principles of Gatt, have caused not a little consternation among the assembled delegates.

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More Serious Cheese

Britain has also been in the dock on the more specific charge of the protection surreptitiously given to domestic goods by the operation of the Utility Goods Scheme. This matter had already been raised at the Torquay meeting and the promise was then given by the British delegates to look into it. But, far from being remedied, the situation has been aggravated by recent changes in utility specifications that have extended the area of discrimination against imported goods. Canada, the Netherlands and France have again protested at the Geneva meeting. They have been told by the British delegate that a committee has been appointed to overhaul the purchase tax and utility system and to consider among other problems that of the discrimination against imports that has been involved by the system. This committee, however, will not report until next year. Meanwhile, the protection complained of by the other contracting parties will continue.

The main explosion at Geneva, scarcely muffled by the doors of the closed sessions, has, however, been caused by some serious straying from the path of Gatt orthodoxy on the part of the United States—by imposing a complete ban on the import of butter and other edible fats and severe restrictive quotas on imports of cheese. This action was taken in accordance with the amendments introduced by Congress into the Defence Production Act of 1950. One of these amendments, based on a curious definition of "defence," stated that controls over fats and oils, butter, cheese and other dairy products are "necessary for the protection of the essential security interests and economy of the United States in the existing emergency." The United States Administration is trying to remove this Janus-like blot on its escutcheon as a signatory of Gatt, but the strength of the farm lobby in Congress may be too great for the efforts of the State Department. There have been strong protests against the United States' action on the part of the Netherlands, Canada and Denmark, with encouraging noises from the British dele-

gation, which must also be thinking of its exports of Stilton. The incident has come as a saddening but significant illustration of the difficulties that Gatt must encounter, even at the hands of its most outspoken friends and advocates.

* * *

Encouraging Exports

For the first time for many months the detailed trade figures can be called moderately encouraging—though only on the export side. It was already known that total exports in August, at £226 million, were £4,000,000 more than in July and £37 million more than in August, 1950. The details now available show that while the old stalwarts of the export drive, the vehicle and machinery groups, declined, the export of consumer goods increased. A trend cannot be deduced from statistics relating to one month, but this, emphatically, is the pattern of change that will be needed as rearmament progresses. Among the individual groups, the export of vehicles in August fell by nearly £3,000,000 to £38 million; the number of new cars exported declined from 28,872 to 26,318. Machinery exports fell by £1,000,000 to £31 million; iron and steel manufactures by £1,000,000 to £13 million while exports of non-ferrous metals, cutlery and hardware and electrical goods were either very slightly lower or almost unchanged. The textile group led the field among those showing increases. Cotton exports increased by £3,000,000 to £20 million, chiefly because of the much larger shipments of piece goods; exports to Australia, for example, reached 20 million square yards or more than double their monthly average for 1950. Exports of wool manufactures increased by nearly £500,000 to £16 million, again because more piece goods were sold abroad; increases were also recorded for silk and rayon manufactures and apparel. The export of chemicals was £1,500,000 larger at £14 million, while the sale of refined petroleum to overseas markets (valued at £3,500,000) was more than four times its monthly average for last year.

After allowing for these offsetting decreases and increases, the aggregate volume of exports last month was no larger than in July; the increase in value was mainly due to a 2 per cent rise in export prices. As import prices fell by 3 per cent (owing to cheaper raw materials), the terms of trade moved some 6 per cent in Britain's favour. This favourable trend in the cost of imports per unit of exports has now persisted for three months. If it is to continue, however, Dr Dalton and other politicians may have to curb their exuberant campaign to reduce prices of textiles in Britain. Some overseas buyers, expecting British prices to fall, have already begun to cancel their contracts for textiles—a repercussion that the doctor had apparently not foreseen.

* * *

Trends in Imports

Despite the decline in import prices in the past two months, Britain's import bill has soared to new heights. It reached £368½ million in August. The value of imports in the first eight months of this year was 49 per cent higher than the monthly average for 1950, although the volume of imports was only some 15 per cent higher. Britain is now paying for its improvidence of twelve months ago when it accumulated a large trade surplus by living on its stocks of food and raw materials. It has had to pay much higher prices this year to buy sufficient quantities not only to maintain productive capacity, but to replenish depleted trade stocks and to build up government reserves. Moreover, despite the high prices paid and the large trade deficit incurred, Britain is still not getting as much as it wants of some imported commodities. The accompanying table shows the physical volume of imports of the more important foodstuffs and raw materials during the first eight months of 1950 and 1951. Among the foodstuffs, larger supplies of grain, flour, cheese, sugar and tea have been received this year, but much smaller supplies of meat and eggs and slightly smaller quantities of butter, bacon and vegetable oils and oilseeds. Some of these decreases, however, have been due to non-recurring factors; shipments of meat and butter from Australia and New Zealand, for example, were held up in the early part of this year by shipping delays and the dock strike.

Raw materials present a more serious—though mixed—picture. It is true that there have been sizeable increases in imports of tin metal (presumably mainly for stockpiling), softwood, aluminium, nickel and crude petroleum, and that more rubber, copper, paper-making materials and refined petroleum have been bought. But, on the debit side, imports of tungsten, wool, zinc and lead have fallen by 25-33 per cent. Hides and skins, molybdenum and sulphur have declined by 10-15 per cent; and supplies of iron ore, raw cotton and manganese have been some 5 per cent smaller than last year. Not all of these materials are physically scarce; wool, for example, is now available in ample quantities at prices ruling in 1949, while cotton is now in more plentiful supply than last season. Tungsten, however, is still perhaps Britain's most severe shortage despite international allocation; less zinc is available because of the sharp increase in American consumption, and lead supplies have fallen because of the shipping delays on the Australian routes. Moreover, even a decline of 5 per cent in imports of iron ore and manganese can have serious consequences for the steel industry. Against this, the fact that supplies of sulphur and molybdenum have been only some 10 per cent less than a year ago is a tribute both to the work of the International Materials Conference in Washington and the co-operation on it of the United States, the chief supplier of both these materials. The raw material shortage has not yet been as crippling as some people feared nine months ago, but, despite the country's much larger import bill, British industry cannot yet look to the future free from qualms.

CHANGES IN BRITISH IMPORTS OF FOOD AND RAW MATERIALS.

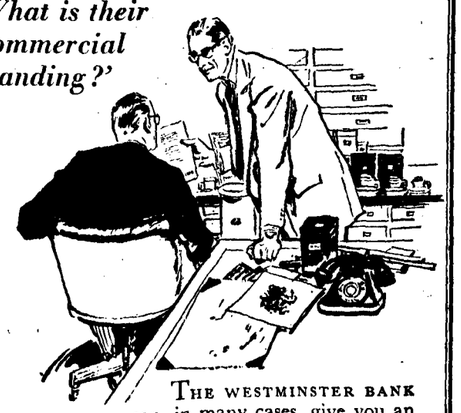
Increases	Unit	Jan.–Aug. 1950	Jan.–Aug. 1951	Decreases	Unit	Jan.–Aug. 1950	Jan.–Aug. 1951
Foodstuffs							
Grains	'000 cwt.	76,881	93,754	Meat	'000 cwt.	15,681	10,361
Flour	"	5,657	7,682	Butter	"	5,214	4,664
Cheese	"	2,303	2,881	Bacon	"	3,741	3,437
Sugar, unrefined	'000 tons	1,361	1,711	Eggs in shell	mn. doz.	133	77
Tea	mn. lb.	212	281	Vegetable oils	'000 tons	664	601
Raw Materials							
Aluminium	'000 cwt.	1,743	2,240	Iron ore	'000 tons	5,891	5,603
Copper	'000 tons	216	244	Lead	"	132	99
Nickel ore	"	15	24	Manganese ore	"	273	261
Nickel metal	'000 cwt.	50	63	Molybdenum ore	'000 cwt.	40	35
Tin metal	tons	1,965	5,294	Tungsten ores	tons	4,203	2,768
Softwood	'000 stds.	442	921	Zinc ore	'000 tons	135	114
Paper-making materials	'000 tons	1,198	1,459	Zinc ore spelter	"	103	75
Rubber	"	167	215	Raw cotton	mn. lb.	688	646
Crude petroleum	mn. gall.	1,547	2,505	Raw wool	"	541	391
Refined "	"	1,819	1,908	Hides and skins	'000 cwt.	2,079	1,765
				Sulphur	'000 tons	308	277

* * *

Agreement on German Scrap

The formula for west German exports of scrap finally accepted at Bonn last week does not specify exactly how much the British steel industry will receive for the next nine months; but it seems likely that imports will not much exceed 25,000 tons a month, about half the rate for the first six months of this year and a sixth of that imported throughout 1950. Under the sliding-scale agreement, which runs until June 30, 1952, the first 325,000 tons of scrap collected in Western Germany are to be retained by its home steel industry; the next 50,000 tons exported; the next 25,000

'What is their commercial standing?'



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tons divided equally between home and exports; and any additional supplies divided in the proportion of two-thirds home, one-third exports. German scrap supplies totalled about 400,000 tons a month when its scrap drive was launched some months ago; but hardly any increase has been achieved since then. Hopes of an extra 100,000 tons have now dwindled to estimates that perhaps 30,000 tons a month extra might be achieved. The success of the drive is being jeopardised by scrap hoarding, partly to keep the metal in Germany and partly in hopes of a rise in the German internal price, which is considerably lower than that prevailing on the world market.

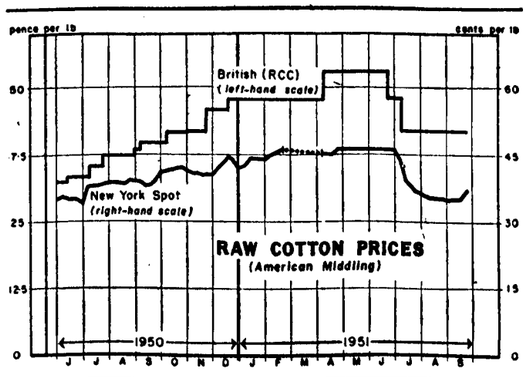
Monthly supplies of even 425,000 tons, therefore, would yield for export a total of only 62,500 tons. Of the total exports, Britain and the United States are to receive 60 per cent, which on these figures would thus yield 37,500 tons. There is no official formula for the final division between the two countries; but in the past Britain has generally received two-thirds of the combined exports. A fairly optimistic estimate, therefore, would suggest 25,000 tons monthly. Imports of scrap, therefore, cannot be expected to total much more than 550,000 tons for 1951 as a whole: and next year total imports will probably be well below 400,000 tons. This 1951 figure corresponds roughly with the revised estimates the British steel industry has already made: the year's total supplies of scrap, from home and abroad, are expected to be about 9,500,000 tons. Next year, moreover, the drawings upon stocks and diversion of scrap from blastfurnaces that have supplemented "home arisings" this year cannot be counted upon. The British scrap drive may bring in half a million tons more: though as yet the increase in collections from outside the industry in response to the new prices has not been as great as was hoped. A rough and ready estimate of steel scrap supplies for 1952, therefore, might be 9,000,000 tons or slightly less. This figure throws emphasis upon the critical importance of iron ore supplies, from home and from abroad, in the maintenance of steel output next year. It also suggests that American assistance to British steel supplies next year could effectively take the form of a reduction of American claims upon imported raw materials and need not be confined to the shipping to this country of extra supplies of American steel.

* * *

Dearer Cotton and Wool

So the signal for the housewife has been set at green; she can now enjoy a buying spree with the blessing of the Minister for Local Government and Planning and his assurance that "price rings for clothing and textiles are broken" and the profiteers "in full retreat." But Dr Dalton forgot to tell his audience last Tuesday the simple fact that prices of raw cotton have been rising for the past three weeks while the protracted fall in wool prices at last seems to have come to an end. The buyers' strike and its Ministerial ringleader have made no impression upon world markets. Eighteen years ago, a sharp fall in British demand for any of the major raw materials might have engendered a fall in its world price. Now it is the United States that is able to call the tune on the commodity markets, and Britain takes second place.

The firmer trend in cotton prices first became apparent in the futures market, but during the past three weeks the New York spot quotation has risen from 35 cents a lb. to 37¼ cents. This rise might seem surprising in view of the large American crop. But, as a note on page 710 of last week pointed out, total available supplies of cotton this season are not much larger than in 1950-51 and the carry-over stock on August 1st was extremely small. American cotton growers have apparently accepted the advice tendered to them to put their cotton "in loan," and quite a sizeable quantity is reported to have been transferred to the Commodity Credit Corporation. The Raw Cotton Commission has raised its selling price of American cotton for forward delivery three times in one week and the standard grade for January is now 36½d. a lb. compared with 35d. a fortnight ago. British prices are now some 7d. a lb. higher than corresponding American prices, and although the Commission justifies this anomaly by saying it is encouraging spinners to use substitute growths, textile importers of other countries are not satisfied. Prices in Alexandria also rose at



the beginning of the week; Karnak jumped by 6d. a lb. on Tuesday and on the following day the RCC raised its rates by 4d. a lb. only to reduce it by 1d. on Thursday when Alexandrian prices fell.

The firmer tone that reigned in the wool market at the end of last week has been fully maintained. Bradford has been buying more freely in the London sales, and so has the continent. In Australia prices have tended to rise, and are now more or less equivalent to the London rates; both Japan and the United States have been buying fairly large quantities in Melbourne. It is seldom wise to prophesy about the future course of the wool market, but in view of the low level of stocks in manufacturers' hands throughout the world, it does seem that the fall in wool prices, which has persisted for six months, has come to an end.

* * *

Aluminium Cans?

Among container manufacturers, the idea of using aluminium in food canning is not as novel or necessarily as attractive as it may appear to the administrator of America's Reconstruction Finance Corporation; and British experts, at least, did not take too seriously Mr Stuart Symington's dramatic disclosure last week of two "substitutes for tinplate." But the materials themselves, as distinct from their rhetorical convenience in attacks upon tin producers, are arousing some technical interest—admixed with commercial scepticism. The Reynolds Metal Company, of Virginia, which informed Mr Symington of its new products—an aluminium-plastic "laminate" and aluminium-coated steel sheet—did not, apparently, expect the publicity he gave them; it has not yet been able to obtain a final patent upon the aluminium-plastic process.

This material, which Reynolds expects to bring into production "almost immediately," is heavy aluminium foil coated by a continuous process with plastic—the vinyl group and polyethylene are among those suitable, according to the company. Further thicknesses may be added to this first layer if required. The initial output will go into food cans for the American Army until the aluminium shortage is overcome: eventually, Mr Louis Reynolds commented last week, cans could be produced in this way by the food or perishable processing plants, producing a container tailored to its contents and obviating shipping of empty cans. He asserted that the material would be competitive in price with regular tinplate and "in many cases actually cheaper."

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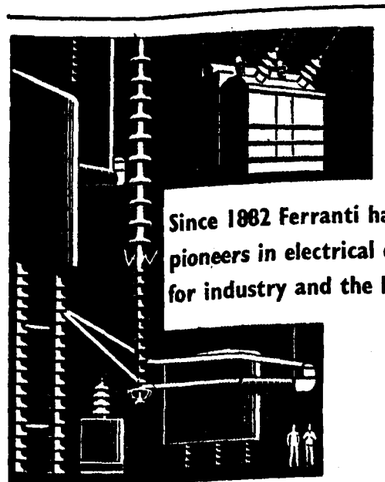

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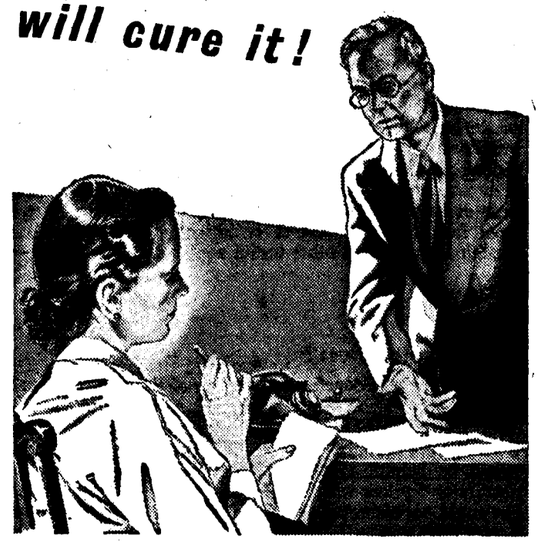

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This last claim is difficult to accept without further elucidation. At present, both aluminium and most plastics are more expensive than tinplate, thickness for thickness; it is not easy to see how their combination by a mechanical process could give a material competitive in price, unless it were so reduced in thickness as to make the can impracticably weak. Moreover, tinplate cans are mass produced at the rate of 300 a minute: since no satisfactory method of soldering aluminium in a continuous process has yet been evolved, the making of laminated cans would seem to offer formidable production problems. Sheet aluminium has been used for fish canning in Norway, where hydro-electricity makes the metal cheaper than tinplate, since the first world war, and it has been tested for most foods; but even when lacquered it seems less widely applicable than tinplate, and in most countries the price comparison has put it out of court. Reynolds's second material, aluminium-coated steel sheet, is new only in process of production, aluminium foil being rolled on to both sides of the steel to form a sandwich. Various coating methods are known experimentally: at present, for example, the British Iron and Steel Research Association is conducting research into a hot-dip process similar to galvanising. Such tests as have been carried out with aluminium-coated steel have not suggested that it could easily replace tinplate, though it might find other useful applications.

* * *

More Stable Prices?

Nothing was done at the meeting of the North Atlantic Council about stabilising raw material prices; so much was clear from Mr Hugh Gaitskell's remarks before he left Ottawa. Mr Gaitskell said in London on Tuesday that it would be helpful to the sterling area if America bought steadily at "prices which seemed reasonable to both sides." He would not elaborate on the meaning of "reasonable," but it was clear that, so far as his mission to Washington and Ottawa was concerned with promoting an agreement on stabilising raw material prices, it did not produce any immediate result. The International Materials Conference is to continue its work in Washington of co-ordinating the buying policies of the western powers through joint consultation or by allocation schemes when necessary. In this way it is hoped to prevent any repetition of the fantastic rise in commodity prices that took place between September, 1950, and March, 1951. The impact of actual arms production has not yet been felt on either the demand for raw materials or on the level of earnings. But when it is felt (possibly some time next year), a renewed up-surge of prices is to be expected, unless common action is taken by the larger consuming countries. And it is then that the real value of the IMC will be put to the test.

During the past two or three weeks commodity prices have moved irregularly. Wheat has gone up and maize has gone down. Both sugar and cocoa are cheaper than they were at the beginning of the month, while coffee is, if anything, a little dearer. Cotton has risen by 2 cents to 37¼ cents a lb. during the past three weeks, while wool prices, which continued to fall during the first half of September, are showing a very slight recovery. Jute, which fell sharply after June, has risen slightly this month, though sisal has declined by £5 to £240 a ton. Both rubber and tin have shown little change on balance this month, though the daily fluctuations have been considerable. Prices of copper, lead, zinc and tungsten have all remained unchanged. Tung oil and tallow are a little cheaper on the month and shellac a little dearer. From these conflicting trends, it seems that the general fall in prices has petered out; the question remains whether prices are likely to keep fairly stable at this lower level or whether in a month or so they will begin to rise once more.

COMMODITY PRICES

	June 20, 1950	Mar. 27, 1951	June 5, 1951	Sept. 5, 1951	Sept. 12, 1951	Sept. 19, 1951	Sept. 26, 1951
Wheat (cents per bushel)	216⅛	245⅜	234⅛	240⅞	242⅛	240	246⅞
Maize (cents per bushel)	148	177¼	166⅛	176¼	179⅜	175¼	175⅛
Sugar, Cuban (cents per lb.)	4·30	5·5	7·10	5·75	4·65	5·45	5·35
Cocoa, Accra (cents per lb.)	32·25	38·37	38·12	34·87	34·87	33·25	32·50
Coffee, Santos (cents per lb.)	52·5	56·25	53·75	55·13	55·50	55·50	55·50
Cotton, U.S. Middling (cents per lb.)	31·95	46·06	46·06	35·05	35·30	35·80	37·35
Wool, 56's (d. per lb.)	81	270	135	91	85	86	87
Wool, 64's (d. per lb.)	140	314	169	120	110	104	105
Jute (£ per ton)	120	193	219	...	142½	146	146
Sisal (£ per ton)	130	243	246½	245	240	240	240
Tin, London spot (£ per ton)	601½	1,255	960	957½	930	927½	966½
Rubber, spot (d. per lb.)	24	62½	45½	47⅛	48	48⅛	46½
Tung oil (£ per ton)	318	395	300	310	310	310	300
Shellac (£ per ton)	337½	365½	355	370	380	380	376½
Tallow (cents per lb.)	4½	14½	11⅛	9⅛	9⅛	9⅛	9⅛

* * *

Science Looks at Coal

Roughly 20 million tons of coal—the ten per cent that modern coal-cutting methods turn into dust—are wasted into the underground atmosphere of British pits every year: dust represents not only a danger to miners' health and safety but a margin that, "turned into good-sized coal," could banish home and export shortages from this country. Making that possibility practicable—devising cutters that waste less, methods of carrying all the coal to the surface whatever its size, and reconstituting tonnage that is now wasted into manufactured fuels—is perhaps the most important project of the National Coal Board's central research establishment at Stoke Orchard, Gloucestershire. Last week its director, Dr J. Bronowski, indicated that the work is making some progress. At the coalface, the trend is towards cutters using fewer men and loading all the coal cut; in underground transport and raising, towards the use of pipelines to pump coal, suspended in water, to the surface: and in manufacture, towards the production of satisfactory "briquettes" from the widest possible range of coals and slurries.

"Briquettes" and "ovoids" have an understandably mixed reputation among domestic fuel users. They range from "Phurnacite"—which apart from the best sized and cleaned anthracite is perhaps the best solid fuel obtainable—to the low grade ovoids, composed of "slurry and anthracite dust" (and much more besides) produced in large quantities during the late war. Demand for these has dropped since; the Coal Board acquired 20 briquetting plants from the former coalowners and ten ovoid plants from the Ministry of Fuel and Power, but not all of these are now operating. Last year's output of both manufactured types was about 1,100,000 tons.

Considerable success has been obtained in producing these carbonised briquettes, and other fuels such as "semi-coke," from a wide range of coals. There is a body of opinion in the industry, moreover, that looks towards manufactured fuel, possibly tailored for any specific purpose, as the proper product of the coal industry of the future. Sir Charles Ellis, the Board's member in charge of scientific affairs, has spoken of an industry using coal as a raw material. His "factories" would manufacture it into solid fuels of various branded types, into chemical by-products, into tar, and possibly into certain liquid fuels. Such liquid fuels would not necessarily be fuel oils made by hydrogenation or other processes; investigations are being made into semi-liquid substitutes for heavy fuel oils. Briquettes designed for specific uses—for example, in locomotives—have already been produced at Stoke Orchard. It should be noted that the various ventures are all medium- or long-term projects, and cannot be expected to give considerable results for perhaps a decade. But they illustrate one department, at least, in which the Coal Board is not too constantly worried to think.

* * *

Tramp Tonnage Stabilisation?

A year ago, when freight rates stood at about 75 per cent of the 1948 level, tramp shipowners were beginning to worry about the possibility of laying up vessels through lack of profitable employment. Although this fear proved to be baseless, work was continued on preparing a tonnage stabilisation scheme on a co-operative basis, whereby owners who laid up their vessels would be compensated out of levies on the earnings of ships in service. This plan has been carried a step further by the registration of the Tonnage Stabilisation Association, Ltd., a company limited by guarantee without share capital, to which 23 leading tramp shipowners are named as subscribers. The objects of the company are to compensate members on the mutual principle against losses incurred in the business of shipowning or in connection with the operation of merchant ships, and to carry into effect a tonnage stabilisation scheme. If in a weak market freights are reduced to an unremunerative level, the pressure of tonnage on the market can be relieved by laying up surplus vessels, instead of leaving them to fight for unremunerative freights. Compensation would be paid to laid-up vessels by a levy on the gross tonnage of vessels still employed.

To make this scheme workable, it is essential that all dry-cargo tramp shipowners, British and foreign, should co-operate. So far, the British tramp industry as a whole is not committed, though it is open for the deep-sea tramp section of the Chamber of Shipping to adopt it as and when circumstances warrant. Meanwhile the machinery has been set up and it is open to individual owners to subscribe. Membership will not be confined to British shipowners; the co-operation of foreign owners would be necessary to guarantee success. So long as freight rates remain at their present levels, there is no immediate need for the scheme. Individualism among tramp shipowners in the past has militated against a scheme which depends on co-operative action in an international industry, but the similar scheme for tankers (the International Tanker Pool), which operated before the war and of which the machinery is still in existence, shows that such co-operation can succeed.

Shorter Notes

The eighteen member countries of the Organisation for European Economic Co-operation have agreed to prohibit, as from October 1st, the use of copper and copper alloys of 40 per cent or more by weight in the manufacture of some two hundred different commodities ranging from window frames to cocktail shakers. The list of prohibited uses has been agreed by all member countries, who have also agreed not to export to each other any manufactures on the list containing more than 40 per cent copper. This joint action is intended to alleviate the world shortage of copper and to free supplies for defence purposes.

*

Since October, 1938, wage rates have risen by roughly 90 per cent; but average earnings have risen by 156 per cent. The Ministry of Labour's half-yearly inquiry into average earnings and hours of work (in some 60,000 industrial establishments) shows that average earnings in the last pay-week in April this year were £6 16s. 2d. for all workers: £8 0s. 2d. for men throughout industry; and £8 5s. for men in manufacturing industry. These averages exclude among other occupations agriculture, where men's average weekly earnings for the six months up to the end of March last were £5 15s. 6½d.; coal mining, in which men's average earnings in the week ended April 7th were £10 9s. 8d.; and dock labour, where in the three months April to June, 1951, average earnings were £9 15s. 11d. a week.

*

Certain estimates that are of value in clarifying the current controversy about the extent to which retail clothing prices may be expected to reflect fluctuations in wool prices are given in a note on "Cost Components of Wool Suits," published in the latest bulletin of the London and Cambridge Economic Service. From an analysis of controlled prices for utility suits and corresponding prices of yarn, wool tops and raw wool, A. P. Zentler and Joan Gherson estimate that at the end of 1950 wool represented only about 7-14 per cent of the retail price of men's and women's suits (without purchase tax). The periods of production the authors assumed are also of interest. They were: from wool to top and from top to yarn, 3 months for woollens and 6 months for worsteds: from yarn to cloth, 7 months for woollens and 11 months for worsteds; from cloth to suit, 6 months for woollens and 4-5 months for worsteds.

*

It is to be hoped that all former owners of coal mines in South Wales will be able to accept the agreement upon division of the district's £14,231,000 "global award" that their representatives approved last week: any advance in the snail's progress of coal compensation is welcome. Such voluntary agreements, by which coalowners hope to bypass the slow process of district valuation, have as yet been concluded only in four small districts—Kent, Cannock Chase, Leicester and Somerset; in the remaining 16 districts, which include the bulk of the industry and therefore of the compensation, little progress has been achieved. Agreement upon such schemes must be unanimous if the district valuer is to accept it as the basis of his own valuation. Companies that hold out for a fractionally larger share of the fixed total sum may be protecting the interests of their shareholders in theory; but in practice they are bargaining for a slightly larger compensation in money that may eventually buy less.

*

A new 2,050-foot shaft, and a mill to handle 10,000 tons of ore a day, have been completed by the International Nickel Company of Canada at its Creighton mine. The project, which cost $17 million, is part of the company's $100 million expansion plan to raise its output of ore from 5,700,000 tons in 1950 to 13 million tons in 1953. From the new Creighton installation the concentrate will be piped for 7½ miles to the company's production plant at Copper Cliff.

ECONOMICS—Postal Tuition

- Founded in 1887, U.C.C. provides tuition for the B.Sc. Econ. Degree of the University of London, open to all without residence or attendance at lectures. **The College is an Educational Trust, not conducted primarily as a profit-making concern,** and has a staff of highly qualified Tutors. Fees are moderate, and may be paid by instalments if desired.
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Company Notes

Davy and United Engineering.—The carrying out of the immense plans of modernisation, re-equipment and expansion by the British steel industry since the war owes much to the ability of Davy and United to provide much of the heavy capital equipment. Davy and United quickly embarked on its own development policy and re-equipped its plant. This programme, which involved some extension of capacity, is now almost completed. Ample justification for the company's initiative is to be found in the expansion of profits in the last two financial years; earnings in each of these two years have been more than double any previous records. Last year Mr D. F. Campbell, the chairman, pointed out that the year's profits of £713,207 were somewhat exceptional as a number of long-term contracts were completed in this particular period. The fall in profits to £675,179 in the year ended March 31, 1951, should not therefore give rise to critical comment. The directors, in fact, consider the year's results "as eminently satisfactory and more representative of a normal year of full employment at our factories." A few shareholders may feel that the maintained ordinary dividend of 10 per cent, to which it was raised from 7½ per cent in 1950, barely reflects a due share in the company's prosperity. Mr Campbell forestalls such criticism by suggesting that penal taxation is making it impossible to plough back sufficient profits, once "the necessary reserves dictated by ordinary prudence" have been made, to meet the cost of maintaining the company's productive equipment "at a proper level of efficiency and abreast of progress."

The pace of plant replacement and improvement has to be maintained. It appears that this factor, coupled with the year's satisfactory results and the happy prospect of a full order book, was in the directors' mind in deciding to increase the company's equity capital. Stockholders are to be offered the right to take up the issue of 47,069 £1 shares at par in the proportion of one new share for every £20 stock held.

	Years to March 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	713,207	675,179
Total income	722,959	691,446
Depreciation	50,229	53,624
Taxation	272,842	263,460
Group earnings for ordinary stock	*152,911*	*144,333*
Ordinary dividends	51,769	49,415
Ordinary dividends (per cent)	10	10
Replacement reserves	80,000	80,000
Added to general reserves and carry forward	101,142	94,918
Cons. Balance Sheet Analysis :—	£	£
Fixed assets, *less* depreciation	1,151,132	1,217,503
Net current assets	910,397	1,062,899
Stocks	769,874	895,437
Cash	212,564	40,558
Reserves	1,120,279	1,338,952
Ordinary capital	941,250	941,250

£1 ordinary stock at 42s. 0d. yields £4 15s. per cent

The balance sheet calls for little comment. The bank overdraft has been reduced from £65,944 to £57,757, the whole of the latter amount apparently being owed by the parent company, but cash balances have fallen sharply from £212,564 to £40,558. This stringency of liquid resources may be relieved in part by the rights issues.

Davy and United have already made a notable contribution to the installation of modern strip mills at Margam, Ebbw Vale and Shotton, but much new equipment is still needed in British works and elsewhere. Of the orders in hand about half are for export; one of the most important export contracts is for the installation of plant, designed for an ultimate annual capacity of 650,000 tons, in northern Norway. It is not surprising that the company's order book is of "great magnitude" and that demand "continues unabated."

William Doxford.—Many shareholders will find it difficult to agree with the decision of William Doxford's directors to lower the ordinary dividend from 20 to 17½ per cent. This rate, the directors state, is "the maximum permissible in view of the Government's declared intention to control dividends." This amounts to an acceptance of government by White Paper, even with a general election in a month's time. It is to be hoped that if the Conservatives are victorious at the polls the board will reconsider its decision. A dividend of 20 per cent has been paid since 1947; the company also made bonus issues to ordinary shareholders in 1949 and 1950, which have been taken into consideration in calculating the "maximum permissible" dividend.

	Years to June 30, 1950	1951
Earnings :—	£	£
Profit before tax	493,433	600,442
Taxation	217,000	305,000
Earnings for ordinary stock	*95,287*	*191,348*
Ordinary dividends	63,937	55,125
Ordinary dividends (per cent)	20	17½
Plant renewal reserves	84,335	18,219
Added to general reserves and carry forward	36,890	136,225

£1 ordinary stock at 86s. 6d. yields £4 1s. per cent.

The company's prosperity in recent years and the latest improvement in profits before tax from £493,433 to £600,442 only serve to make the dividend decision more disappointing. The chairman remarked a year ago that orders then outstanding ensured full employment for nearly three years ahead, chiefly owing to a large demand for tankers both for home and overseas shipowners. The preliminary profit statement calls for little further comment, except to note that the taxation provision of £305,000, against £217,000, takes more than half of net profits before tax.

For the third consecutive year the company is to make a bonus issue of £50,000 of new ordinary shares, this time in the ratio of one fully paid new share for every twelve. A regular scrip bonus has some attraction for equity shareholders, but it may not prevent them from questioning the decision to cut the ordinary dividend rate this time.

★

Electric and Musical Industries.—Until the votes have been counted on October 25th some uncertainty must still exist whether the Government's dividend control proposals are dead or not. Given these doubts, the directors of Electric and Musical Industries have shown wisdom in declaring an interim ordinary dividend of 8 per cent and in recommending a final dividend of 4 per cent at the annual general meeting in December, which "if circumstances permit" will be paid, and if not will be carried to a special dividend reserve. A dividend of 8 per cent has been paid since 1943, except in 1947 when the rate was reduced to 6 per cent. On the day before the announcement the 10s. ordinary shares changed hands around 21s.; after these recommendations were published the price jumped to the year's highest price of 23s. 10½d.

Group profits for the year ended June 30, 1951, are stated to be "substantially higher" than in the preceding year, but "owing to the complexity of the accounting involved" the exact figure of profits will not be available until the end of October. Evidently the results to be published next month will show a major improvement on those of 1949-50, which disclosed a fall in group profits from £1,040,418 to £916,238. At the current "middle" price of 22s. the yield, assuming the payment of a full dividend of 12 per cent, is £5 9s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Sept. 19, 1951	Price, Sept. 26, 1951	Net Yield, Sept. 26, 1951 (a)	Gross Yield, Sept. 26, 1951
			£ s. d.	£ s. d.
War Bonds 2½%...	101⅛	101⅛	...	...
Mar. 1, 1951-53			0 8 4	1 15 1
War Bonds 2½%...	101⅜	101⅛	...	...
Mar. 1, 1952-54			0 15 1	1 19 5
Exchequer Stk. 2½%	101⅜	101⅜	0 12 9	1 14 7
Feb. 15, 1955				
War Bonds 2½%...	102⅛	102⅛	0 9 6	1 15 10
Aug. 15, 1954-56			0 16 3	2 0 3
Funding 2½%...	102⅛	102⅛	...	0 13 9
June 15, 1952-57			1 2 3	2 9 6
Nat. Defence 3%...	103⅜	103⅜	0 8 7	1 18 6
July 15, 1954-58			1 1 9	2 10 8
War Loan 3%...	103½	103⅛	0 14 6	2 2 1
Oct. 15, 1955-59			1 2 8	2 10 6
Savings Bonds 3%...	97½	97⅜	2 6 8	3 16 7
Aug. 15, 1955-65			1 16 1	3 5 4
Funding 2½%...	96⅞	96⅛	2 0 1	3 4 0
April 15, 1956-61			1 15 1	2 17 1
Funding 3%...	92⅛	92⅜	2 13 9	4 3 9
April 15, 1959-69			2 1 10	3 11 7
Funding 3%...	94	94	2 1 4	3 11 3
Aug. 1, 1966-68			2 0 3	3 10 3
Funding 4%...	103⅜	102⅛	1 14 11	3 11 10
May 1, 1960-90			1 19 11	3 17 0
Savings Bonds 3%...	92⅛	92	2 12 0	4 2 2
Sept. 1, 1960-70			2 1 11	3 12 1
Savings Bonds 2½%...	90⅛	89⅜	2 5 8	3 10 9
May 1, 1964-67			2 2 3	3 11 7
Victory Bonds 4%...	103⅛	103⅛	1 16 1	3 15 4
Sept. 1, 1920-76				
Savings Bonds 3%...	89⅝	89⅜	2 10 0	4 0 10
Aug. 15, 1965-75			2 3 2	3 15 11
Consols 4%...	97⅛	97⅜	2 3 3	4 2 8
(after Feb. 1, 1957)				
Conversion 3½%...	87⅛	86⅞	2 2 4	4 0 7
(after Apr. 1, 1961)				
Treasury Stk. 2½%...	63⅛	63⅛	2 1 3	5 18 8
(after Apr. 1, 1975)				
Treasury Stk. 3%...	74⅛	74⅛	2 2 2	4 0 4
(after Apr. 5, 1966)				
Treasury Stk. 3½%...	95	95	2 2 4	3 17 5
June 15, 1977-80			2 1 11	3 16 11
Redemp. Stk. 3½%...	81⅛	81⅛	2 7 1	3 19 8
Oct., 1986-96			2 4 7	3 17 5
War Loan 3½%...	86⅛	86⅛	2 2 8	4 1 10
(after Dec. 1, 1952)				
Consols 2½%...	64⅛	64⅜	2 0 8	3 17 5
Brit. Elect. 3% Gtd.	89⅛	89⅜	2 6 4	3 16 7
April 1, 1968-73			2 3 4	3 13 8
Brit. Elect. 3% Gtd.	88⅛	88⅛	2 4 2	3 14 11
Mar. 1, 1974-77			2 2 11	3 13 8
Brit. Elect. 3½% Gtd.	95⅛	95⅛	2 1 8	3 16 9
Nov. 15, 1976-79			2 1 3	3 16 4
Brit. Tpt. 3% Gtd.	83⅛	83⅜	2 9 0	4 1 6
July 1, 1978-88			2 5 3	3 17 11
Brit. Tpt. 3% Gtd.	89⅛	89⅛	2 6 5	3 16 9
April 1, 1968-73			2 3 5	3 13 9
Brit. Gas Gtd. 3%...	85⅛	82	2 5 5	3 17 10
May 1, 1990-95			2 4 4	3 16 10
Brit. Gas Gtd. 3½%...	97⅛	97⅛	1 19 10	3 13 10
Sept. 10, 1969-71			1 19 7	3 13 7
Brit. Iron & Steel 3½%	94	93⅛	2 2 11	3 17 10
Feb. 15, 1979-81			2 2 7	3 17 6

(a) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 2 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Sept. 19, 1951	Price, Sept. 26, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	8½	8⅛	3 12 8
30	30	Anglo-Iran £1	5⅜	5½	5 11 8
20	17½	Assoc. Elec. £1	86/6*	88/9xd	4 10 2
27½	25	Assoc. P. Cem. £1	108/9	110/	5 0 0
35	30½	Austin 5/-	33/9	35/	5 0 0
25†	23·4†	Bass £1	150/7½	150/	6 6 11
40	20 m	Boots 5/-	25/9	26/3	3 16 2h
10	9	Br. Celanese 10/-	35/9*	37/*	2 8 8m
20	20	Br. Oxygen £1	96/6	97/6	4 2 1
12½	12½	Coats £1	60/	58/9	4 5 1
11½	9½	Courtaulds £1	49/	50/	4 10 0
21½	21½	Distillers 4/-	22/6	23/	3 18 3
17½	16½	Dunlop £1	67/6	67/6	5 3 8
11½	11½	Ford £1	57/6	58/1½	4 6 0
22½	20	Gen. Elect. £1	92/6	94/6	4 15 5
32	20½	Guinness £1	142/6	143/9	4 9 1
32½	8½ m	Hawker Sid. £1	38/9	39/6	5 1 3h
12	11	Imp. Chem. £1	50/9	51 10½	4 12 6
32	32	Imp. Tobacco £1	103/-	103/9	6 3 4
12½	11½	Lancs. Cotton £1	44/	46/3	5 8 1
13½	11½	Lever £1	54/4½	55/7½	4 17 1
15	15	Lon. Brick £1	61/3	62/3	4 16 4
75	65½ m	Marks & Sp. A 5/-	96/	98/6	3 16 2
16	11	R. & O. Def. £1	68/-	69/6	4 12 1
25	25	P. Johnson 10/-	45/6	45/6	5 9 11
12½	9·7½	"Shell" Stk. £1	91/3	94 4½	5 0 11
25	25	Tube Invst. £1	6⅜	6¼	3 15 5
20	17½	T. & Newall £1	97/6	100/-	4 0 0
10	9	Union Castle £1	38/6	40/-	5 0 0
50	35½	U. Sua Betuna £1	65/7½	68/9	14 10 11
12½	9½	Vickers £1	51/6	50/9	4 18 6
42½	38½	Woolworth 5/-	46/6	47/-	4 10 5

(h) Yield basis 20% after capital bonus. (b) Yield basis 10% (xa) Allowing for capital bonus. (m) Yield basis 9%. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended September 22, 1951, total ordinary revenue was £53,839,000 against ordinary expenditure of £75,835,000 and issues to sinking funds £10,000. Thus, including sinking fund allocations of £9,080,000, the deficit accrued since April 1, 1951, is £30,976,000 compared with a surplus of £102,422,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Sept. 23, 1950	April 1, 1951 to Sept. 22, 1951	Week ended Sept. 23, 1950	Week ended Sept. 22, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	367,448	425,883	9,336	11,782
Sur-tax	128,000	34,400	34,800	800	900
Estate, etc., Duties	180,000	87,350	92,600	3,900	2,500
Stamps	55,000	23,600	30,100	800	800
Profits Tax	312,650	111,570	146,700	6,000	4,400
E.P.T.		7,550	...	200	...
Other Inland Rev.	500	60	65	10	...
Special Contributn.	1,500	2,730	1,590	75	30
Total Inland Rev.	2302400	634,708	731,738	21,121	20,412
Customs	930,500	417,437	468,906	17,790	20,962
Excise	720,500	324,225	351,700	6,025	4,800
Total Customs and Excise	1651000	741,662	820,606	23,815	25,762
Motor Duties	62,000	10,137	11,756	...	...
Surplus War Stores	20,000	23,672	21,007	12,942	11,768
Surpl'sfrom Tradg.	50,000	30,974	57,500	...	...
P.O. (Net Receipts)	5,400	400	2,100	*Dr4500*	*Dr4700*
Wireless Licences	13,600	3,750	4,000	...	...
Sundry Loans	27,000	18,074	18,980	1,542	...
Miscell. Receipts	105,000	40,019	25,861	1,459	597
Total Ord. Rev.	4236400	1503396	1693548	56,379	53,839
SELF-BALANCING					
Post Office	179,431	79,600	86,600	7,000	7,500
Income Tax on E.P.T. Refunds	4,900	4,586	2,484	116	22
Total	4420731	1587582	1782632	63,495	61,361

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Sept. 23, 1950	April 1, 1951 to Sept. 22, 1951	Week ended Sept. 23, 1950	Week ended Sept. 22, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	234,521	237,651	590	1,426
Payments to N. Ireland	38,000	15,949	16,089	...	...
Other Cons. Funds	11,000	4,193	4,552	...	9
Total	584,000	254,663	258,292	590	1,435
Supply Services	*3425640	1137558	1457151	44,090	74,400
Total Ord. Expd.	*4009640	1392221	1715443	44,680	75,835
Sinking Funds	...	8,753	9,080	100	10
Total (excl. Self-Bal. Expd.)	4009640	1400974	1724523	44,780	75,845
SELF-BALANCING					
Post Office	179,431	79,600	86,600	7,000	7,500
Income Tax on E.P.T. Refunds	4,900	4,586	2,484	116	22
Total	4193971	1485160	1813607	51,896	83,367

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £26,068 to £3,218,281, the other operations for the week increased the National Debt by £23,632,822 to £26,466 million.

NET RECEIPTS (£ thousand)	
Post Office and Telegraph (Money) Act, 1950	6,750
Housing (Temporary Accommodation) Act, 1944, s. 8	118
	6,868
NET ISSUES (£ thousand)	
E.P.T. Refunds	27
Export Guarantees Act, 1949, s. 3(2)	120
Local Authorities Loans Act, 1945, s. 3(2)	4,500
Cotton (Centralised Buying) Act, 1947, s. 21(1)	500
Miscell. Financial Provisions Act, 1946, s. 2(1) War Damage; War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	322
	8,469

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Nat. Savings Certs.	200	Treasury Bills	3,645
3% Def. Bonds	190	2½% Def. Bonds	1,270
Tax Reserve Certs.	1,648		
Other Debt :—			
Internal	60		
Ways & Means Advances	26,450		
	28,548		4,915

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Sept. 23	3130·0	1869·6	401·3	...	505·0	5905·9
1951						
June 23	3220·0	2108·7	384·5	2·3	345·0	6060·5
„ 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
„ 14	3250·0	2129·1	373·2	...	344·5	6076·8
„ 21	3230·0	2161·9	335·4	...	344·5	6071·9
„ 28	3220·0	2176 9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
„ 11	3220·0	2164·2	280·2	...	379·5	6043·9
„ 18	3230·0	2212·0	296·6	...	355·0	6093·6
„ 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3230·0	2287·7	326·7	...	290·0	6134·4
„ 8	3230·0	2311·5	306·9	...	290·0	6138·4
„ 15	3230·0	2378·4	328·2	...	265·0	6201·6
„ 22	3230·0	2374·7	354·6	...	265·0	6224·4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Sept. 22	240·0	310·2	240·0	10 5·21	34
1951					
June 22	250·0	344·0	250·0	10 2·81	62
„ 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
„ 13	250·0	345·2	250·0	10 2·81	61
„ 20	230·0	323·8	230·0	10 2·84	60
„ 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
„ 10	260·0	354·1	260·0	10 2·78	62
„ 17	260·0	341·4	260·0	10 3·02	68
„ 24	260·0	318·7	260·0	10 3·36	77
„ 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
„ 14	250·0	332·1	250·0	10 3·07	67
„ 21	240·0	335·9	240·0	10 4·87	23

On September 21st application for 91 day bills to be paid from September 24 to September 29, 1951, were accepted dated Monday, Tuesday and Thursday to Saturday at £99 17s. 5d., and above in full. Applications for bills dated Wednesday were accepted as to about 25 per cent at £99 17s. 4d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million are being offered for September 28th. For the week ending September 29th the banks were asked for Treasury deposits to a maximum of £25 million at 1½ days.

NATIONAL SAVINGS

(£ thousand)

	Totals 24 Weeks ended Sept. 16, 1950	Totals 24 Weeks ended Sept. 15, 1951	Week ended Sept. 15, 1951
Savings Certificates :—			
Receipts	38,900	82,500	2,000
Repayments	62,200	66,700	2,400
Net Savings	*Dr23,300*	15,800 *Dr*	*400*
Defence Bonds :—			
Receipts	8,140	24,224	1,425
Repayments	24,324	31,346	1,261
Net Savings	*Dr16,184 Dr*	*7,122*	164
P.O. and Trustee Savings Banks :—			
Receipts	297,598	313,888	12,840
Repayments	326,787	388,608	12,624
Net Savings	*Dr29,189 Dr*	*74,720*	216
Total Net Savings	*Dr68,673 Dr*	*66,042 Dr*	*20*
Interest on certificates repaid	13,547	16,268	600
Interest accrued	57,711	58,003	2,430
Change in total invested	*— 24,509*	*— 24,307* +	1,810

BANK OF ENGLAND RETURNS

SEPTEMBER 26, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1348,902,990	Other Govt. Securities	1385,712,469
In Bankg. Department	51,453,833	Other Secs.	761,534
		Coin (other than gold)	2,510,897
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	319,632,853
Rest	3,982,000	Other Secs.:—	45,155,349
Public Deps.:—	17,641,956	*Discounts and*	
*Public Accts.**	*16,660,576*	*Advances*	*19,044,797*
H.M. Treas.		*Securities*	*26,110,552*
Special Acct.	*1,081,681*		
Other Deps.:—	381,029,857		
Bankers	*289,864,024*	Notes	51,453,833
Other Accts	*91,165,833*	Coin	964,778
	417,206,813		417,206,813

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

COMPARATIVE ANALYSIS

(£ million)

	1950	1951		
	Sept. 27	Sept. 12	Sept. 19	Sept. 26
Issue Dept. :—				
Notes in circulation	1283·3	1352·8	1348·4	1348·9
Notes in banking department	67·1	47·6	52·0	51·5
Government debt and securities*	1345·7	1396·8	1396·7	1396·7
Other securities	0·6	0·7	0·8	0·8
Gold and Coin	4·0	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	14·8	15·4	18·4	16·6
Treasury Special Account	254·8	1·1	1·1	1·1
Bankers	291·8	294·6	294·7	289·9
Others	94·3	94·6	89·4	91·2
Total	655·7	405·7	403·6	398·8
Securities :—				
Government	547·4	327·3	326·6	319·6
Discounts, etc.	21·0	24·3	18·4	19·0
Other	35·6	24·1	24·2	26·1
Total	604·0	375·7	369·2	364·7
Banking dept. res.	70·2	48·5	52·8	52·4
	%	%	%	%
"Proportion"	10·7	11·9	13·0	13·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 20	78·5	90·16	186 8	110 13
„ 21	78·5	90·16	186 12	119 9
„ 22	Markets Closed		186 13	111 3
„ 24	78·5	90·16	187 0	110 10
„ 25	78·5	90·16	188 8	111 4
„ 26	78·5	90·16	188 9	110 2

COMPANY MEETINGS

GEORGE COHEN SONS AND COMPANY

(Engineers and Iron, Metal and Machinery Merchants)

HIGHLY SUCCESSFUL YEAR'S TRADING

ORDERS ON HAND REACH RECORD LEVEL

TAXATION: ALARMING DRAIN ON BUSINESS LIFEBLOOD

MR. CYRIL M. COHEN ON FINANCING OF IMPRESSIVE EXPANSION

The twenty-seventh annual general meeting of George Cohen Sons and Company Limited, was held on September 26th at Grosvenor House, Park Lane, London, W., Mr. CYRIL M. COHEN (chairman and managing director) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts:—

I submit herewith the directors' report and statement of accounts for the year ended March 31, 1951.

In addition to the usual explanatory chart we include, for your interest, other information relating to the Group's activities and earnings and we also show the movement of funds—to which I will refer later—since March 31, 1947, in which year the company was made a public one.

SATISFACTORY COMBINED PROFITS

It is gratifying to your Board to report a highly successful year's trading. The results reflect the greatest credit on the managements, staffs and workpeople of the "600" Group of Companies. In a year complicated by shortages of many materials and during a period in which we carried through important measures of reorganisation, they showed the most commendable initiative, skill and adaptability. The fact that they were assisted in some directions by favourable trade winds in no way detracts from their achievements and I am glad to record this tribute.

The table on page 8 of the report shows that the net profits applicable to the stockholders of the Parent Company amounted to £847,000, an increase of some £500,000 over the abnormally low profit made last year. It will be seen that £422,000, or roughly half, was earned by our manufacturing units and half by our merchanting and related engineering work.

Improved Merchanting Results. — The improvement was most marked in our merchanting organisations. Here we experienced a large increase in demand for capital goods and the radical alterations made in our structure resulted in more efficient and economical working.

Last year I attempted to correct a mistaken view regarding our trading in non-ferrous scrap metals, but since this error appears to persist in some quarters, I feel I should repeat that, as a point of policy, we avoid speculation. Although our metal departments showed improved out-turns, the sharp movements in prices had relatively little effect on aggregate results.

Margins in scrap iron and steel remained extremely lean, but in recent years we have invested large sums in the mechanisation of our scrap yards, and our output, once again, was greater. We were thus able to minimise, but not to eliminate, the effect of the heavier costs of recovery and processing. Since the close of the financial year, however, the predicted shortage of iron and steel scrap has made itself felt.

The necessity to speed every possible ton to the consuming works has, as is well known, become of paramount importance to the country's economy; and we are striving by every means in our power to support the scrap drive at home and to discover additional sources of supply throughout the world.

Higher Manufacturing Outputs. — In spite of the rising costs of materials and services and the mounting difficulties of obtaining raw materials and suitable manpower, our main manufacturing plants, K & L Steelfounders and Engineers, Limited, and T. C. Jones and Company, Limited, thanks to improved equipment and methods, again enlarged their outputs and were also able to show substantial improvements in net earnings. Actually, all our trading subsidiaries, without exception, yielded higher profits.

On page 8 of the report we make some calculations relating to earnings and true capital employed; and we also give a simplified profit and loss account with comparative figures for the previous year.

CONSOLIDATED BALANCE SHEET

The main financial changes disclosed by the balance sheet are summarised on the chart accompanying the report and it will be seen that the group overdraft, to which I made special reference last year, has now been reduced by £431,000 to £222,000.

You will observe that inventories were decreased by £351,000. Although, by dint of selective buying and vigilant control, we have managed to carry a much reduced stock, whilst yet supporting a substantial increase in turnover, part of this reduction, resulting as it did from the inadequacy of steel supplies, was unwelcome.

Debtors have risen by £642,000, largely due to the higher turnover and to some special transactions in the closing weeks of the year, but the figure also reflects a tendency on the part of some customers to take longer credit.

The negotiations, to which I referred last year, in connection with the compulsory transposition of the Parent Company's Canning Town depot to an adjacent site, have at long last been completed and the formal agreement, between the Company and the various Authorities concerned, has just been exchanged. It can, therefore, be expected that the compensation due to us will shortly be assessed and settled.

CAPITAL PRESERVATION

The combined effect of the fall in the value of the £ and the crushing burden of taxation is jeopardising the productive resources of this country. Frequent references to this have, of late, been made in the statements of company chairmen, and it cannot be emphasised too strongly or too often. It is no exaggeration to say that if these two evils persist, the inevitable result will be a rapid dissipation of the nation's capital.

In order to mitigate the effect of these dangerous influences on your Group's resources and to ensure, as far as practicable, that adequate funds are available to meet the rising costs of stock replenishment, plant replacement and improvements, your Board—in common with industrial managements generally—has striven to increase earnings and has limited distributions.

The Government should realise that the directors of large and old-established industrial concerns, being fully mindful of their heavy responsibilities, can be relied upon to pursue voluntarily a prudent financial policy; and, further, that omnibus legislation, since it is heedless of the special considerations that apply to particular cases, must often provoke injustice.

Financing of Impressive Expansion.—You will like to know in greater detail how your Group has fared so far and at the foot of page 9 we give a statement showing the movement of funds from April 1, 1947, to March 31, 1951.

In this period of four years, during which annual turnover has increased from £6,500,000 to approximately £12,000,000, and assets from £4,500,000 to £6,600,000, your Group has been able to preserve its capital intact. The impressive total of £1,224,000 has been expended on replacements of, and extensions and improvements to, its productive facilities. The proceeds of the additional £500,000 Preference Stock issued in 1948 were of material assistance but, this apart, the Group has provided the extra working capital to support the large expansion from its retained earnings.

How long we can remain successful in this respect it is, of course, difficult to predict. But as a measure of the problem it may be of interest to you to know that for every £100 which your Board considered it necessary to earn in 1947 so as to give a reasonable return on your investment and to provide for replacements and healthy growth, it is now considered necessary to earn over £140.

In passing, it is also interesting to note, from the summary given, that of trading profits earned during the four years amounting to £2,653,000, a net sum of only £401,000 was paid in dividends, whilst no less than £1,566,000 was taken by taxation—surely an alarming drain on the lifeblood of a business and liable to lead to chronic anæmia.

Accounting Treatment.—Recently some companies have taken account of the falling value of the £ by earmarking reserves for specific purposes and have, in certain cases, departed from traditional methods of valuation of assets.

If funds are adequate to cover all responsibilities—as they happily are, so far, in our case—the precise method of presentation of the accounts assumes secondary importance. But, in view of the two schools of thought that exist, you may be interested in our reasons for adhering to orthodox practice.

An extra provision for depreciation computed at current replacement costs over the anticipated life of the assets would almost certainly prove inappropriate for our requirements during the next few years. Additionally a "Stock Replacement Reserve" could only be calculated on information available at a particular time and would stand to be falsified by changes in the composition of stocks due to alterations in designs and methods, or other causes.

To take the further step and depart from the generally accepted bases of valuation of assets could, in some circumstances, react to the detriment of stockholders who, after all, are primarily interested in the earning power of those assets.

Therefore, whilst budgeting for our financial requirements in advance, we have not earmarked our reserves—preferring the advantage of retaining flexibility in their utilisation—nor have we revalued our fixed assets.

I might add that companies have recently suffered from decrees which were designed to placate interests that remain oblivious to the true nature of company reserves. It is quite conceivable that predatory fingers might be pointed at the notional reserves created by revaluations of assets as "large untapped sources of wealth" remaining untaxed.

APPROPRIATIONS

The balance of net profits, after taxation, applicable to the stockholders of the parent company, amounted to £331,983. After paying the dividend on the Preference Stock, £37,125, and the interim dividend on the ordinary stock, £26,400, there remained £268,458.

Final Ordinary Dividend.—The profits for the year under review, the present financial position of the Group, and the immediate outlook, amply justified a modest increase in the ordinary dividend, and your Board, on July 24th, therefore decided to recommend a final payment of 15 per cent., making 23 per cent for the year. The net cost of the extra payment, including the additional profits tax incurred is £13,230.

We have transferred £64,000 to general reserve, restoring the total to £700,000, and we have written off £21,948 relating to the new Pension Scheme. Subsidiary Companies have retained £134,957 and, if you approve the final dividend, the Parent Company's carry-forward will be increased by £303 to £65,707.

Pension Schemes.—During the year we widened the scope of our pension schemes to include certain categories of female and works staff who were not formerly eligible, and the amount of £21,948 charged in the accounts is an actuarial assessment of the net capital cost of pensions relating to back service of the entrants to the new scheme.

The trustees of this scheme will, as a matter of convenience, also administer on behalf of the group the funds set aside to provide the ex gratia pensions which are being paid. The capital cost of these pensions was computed at some £44,000 and we have paid this sum to the trustees, reducing the Employees Pension Fund, which had borne tax in previous years, by a net amount of £20,684.

OUTLOOK

Our manufacturing plants continue to extend the range and scope of their products and orders on hand have reached a record level. Their capacities are devoted to the execution of contracts of the greatest industrial importance. Shortages of essential materials during the past year were serious handicaps to production and were only alleviated by costly improvisation and unremitting ingenuity. Subject to their achieving the same measure of success in resolving such troubles, I have no doubt that these works will continue to flourish.

To date there has been no falling off in the heavy demand for machinery and our reconditioning shops are kept fully occupied. Supplies of the high-class equipment in which we deal are becoming more difficult to procure but we are re-doubling our efforts, both at home and abroad, to buy what is needed. In this connection, we have been able to secure for the Ministry of Supply a very large number of new Continental machine tools which are required for the Defence Programme. We have placed contracts for these with manufacturers of the highest repute, for whom we act as sole agents in this country. Deliveries began in March and will progressively increase for some while to come. Taking a view over all the prospects for the current year, I feel justified in closing on a note of optimism. My optimism is somewhat tempered, however, by the thought that existing difficulties may become more acute in the future and, furthermore, that, in these unstable times, new adverse influences, quite outside our control, might be introduced into the sphere of business.

The report and accounts were adopted.

BRITISH HOMOPHONE COMPANY, LIMITED

MR J. LESSER'S SPEECH

The annual general meeting of The British Homophone Company, Limited was held on September 26th in London.

Mr J. Lesser, chairman and managing director, after expressing regret at the death of the late chairman, Sir Herbert Morgan, said that the net profit for the year, before providing for taxation, was virtually unchanged from last year at £14,725 as compared with £15,122. The taxation charge was slightly higher by virtue of the profits tax on the higher dividend, with the result that the net profit after taxation was £4,818 as compared with £6,222. The balance sheet was almost unchanged and, therefore, the strong position was maintained.

During the year there had been a substantial increase in the turnover of Ebonestos Industries, Limited, with the result that the consolidated profit and loss account showed an improvement. The combined figure, before taxation, was £29,498 as compared with £11,499. The taxation charge was correspondingly higher, with the result that the profits, after all taxation, were £12,574 as compared with £2,599.

At the last annual general meeting Sir Herbert had pointed out the necessity of exercising caution in assessing the results for the year now under review. They were then facing problems such as recruiting and training new labour and difficulties in obtaining certain raw materials. The results shown had been achieved in spite of those difficulties, which, he must add, were still with them. Nevertheless, taking all things into consideration, the board assessed the trading of the companies, in so far as the foreseeable future was concerned, as progressing satisfactorily. Incoming orders were being well maintained, labour personnel had been steadily increased and production elasticity was to some extent compensating for the immediate lack of all raw materials required at a given time.

The report was adopted.

WATNEY COMBE REID AND COMPANY, LIMITED

EXPANSION IN EXPORTS

The ordinary general meeting of Watney Combe Reid and Company, Limited, was held on September 21st in London, Mr S. H. Combe, M.C. (the chairman) presiding.

The following is an extract from his circulated statement:

The last year's trading has been difficult in the extreme and we have suffered from ever rising costs. Comparing present day costs with those of 1938/39, barley has risen by over 300 per cent., hops by nearly 300 per cent., wages by 250 per cent., general overheads by over 200 per cent., bottling costs by nearly 300 per cent., building costs have risen between 2½ and 3 times compared with prewar. Beer duty per standard barrel was 104s. in 1939 and is now 321s. in 1951.

The year under review has seen an appreciable expansion in our export trade, and results in this direction are encouraging. At home the change in popular taste from draught to bottled beers continues with increasing momentum. Active steps have been, and are, being taken to increase our output at all our stores.

In March last we made an offer for the equity holding of Charles Hammerton and Company, Limited, and we have recently completed the purchase of the whole of the ordinary shares.

THE NEW TOWNS

We are beginning to see the fruits of the Licensing Act, 1949. Plans have been prepared and financial provision made for the building of State public houses in several new towns. Although naturally opposed in principle to State Management, the trade has made clear its willingness to co-operate with the Government in the State Management areas. We hope that our genuine desire to be of assistance will be reciprocated by those responsible, ensuring that a fair proportion of licensed premises in those areas is allowed to remain under private enterprise. This would be in accordance with the Government's policy of encouraging the competition of private and public enterprise.

The profit on trading at £1,434,852 compares with £1,452,329. The profit for this year, before providing for taxation, is £96,882 lower at £1,434,815, and having regard to all the circumstances I do not consider this unsatisfactory.

A final dividend of 10 per cent. and a bonus dividend of 2 per cent. making, with the interim dividend already distributed, 17 per cent. for the year is proposed.

In regard to the outlook for the future, I find it difficult to see any immediate prospect of an increase in beer consumption. In fact, with ever increasing demands on the spending power of the public, a continued decrease in consumption would appear more probable.

Addressing the meeting the chairman said:

Since the statement was issued there has been another serious rise in one of our chief raw materials—that is barley—amounting at the present time to an increase of over 60s. per quarter. This represents a rise of over 7s. per barrel in our production costs and in the case of export beer, which is, of course, of a much higher gravity, a rise of from 12s. to 14s. per barrel.

The report was adopted.

DAVY AND UNITED ENGINEERING COMPANY, LIMITED

EMINENTLY SATISFACTORY RESULTS

DEMAND UNABATED

MR D. F. CAMPBELL'S SPEECH

The seventy-eighth annual general meeting of Davy and United Engineering Company, Limited, will be held at the Royal Victoria Station Hotel, Sheffield, on October 12th.

The following is the statement to be made by the chairman, Mr D. F. Campbell:

The net profit for the year, after providing for depreciation and taxation, is £279,333. This compares with £327,911 last year. You will recall that in my statement last year I mentioned that an exceptional number of major contracts came into account as finally completed and, in consequence, that year's profits should be regarded as correspondingly exceptional. Your directors consider the results for the year under review as eminently satisfactory and more representative of a normal year of full employment at our factories.

The only item in the accounts calling for comment is the smaller appropriation this year (£30,000 against £70,000) to the Group Income Tax Initial Allowances Equalisation Reserve. This arises from the lower amount of capital expenditure in the year now under review. Furthermore, the figure of £70,000 related to capital expenditure over more than one year. Otherwise, the directors' report and accounts are straightforward and call for no special comment. I therefore turn to some of the wider aspects of the Company's affairs.

MODERNISATION POLICY JUSTIFIED

I have said on many previous occasions that the policy of your directors is to bring our designing organisation and our manufacturing plants up to the highest pitch of efficiency and to maintain them at that pitch. When the war ended we had considerable arrears of re-equipment to make good which, coupled with an obviously expanding demand for our products, justified a bold programme of modernisation, with some extension of capacity. That issue was squarely faced and our postwar development scheme is now almost completed.

From the results of the last two financial years your directors may fairly claim that their policy was justified. Not only have good profits been earned, but we still have an order book of great magnitude, and the demand for our products continues unabated. This is the direct result of building up a fine reputation for efficient manufacture and, above all, because our prestige as engineering designers stands high.

This satisfactory position is due to the devoted efforts of the senior members of the Company's staff and the whole-hearted collaboration and loyalty of all engineers, office staff and workpeople, who have each and all contributed to the Company's good reputation and success.

In the year under review we earned a surplus, before taxation, of £542,793. It represents profits earned in an inflated currency by the use of fixed assets, many of which were purchased before the period of postwar inflation. The true worth of the Company's assets is today greatly in excess of the issued capital and it is, therefore, entirely misleading to compare the year's profits with the latter.

HIGH DEGREE OF EFFICIENCY

Having now reached, as we think, a high degree of efficiency we have the task of maintaining and still further improving it. This involves constant expenditure on costly new machine tools and labour saving devices, as there is continuous change in the technique of cutting metals and machining, to say nothing of plant requirements arising from developments in design. The money for such expenditure can only come from new capital or from profits. Your Directors have estimated the probable annual cost over the immediately foreseeable period and it exceeds by a fair margin the nett profits likely to be available. Of our surplus last year of £542,793 roughly half is taken in tax.

The dividend of 10 per cent. (payable in depreciated currency) cannot be considered excessive for a risk-bearing equity of this kind. After making the necessary reserves dictated by ordinary prudence, the balance available for ploughing back is insufficient to meet the estimated annual cost of maintaining the Company's productive equipment at a proper level of efficiency and abreast of progress. In short, either taxation is too high, or our profits are too low, and stockholders will no doubt draw their own conclusions. In fact, this demonstrates how penal taxation is stripping industry of the funds necessary for the maintenance of efficiency.

INCREASE IN ISSUED CAPITAL

Your directors are determined, however, that at any reasonable cost this process of plant replacement and improvement must continue. In view of the satisfactory year's working and the future prospect of work to be done by your Company, your directors have therefore decided that this year they will offer to existing stockholders the right to take up a modest increase in the issued capital in the proportion of one new share for every £20 stock held. Letters of Right will be posted on October 12th.

In my statement last year, I referred to the possibility of further substantial orders for export. Of the total value of orders now in hand, about one half is for export to the U.S.A., Australia, South Africa, India, Pakistan, Burma, Egypt, Portugal, Sweden, Italy, Holland, Norway, Poland, Turkey and Brazil.

CONFIDENCE IN FUTURE

The future of this Company may be viewed with confidence so long as our present leading position in the design of heavy metal-working machinery is maintained and this is supported by efficient shops, with keen and skilled workpeople. Much new equipment is still required in British works, and the modern strip mill installations at Ebbw Vale, Shotton and Margam, to which your Company have made substantial contributions, serve to emphasise the absolute necessity of replacing old equipment which is so wasteful in human energy.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

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THE BRITON FERRY STEEL COMPANY

OUTPUT A NEW RECORD

COLONEL J. M. BEVAN'S REVIEW

The sixty-third annual general meeting of The Briton Ferry Steel Company, Limited, was held on September 27th at Briton Ferry, Neath, Glamorgan, Col. J. M. Bevan, M.C., chairman and managing director, presiding.

The following are extracts from the chairman's circulated statement:

On February 15, 1951, the whole of the stock capital of the parent company was vested in The Iron and Steel Corporation of Great Britain by virtue of The Iron and Steel Act, 1949. In addition to the parent company, two of its subsidiaries—the wholly-owned London Works (Barlows), Limited, and the partly-owned Neath Steel Sheet and Galvanizing Company, Limited—were included in the Third Schedule to that Act. Our fully-owned subsidiary, The Briton Ferry Steel and Tinplate Agency, Limited, also became a publicly-owned company on that date. The above changes have necessitated minor amendments to the basis upon which the consolidated accounts are prepared.

During the financial year the directors paid the balance outstanding of the purchase price of the stock units of London Works (Barlows), Limited. As a result of the acquisition of this company during the year 1948, the profits of the group increased from £258,470 for the year to April 3, 1948, to an average of £433,963 for the succeeding three years. As the reference period for determining the compensation value of our ordinary and preference stock occurred in the year 1948 this increased level of profits was not reflected in the compensation value of £1,154,526, upon which figure these profits show a 38 per cent. return.

The group net profit this year of £391,918, although somewhat lower than last year, can be considered satisfactory.

PRODUCTION AND DEMAND

The steel industry of Great Britain reached a peak of production in 1950 in which our steel works played their part by establishing a new record output for the company.

Our re-rolling plant in Birmingham—London Works (Barlows), Limited—and The Neath Steel Sheet and Galvanizing Company Limited, worked to full production; the tinplate works of the group were only able to work to about 70 per cent. of capacity due to an extreme shortage of labour. Every effort has been made to recruit more labour into the tinplate industry, and we are at present employing a considerable number of Italians and other foreign labour, but, despite this, our output of tinplate continues to fall as our labour force diminishes.

In the early part of May this year, it became apparent that, due to a shortage of raw materials and the starting-up of the new steel plant in Port Talbot, certain of the older steel works in South Wales must perforce close down. It was with great regret, therefore, that it was found necessary after 60 years of steel-making for the older of our two steel works to cease operations, though by closing down at this time it gave our employees an opportunity of obtaining further employment at the new works or elsewhere.

FUTURE PROSPECTS

It is understood that the new continuous tinplate mill is likely to commence operations towards the end of the year, but that this will be in addition to the present output, which confirms the views I expressed last year that all the existing hand mills and the necessary labour operating today will be required for some years longer than was originally contemplated.

The report was adopted.

THE GOLDEN HOPE RUBBER ESTATE, LIMITED

The forty-fifth annual general meeting of The Golden Hope Rubber Estate, Limited, was held on September 24th in London.

Sir Eric Macfadyen, the chairman, presided, and the following is an abstract of his address: In the balance-sheet the property items have risen from £412,003 to £465,660, with an increase of £45,840 in issued capital and a new capital reserve of £33,068. These changes mainly follow from the sale of Reading and Tai Tak Estates (the latter having been acquired during the year by amalgamation) and the purchase of Pendamaran; £42,000 has been invested in a local company. The working profit, arrived at after payments for export duty and quit rent amounting to £55,000, is £435,731: reduced by tax provisions of £255,475 to an available balance of £180,256. Two interim dividends, of 10 per cent. each, have been paid, and the directors have placed to a deferred dividend reserve £53,856, the amount required for a final dividend of 25 per cent. which would have been recommended but for the issue of the White Paper on dividend control. £15,000 is transferred to general reserve, £45,122 to cultivation and replacement reserve and £25,000 to dividend equalisation reserve. The carry-forward is £28,315 against £25,836 brought in.

Dealing with the emergency the chairman said: There is now a working plan in action but it is a misreading of the situation to imagine that all is over bar the shouting.

The report was adopted.

BOULDER PERSEVERANCE

EFFECT OF AUSTRALIAN INFLATION

The twenty-seventh annual general meeting of Boulder Perseverance Limited, was held on September 26 in London.

Dr K. B. Edwards, B.Sc., Ph.D. (London), F.R.I.C., chairman and managing director, presided.

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

Notwithstanding interference from labour disputes which affected the early part of the year's operations, tonnage treated during the year was 114,810 long tons of an average value of 4.90 dwts., being 0.09 dwts. lower than for the previous 15 months. Development was again curtailed through lack of labour and the ore reserves have therefore decreased to 387,400 long tons at the same value of 4.8 dwts., a decrease of 62,900 tons from the figure at March 31, 1950. There was an increase in cost of A.8s. 9.94d. per ton. Re-treatment of tailings contributed only £1,715 to the profit, and dividends from Kalgoorlie Enterprise Mines £5,720. The total profit amounts to £52,189, and the net provision for taxation amounts to no less than £30,450, or 58.35 per cent. of the profits.

THE ENTERPRISE MINES

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No Signposts

ALL three parties have now published their election manifestoes. The Liberals' is naturally an attempt to show how Liberal influence in the House of Commons would be useful, rather than to lay down a policy for government. Between the two major parties, the chief distinction is that the Labour manifesto does not admit the existence of an unsolved economic problem for Britain while the two Conservative documents recognise its existence but do not say what a Conservative government would do about it.

The difference, if in one sense slight, is still enough to make the Conservative statement the better. How much the better was inadvertently emphasised by the Chancellor of the Exchequer himself, when on Wednesday he announced that in the last three months the gold reserve of the sterling area has fallen by $600 million, undoing in a seventh of the time one quarter of the improvement achieved since the point of bankruptcy on September 18, 1949, when sterling had to be devalued. Once again the life-blood of the sterling area is running away and the whole basis of this island's livelihood is in question. The primary immediate issue before the British people is what shall be done to close the gap before the world's confidence in their economy and their currency is again broken.

The dollar gap and the general deficit in Britain's overseas payments are, indeed, the symptoms, not the disease. But they are the symptoms that make a cure urgently necessary. One party recognises at least that something needs to be done while the other suggests that the country can go on happily as it is. The difference is one of kind rather than a mere superiority in degree. One document is relevant and the other is not. The elector's choice is not, however, so simple as that. Political parties are to be judged by their actions more than by their words. And while the Tories may be no better than their words, Labour certainly cannot be so bad as it presents itself.

If the manifesto were to be taken at its face value, Labour's case would be hopeless indeed. It not only refuses to recognise the seriousness of the economic problem. In the little it says about economics it achieves a rare refinement of wrong-headedness. Its one reference to this country's difficulties attributes the reopening of the dollar gap to "world shortage of raw materials." That is nonsense. If there is one thing that shortages of materials, and consequent high prices, certainly do, it is to increase the dollar earnings of the sterling area. In fact two of the reasons why the dollar deficit is so large are precisely opposite to this: one is that the rest of the world's pressure for commodities has slackened and the other is that the sterling area has itself been buying the things of which, in order to save dollars, it deliberately went short last year when prices were lower. Labour has learned nothing about causes and as little about policies. It still boasts of "full" employment in the sense of there being not as many jobs as workers but *more* jobs than workers"; in other words, it claims, if it knows what its words mean, inflation to its credit. Again, it still

puts forward price control as a means of reducing prices, although all the experience of the past six years has shown that such suppression of the symptoms of inflation inevitably encourages the deficit in the balance of payments that Labour declares itself able to "conquer."

Two proposals in the Labour manifesto deserve at least support in principle: to abolish resale price maintenance and to set up provincial vegetable markets. But both are of slight practical importance. For the rest, Labour offers to go on as it is, with two qualifications. For the first time, it makes no specific proposals for more nationalisation. The vague declaration that "we shall take over concerns which fail the nation" is a mere nod before tradition. The two concerns that at this moment are patently "failing the nation" are the nationalised coal industry and the nationalised railways. How exactly would another Labour government "take them over"? Such is the dead end to which the doctrine of public ownership has come.

But if there is not to be more nationalisation, there must be some more important concession to the Left. There must be more class war. Labour would impose some undefined further levy on unearned income and a capital gains tax as well. Mr Gaitskell and others have explained that such further redistribution cannot make wage-earners significantly better off. It is in the Labour programme not because the party leaders seriously believe that it will contribute to a more just society; if they believed that they would have taken their ample opportunities to do it before. It is there because Labour must somehow convince itself that it is still a party of social change even if the only change it can think of is pointlessly to level down a few peaks without significantly raising the troughs. That is all that is left of the progressive tradition in Labour hands. There was never a clearer confession that a political party has played itself out.

By comparison with all this escapism, the sombre tone of the two manifestoes issued by the Conservative party is impressive. They avoid the definite promises of lower taxes and other benefits with which the last election hook was baited. This time

> the Conservative party . . . offers no bribes to the electors. We will do our best to serve them and to make things better all round, but we do not blind ourselves to the difficulties that have to be overcome, or the time that will be required to bring us back to our rightful position in the world, and to revive the vigour of our national life and impulse.

The dignity of Mr Churchill's prose is, as always, impressive. The Tories present themselves convincingly as men more willing and able to grapple with the difficulties of a country in crisis than the tired Labour administrators can possibly be. But they do not do more than that. They do not put the grappling-irons on show. The voter is not offered bribes, but he is asked to act on faith rather than conviction. And the basis for faith in the Tories remains slender.

Many of their proposals—to denationalise steel, to decentralise coal, and so on—are excellent in principle. They do not add up to a coherent general policy matching the size and urgency of the country's needs. Indeed, two of the points on which the manifestoes are most precise are of dubious relevance to such a policy. The proposal of an excess profits tax is not necessarily to be condemned because it is an obvious trick to dish the Socialists. In practice it would no doubt be part of a set of changes both in the assessment of profits and in the existing profits tax whose net effect would be—rightly—to reduce the present impost on company earnings. The fact remains that any EPT, however mild and however temporary in intention, falls more heavily on the expanding business than on the established, relatively stable business. It therefore discourages enterprise more directly than does a flat-rate profits tax, and runs counter to the promise of "due incentive and reward" on which the Conservatives base their claim that they could increase production. There is little in their declared policies that would on balance make much difference to existing incentives either for management or for workers. But if production cannot be quickly increased, the economy can be restored to health only if the present excessive demands on it are cut down. At this point Tory policy remains almost as unhelpful as Labour policy. The "target" of 300,000 houses a year is in itself inflationary. The mere removal of "waste and extravagance" in government expenditure, without reducing any of the benefits of the social services, could hardly be even an adequate offset to the housing policy. As far as its specific declarations go, the Tory party is no readier than Labour to impose the disinflationary remedies that the British trade deficit plainly requires. The differences between the two manifestoes spring less from contrasts in doctrine than from the perennial difference between the attitudes of the "ins" and the "outs." The Labour party will not admit problems because that would be to confess its own past failures. The Tory party can admit them but shrinks from advocating remedies because those inevitably offend some voters; and thereby it runs the grave risk that if it does get into office it will be almost as inhibited from taking large measures in time as Labour has been.

*

To condemn both parties for their unrealism is to run the risk of assuming, or at least of appearing to assume, an attitude of moral superiority that ignores the practical limitations on politicians seeking office and is therefore quite as unrealistic politically as their own attitudes are unrealistic from the economic point of view. And yet what alternative is open to the commentator? The issues before the British people are not obscure. If Mr Bevan is ignored, and one assumes with the leaders of the two parties that a rearmament programme of the present size has to be carried out, the primary task of the politician is now—as it has been at most points since the war—to scale the claims on the British economy down to the level that the economy can sustain. The task is, in other words, to prevent inflation. The practical problem is to decide what things among the present activities of the country shall be scaled down, and the decision depends on five main issues of principle.

1. To what extent, if at all, is it desirable in an inflationary age for a government to pursue policies deliberately designed to encourage consumption? The most notable of such measures are the food subsidies, rent control and the housing subsidies, and the utility schemes. Labour is firmly wedded to them all, and while the Tories do not like them they do not say that they will change them immediately.

2. What is now the proper balance between the proportion of the national income that consumers should be free to spend as they choose and the proportion that the state takes in taxes to spend as it thinks best? Labour would like to take more for the state and the Tories would like to take less, but both fear that a change in either direction would lose more votes than it would gain.

3. How equal should the distribution of incomes and property be? Labour would like to make it more equal than now but is afraid of the economic consequences; the Tories would like it to be if anything less equal but are afraid of the political consequences.

4. How extensively should the state intervene, by planning, controls and public ownership, in the economic activities of the community, and how can such intervention best be reconciled with the flexibility, inventiveness and efficiency which alone can support a high standard of living? On these questions no party has as yet formulated coherent ideas.

5. How should wages be settled in a fully employed economy, and how low a level of unemployment is compatible with effective financial control of the economy by the government planners at the centre? Of these things no party will dare to let itself think.

The visible, inescapable evidence that the present answers to all these questions are unsatisfactory is provided by the continual inability of the British economy to pay its way in the world. To the independent observer they are plainly the issues that somehow the British people have to settle. And neither party manifesto faces them. They are all issues that have been discussed extensively in these columns. It seems, however, appropriate that in the two further issues of *The Economist* that will appear before the election another attempt should be made to set out what we believe to be at least the lines on which the right answers may be found—the answers which it is the politicians' task to convert into political possibilities.

Middle East Munich

NOTHING that Mr Attlee or Mr Morrison has said or can now say will alter the fact that the evacuation of Abadan is a deeply humiliating episode and a grave defeat for British policy. What might weeks ago have been a deliberate act of strength, forcing Dr Mossadegh to recognise that Persians had neither the skill nor the resources to run the oil industry alone, became through delay and hesitation a last-moment rout. Of course it was right to withdraw the 300 employees of the Anglo-Iranian Oil Company before they were thrown out; they had been left too long in an intolerable situation. But what has been wrong and deserving of the sharpest criticism is the long series of errors in judgment and timing that have marked the handling of the oil dispute by the Foreign Office and the Cabinet. The strength of the nationalist movement in Persia was misjudged both by the oil company and the British Embassy in Teheran; terms that were in fact offered under pressure were not put forward at an earlier stage when they might have done some good; while the British Government used at intervals the language of diplomatic exasperation that meant nothing unless there was behind it the determination to use the forces that stood ready.

It became clear at a fairly early stage of the dispute that the use of force to protect British property in Persia or to keep British technicians at their posts would be most unwise. Immediately that conclusion was drawn, the next best policy, as has consistently been argued in these columns, was to withdraw all the British employees of the Anglo-Iranian Company, voluntarily and at once, in order to make it clear that there would be no acceptance of unsatisfactory compromises and that the responsibility for Persia's ruin lay on Dr Mossadegh's shoulders. This was not only the next best policy but also the next strongest policy, because it was logical and consistent and could be maintained. The responsibility for hovering and wavering into this week's humiliation—the double humiliation at Abadan and New York—is the Government's. But the Conservatives must bear a fair share of blame for their stupidity in continuing to insist on the symbolic retention of 300 unemployed Englishmen in an idle refinery and in branding their withdrawal as a "weak" policy—although anyone with a correspondent in Teheran could have told them that the continued presence of the technicians was regarded by the Persians as proof that Britain was bluffing. It was mistaken Tory pressure of this kind which extracted from the Prime Minister, in the last minutes of the debate on July 30th, the "pledge" that he is now said to have broken.

To say, as some Labour spokesmen are now saying, that the use of troops would have started war, is neither here nor there. There are situations in which a display of weakness is as likely to lead to war as a display of strength—and the Persian case is very probably one of them. The reason why troops could not be used was not that there would then be a risk of war, but because British foreign policy has to work within the limits set by Britain's obligations as a member of the United Nations and as an ally of the United States. It has seemed highly probable all along—and the past week's events have proved it—that Britain, if arraigned before the United Nations as an aggressor, would find a hostile majority, and that the United States, when faced with the choice between supporting the justice of the British case or trying to keep the Persians sweet because they are so near Russia, would wobble towards the latter.

*

The defeat, so far, is complete. But the story is not yet finished and there are two conclusions to be drawn from what has happened hitherto. The first is that, now that the Persians have been allowed to have the whole of their own way, not one syllable of the consequences they have brought down upon themselves should be remitted. The British stake in Persian oil may have gone for good and all. The more imperative is the need to show to others who may be thinking of treading the same road that it leads to ruin for themselves. Any oil sold by the Persians is stolen property, and it must be treated as such.

The second consequence is more important, and to draw it involves some plain speaking. What the British Government could or could not do in Persia was, in the last analysis, dictated by Washington. Mr Harriman's mediation, so far as it went, was helpful and understanding. But on the major issue the Americans still do not

seem to realise what they have done. The Middle East is an area of the most vital importance to the whole alliance of the free world, and it has been held for the free world hitherto by British prestige and power. The withdrawal from Abadan—a policy imposed on Britain by America, since it was America that vetoed the alternative—has caused great damage to British prestige and may have incalculable consequences for British power. The Americans do not seem to dispute that the Anglo-Iranian Oil Company has a sound claim, in law and in equity, to its concession. To admit the British to be in the right but to acquiesce in their having no remedy—indeed, to hold them back from matching arbitrary acts by arbitrary acts—is to do what Neville Chamberlain did to the Czechs. The occasion is less dramatic; but the parallel is a close one. This policy of appeasement has created a vacuum of power in the Middle East. Are the Americans ready to fill it? Otherwise, if their policy is appeasement and nothing more, it will have the usual consequence—the Middle East will pass to those who have more logic and more courage.

The Anglo-American alliance cannot continue on a basis of whole-hearted British liability in Europe and Korea and half-hearted American liability in the Middle East. An alliance is a relationship of trust and it involves a certain amount of loyalty on both sides. The Americans have now deliberately acquired the rights to Neville Chamberlain's umbrella. The only way in which they can salvage anything from the wreck—the wreck in the Middle East and the very heavy strain on their relations with their principal ally—is to open up the umbrella and spread the protection of their direct responsibility over the whole Middle East. If they will do that, the British will try not to obstruct them with more suspicion, jealousy and backbiting than they themselves have had to put up with in the days of their own responsibility.

More or Less Arms?

SHOULD the rearmament programme of the North Atlantic nations be increased or cut down? This is the great unresolved problem that the Three Wise Men —Mr Averell Harriman, M. Jean Monnet and Sir Edwin Plowden deputising for Mr Gaitskell—are shortly to meet in Paris to tackle. It was the central point of all the discussions last month in Washington and Ottawa and it is bound to figure in the British election campaign, however much Mr Bevan's dissent is muted. The pressure for more rearmament comes chiefly from General Eisenhower. He wants a greater effort in Europe to fulfil the existing programmes for the year from mid-1951 to mid-1952, and an increase in the programmes for 1952-53. If this is not done, he gives the warning that a satisfactory state of preparedness will not be reached by 1954 and that the period of intensive effort will therefore have to be indefinitely extended. But the representatives at Ottawa of continental Europe were full of woe about the industrial unrest and the threat of runaway inflation with which they are already faced. They can hardly say that this is the result of their own rearmament programmes, which have barely yet begun; the shoe pinches before more than a toe or two is in it. The difficulties are rather the reaction on Europe of American and British rearmament; but whatever the cause it has led to a plea that the present programmes cannot be carried out without an increase in American aid. The two arguments—General Eisenhower's and the Continental politicians'—do not make contact with each other. So the debate continues: more or less arms?

Unfortunately, this is not a question that can be answered with a simple Yes or No; the answer will be different for different countries, and for the same country at different times. Several contradictory things can all be true at once, to the confusion of the unfortunates who have to try to live up to the name that has been conferred upon them of Three Wise Men. As with other confused problems, the best thing that can be done is to separate it into its parts and give a separate answer to each one.

If all the arms that figure upon programmes extending to the year 1954 are ever all made and manned, then it is highly probable that the west will find itself grossly overarmed. In this sense, the strength of Soviet Russia has been over-estimated; and in this sense Mr Lewis Douglas and other shrewd and realistic observers are right when they say the programme should be cut down. The military, when handed a blank cheque and told to fill it in, always—and quite naturally—put down figures that are too large. They were encouraged to do so last winter by the almost universal conviction in America at that time that full war was imminent. In large measure, the present American programme is designed for fighting Russia, not for staying at peace by deterring a Russian aggression. Certainly, when one imagines what expenditure at the rate of $65 billion a year, continued for several years, will bring forth, when one hears talk of an Air Force of 140 groups, it is difficult to believe that it is not being overdone. If so, it should be cut back, for too large a programme creates too much dislocation of one sort while it continues and of another sort when it stops. Moreover, it is not safe for the world for either side to be overwhelmingly stronger than the other—even if it is our side and inspired by the most pacific of intentions. Good men are not exempt from temptation.

But all this is an argument about 1953 or 1954. At the moment, the side that is overwhelmingly stronger than the other is still the Communist, and the need of the moment is for as much armament as can be turned out. Mr Charles Wilson reports that the tooling up of American industry is now nearly finished and that within a year the phase of quantity production will be reached. A year is still a long time, and it would be folly in the highest degree to reduce by a single item the programme of production for 1952. The facilities now created in America are, next to the stockpile of atomic bombs, the world's best protection against war. The sooner they get rolling the better. The argument for cutting down is not one for scrapping these new plants or failing to use them. It is an argument for planning to shift them down into low gear earlier than is at present planned, and in any case before they suck in all the spare materials of the world and create a mountain of weapons so monstrous that it is either wastefully redundant or menacingly tempting.

In Britain, the picture is rather different. The ultimate programme laid down by the British Government is smaller, relatively to the national income, than the

American. It is not by any test too big, either by the test of what is needed or by the test of the resources available. Mr Gaitskell has made it clear that the £4,700 million programme is not to be reduced. Indeed, it cannot be; for it does not take any knowledge of official secrets to see that the country is still woefully weak even in its elementary defences. The programme is not to be cut; but if they are urged to increase it, there are several points that British Ministers can very properly put. The Americans are apt to judge the rearmament efforts of the different countries by what they have achieved; when they say that their partners are lagging behind, they are thinking of equality of achievement. But that is not the only measuring rod; to politicians who have to face electors it is not even the most significant. There is also the measure of how much hurt a country is doing to itself by its efforts, and by this test there can be no doubt at all that the British are not only doing as much as the Americans but far and away more. Perhaps if they managed their affairs more wisely they would do themselves less hurt than they do; the American observer and the native economist are right to make this reservation. But what counts in politics is actuality; and the actual fact is that Britain has suffered much more from rearmament than any of its allies. The programme can, of course, be increased if it has to be; it is still only quarter-war. But before still more hurt is done to the British economy, there is an unanswerable moral case for a little levelling-up of sacrifice. If Americans feel irritation at the constant British talk of "burden-sharing," they should realise that their own harping on "more effort" falls equally gracelessly on British ears.

For the moment, it is simply not practical politics to talk of increasing the British programme. The effort should be to achieve on time what is already planned.

On the Continent, the picture changes again. The programmes are, indeed, large enough on paper—possibly too large, since many of them were drawn up under the delusion that the volume of American aid to to received depended on the size of the programme. But achievement is another matter. It is broadly true to say that none of the Continental countries has made more than the feeblest attempts to adapt its economy to carry a greater net burden. For example, in the French military budget of 850 billion francs, 350 billion are allocated to *matériel*; in fact, orders actually placed with French industry are believed to be no more than 100 billion francs—compared with Mr Gaitskell's £1,300 million (or 1,300 billion francs) of orders placed out of a three-year programme of £2,000 million. Even so, France is probably ahead of the other continental allies, and France has the excuse (though it is overworked) of the war in Indo-China.

Different answers have thus to be given for different countries. But in each of them the answer is a function of time. In the peculiar exercise on which the western world is now engaged, that of building up armaments in the hope not of using them in war but of deterring the aggression of others, there are three distinct phases. There is first the phase of persuading the politicians and their masters to take the matter seriously; in this phase the motto should be "Think Big; the Sky's the Limit." Then, secondly, after a reasonable volume of resources has been effectively moved into the business of rearming, the slogan should be "Get It Done On Time." And thirdly, since the need is finite, there is the third stage when the voice of wisdom says "Don't Overdo It." The present position is that the Continental nations are still in the first phase and should be exhorted to double the number they first thought of. Britain is in the second phase. So, in October, 1951, is America; but phase three is already coming into sight.

* *

All this makes up a very complicated task for the Three Wise Men, who have to draw up what can be made to look like a coherent plan. If they really are wise, they will not go too much into detail. Their first task, surely, is to look over the whole programme, to match the military demands with the strength of the other side and with the resources of our own. In this stage of their task, perhaps the most pertinent enquiry they can make is why, if the object is simply to draw level with an adversary so much weaker in total potential, it is thought necessary to mobilise so large a proportion of the free world's total resources for such a long time. There has been a lot of comparing national incomes between the free nations; a few comparisons with the Communist states would be salutary.

Their second task, one may surmise, will be to disentangle the ultimate from the immediate and to ask whether it may not be true, at least in places, that the size of the programme for 1953 is impeding the execution of that of 1951. This may be true not only directly but also indirectly, as witness the harm done by the stampede last winter to build up reserves of materials against a shortage that was believed to be going to be as acute as in time of full war. The need of the moment is not ultimate scale but present speed; perhaps limiting the one would help to increase the other.

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And thirdly there is still great need for seeing that the parts fit together, that progress in one sector does not positively impede progress elsewhere. The great lubricant, of course, is American aid, and here the argument comes to rest on the need to have a figure ready to present to Congress by the New Year. It would be foolish for those who have no access to the facts to try to guess what answer the Three Wise Men will give to this part of their exercise. It is fairly clear, however, that here also there is a danger in over-concentration on large total figures. The total amount of American aid matters greatly, of course; but what matters at least as much is that it should be flexible in form, so that it can be quickly applied, like a good lubricant, to the points where friction is in fact generating undue heat. Simple and rigid remedies are as out of place in this complex endeavour as simple and sweeping judgments of the progress being made in it.

Ready for Battle

(By a Correspondent)

[*This is the first of three articles in which correspondents will report their impressions of the course of the election campaign in the constituencies.*]

THE Parliament of 1950 is dead and the party managers have set the election stage, have provided their manifestoes and their popular literature. In the next three weeks it is for the candidates and their leaders to make what they can of the play. As yet, there is little to show. There are no posters on the hoardings or bills in the front windows; few meetings have been held and most of the press has carried only a column or two of election news daily.

This is not because the election catches the parties unprepared. It is astonishing how often one comes across prescient agents or members who booked halls or even printed election addresses weeks ago, confident that October 25th would be the day. Now in the offices of regional and constituency agents one finds arrangements being made steadily and without flurry. All are glad that the battle has come at last. For eighteen months they have been expecting it at short notice and they rejoice to be freed from uncertainty. One Conservative agent commented: "Thank God it came now! I couldn't have kept my volunteers at the right pitch of enthusiasm much longer." But at the moment there undoubtedly is enthusiasm. Organisers on both sides have been surprised by the way in which their party membership has increased since the last election.

Last year party organisation was at a new pitch of efficiency, but the machines are probably in even better shape now. Conservative headquarters tend to have the same glossy and faintly military atmosphere but, here and there, there are signs of pruning in what had threatened to become a bureaucracy; where there has been a change of agents it has usually been for the better. Labour offices are far dingier than those of their rivals and the quality of the organisations tends to be much more uneven; less than half the constituencies have a full-time agent and, unlike his opposite number, the Labour agent usually lacks a car and paid secretarial help. But there is a surprisingly high level of competence and, with the help of a very able group of regional organisers and the assistance which comes from trade unions in the course of an election, Labour enters the fray at little technical disadvantage compared with its more lavishly equipped opponents.

With the Liberals it is far otherwise. One can hardly say that the election caught them unprepared; they simply have not the money or the men to provide any comparable organisations in either the regions or the constituencies. Many candidates have withdrawn since the announcement of the election and in some seats that the Liberals still intend to fight they have yet to find both a candidate and an agent.

If one asks an experienced agent whether he hopes by the efforts of his organisation to win many converts between now and October 25th he will smile and say, "The national campaign may do that. All we can do is to keep our own people in good heart and see that all of them get to the poll." That is the end to which he has been busy in the last fortnight arranging meetings, preparing posters, and laying final plans for the canvass. Of perhaps decisive importance is the securing of postal votes for supporters who are ill or absent on business or who have moved house. At the last election the postal vote overwhelmingly favoured the Conservatives. It seems likely to do so again. Labour agents are working hard, and will secure many more postal votes than last time but, especially in country areas, the Conservatives are likely to increase their efficiency even more; at a moderate estimate, the postal vote may be worth an average of 500 votes per constituency to the Conservatives.

Agents' opinions about the way the Liberal vote will go vary widely. They will name some seats where the withdrawal of the Liberal candidate will definitely favour the Conservatives and others where it will definitely favour Labour. But over the country as a whole there is much doubt about the pattern. Both sides are strangely modest in their estimates and the usual conclusion is that on balance Liberals with no candidate of their own will roughly cancel each other's votes. But many agents add that if any voters are still floating uncertainly between the left and right, ready to be rescued by the most astute campaigner, they are the Liberals.

There are three reasons for the slow start of the campaign. First, the King's illness has helped to damp down open political activity and press publicity. Secondly, few agents believe in a long campaign: they are afraid of boring the voters and exhausting the enthusiasm of their workers. Thirdly, they are restrained more severely than ever before by finance. The cost of paper and printing has gone up enormously since last year but the legal limit on expenditure is unchanged. Something has to be cut down—the issue of a second leaflet, the envelopes round the election addresses, the double crown posters, or (although the saving is small) the length of the campaign.

There is still some vagueness about what the parties want the issues to be. Agents from widely different parts of England agree that there are no local issues of any great importance; in Scotland and Wales it may be different. The Conservatives seem on the whole to feel that their strongest points will be "the proved administrative incompetence and lack of leadership of the Government," "high prices" and the opportunity they offer for "hard work to win a just reward." On the Labour side "the prewar Tory record," the creation of the social services, and above all the danger of war under the Tories are likely to be most emphasised. "Whose hand do you want on the trigger, Churchill's or Attlee's?" will be the loudest cry. Some ministers may stress that they do not believe that anyone wants war, and have privately pressed Mr Morrison to moderate the charge of war-mongering. But no Labour speaker will refrain from suggesting that only Labour can be trusted to avoid hot-headed use of the vast store of armaments now supposedly being built up. Among agents and the rank and file of the party there is great optimism about the force of this appeal. Few appear to have considered the possible effectiveness of the Tory counterattack, in terms both of the mishandling of the Persian situation and of the popularity of Mr Eden; whatever the relative public confidence in Mr Churchill and Mr Attlee, there is no doubt that Mr Eden commands more trust as the arbiter of peace and war than does Mr Morrison.

Both sides naturally profess cheerfulness about the outcome. Conservative agents, cured of over-optimism by last year's experience, are nevertheless quietly confident of winning a moderate number of Labour seats in each area and of losing almost none. On the other side, the revivalist enthusiasm of the Scarborough rally, with its fine façade of unanimity, has done something to shake off Labour's pessimism engendered by the events of the last year and the findings of the Gallup polls. Some Labour members admit to grave doubts about their personal prospects, but all seem to place inordinate hopes on Mr Attlee's tour. He is expected to "do a Truman." The contrast between Britain's present circumstances and those of the United States three years ago, as well as the profound difference in personality, is forgotten; by this magic touchstone all is supposed to be cured and the Labour Government returned with a secure majority.

The fervour of this unlikely faith is perhaps chiefly a symptom of Labour's unconfessed pessimism. It is true that the election may not yet be decided: certainly a gross blunder could still destroy the Tories' chances. Mr Attlee's travels may attract wide publicity, large crowds and some votes. But to one who listened to him opening the campaign in Colne Valley and speaking to his party at Scarborough, it seems inconceivable that either the man or his arguments can have anything of the impact of President Truman's whistle-stop tour.

Italy and Jugoslavia

THE time has come to mend the breach between Italy and Jugoslavia, and to calm the bitter and passionate dispute over the Free Territory of Trieste. Last week's announcement that America, Britain and France are ready to lift the "restrictions and discriminations" imposed on Italy by the peace treaty has created a better opportunity of working out a settlement than at any time since the war. By going some way to satisfy Italian pride and opinion, there is reason to hope that this change may enable Rome to yield a little on its claims to the whole of the Free Territory. Any attempt to concede these claims in full would be resisted by the Jugoslavs with force; yet, so long as they go unsatisfied, competing with equally extravagant Jugoslav claims, there remains a gap in the political and military defences of southern Europe that the western alliance cannot afford. It is fortunate that the prospect of less rigidity in Italy's attitude offers itself at a moment when, for the first time, there has been an even more important shift in Marshal Tito's attitude. It looks as if Belgrade is willing to compromise if Rome is.

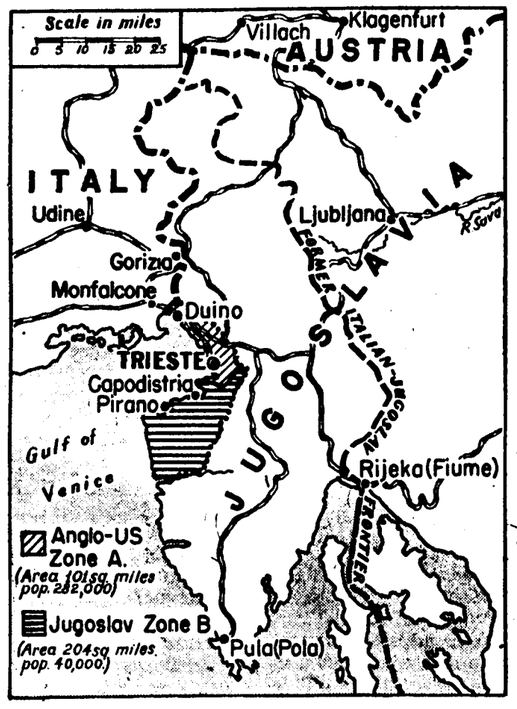
During the next few weeks, while negotiations are proceeding between Italy and the western signatories of the peace treaty to implement last week's statement about revision, Jugoslavia, itself a signatory, will have to decide its own attitude. Clearly Marshal Tito does not want, and certainly cannot be expected to acquiesce in, either a complete abrogation of the clauses under which certain former Italian areas were ceded outright to Jugoslavia and the Free Territory of Trieste was established, or a purely one-sided revision involving only Italy's relations with the western powers. On the other hand, it would pay him to seize the opportunity of regulating his position with Italy, if he can afford to reduce some of his own claims in the Trieste question.

To solve this problem of Italo-Jugoslav relations does not lie within the direct competence of the three major western powers; they can only smooth the way. They cannot even complete Italy's release from any of the provisions of the peace treaty without the agreement of most, if not all, the other signatories which lie outside the Soviet bloc. Of the original twenty signatories, five are in the Soviet bloc and presumably will not agree to any change; twelve, including the Big Three, may agree to change; and there are three doubtful starters, Jugoslavia itself, Greece and Ethiopia. The Big Three stand, nevertheless, in a strong position to bring moderating influences to bear in both Rome and Belgrade and they have very great interest in doing so. Delicate as the question is, their intervention could in certain circumstances of deadlock be decisive, provided it were exercised with restraint and in secret. Both open diplomacy and inspired leakages should be avoided; for, during the last three years, it has been the inability of the Italians and Jugoslavs to withdraw from positions taken up publicly that has impeded normal relations.

Any hope of a settlement between the two countries depends largely on the political situation in Italy. During the summer it has become doubtful whether Signor De Gasperi can maintain himself in power until the next general election, which is now likely to take place next year and must in any case be held by 1953. The prime minister's spell over his own party has suddenly been broken, and a sense of disillusionment has crept into Italy's association with the Atlantic Pact. The question of Trieste is political dynamite, used against the govern-

ment both by the extreme Right with accusations of weakness, and by the Communists, who are doing everything in their power to stop a deal with Marshal Tito. If Signor De Gasperi were to agree to surrender Italy's claims without obtaining anything concrete and acceptable in return he would be thrown from power. In his place would probably appear an interim Christian Democrat administration led by Signor Piccione or Signor Gronchi, with a cautious and indeed almost neutralist foreign policy which would serve the interests of neither Italy nor the western alliance.

That is the position at the moment. On a longer view events have reached a point, as they did before the Italian general election of 1948, where the western powers are bound to consider their actions with a view to their effect on the Italian voter. Since 1943 the United States has provided Italy with $2,630 million worth of economic aid, of which $2,217 million has consisted of outright grants. While this has given immense and crucial support to the Italian economy, and many Italians recognise America's generosity as well as its motives, the aid has not been enough to put an overpopulated country on its feet. More economic help is needed as well as the moral support of the Atlantic allies.



So much for Italy. In Jugoslavia any effort at conciliation must run straight up against Marshal Tito's sensitiveness to Cominform propaganda. If he gives anything away in order to obtain a settlement in Trieste, he is open to the accusation from Moscow that he is now feeling the strings attached to economic aid. Against this, it cannot be too strongly emphasised that the Cominform's bitter hostility is the best reason why Marshal Tito must seek a settlement with Italy which will at once wipe the Trieste problem off the slate and give him security at his rear. Marshal Tito has formidable difficulties to contend with in his own country, but he should be strong enough to be able to act against popular sentiment over Trieste. There is encouraging evidence of his realistic understanding of what is at stake. In public there have been several Jugoslav offers of friendship with Italy. At Split on September 10th, Marshal Tito declared: "Here is our hand . . . we shall keep it outstretched." In Rome itself, on September 18th, Mr Kardelj, the Jugoslav Foreign Minister, spoke of the need for a "third solution" in Trieste even if it involved sacrifices, and last week, in the National Assembly, he admitted that the demand to incorporate the whole of Trieste is no longer practical politics.

What are the facts on the spot? At present, the Free Territory is split into Zone A occupied by up to 10,000 British and American troops, and Zone B, which has been illegally incorporated into Jugoslavia. In Zone A, which includes the city of Trieste, there is a Slovene minority of about one to five: in Zone B, with a very much smaller total population, there is an Italian minority of perhaps one to two. The basis of the Italian claim to the whole Free Territory is now the three-power declaration of March 20, 1948, in which Britain, America and France promised Rome their support at a time when Marshal Tito was still in the Cominform. Since then this categoric declaration has become more and more embarrassing in view of the new relationship to Jugoslavia. Jugoslavia's position at that time—before the break with the Cominform—was set out in the agreement Marshal Tito made with Signor Togliatti, the Italian Communist leader, on November 7, 1946, in which he agreed to Italian sovereignty over the city of Trieste itself but claimed Gorizia (which is not in the Free Territory at all). Since then Marshal Tito has reverted to much bolder though not very specific claims with a minimum demand for no concessions in Zone B.

The question now is how to use the new possibility of good will to resolve this very complex situation. The Big Three have long been urging the Italians and Jugoslavs to negotiate directly. At law, any change in Trieste imposed from outside would require Russian approval, since the Free Territory was set up in the Italian peace treaty. But as the Russians have consistently obstructed execution of the treaty they could hardly complain if the two most interested parties now took matters into their own hands and agreed to partition the territory. It is clearly in the interest of the western powers to promote such an agreement, for Trieste has become a King Charles's head to the Italians, preventing their wholehearted participation in the Atlantic Pact—and currently causing another bout of acute anglophobia through the fear that Britain will sacrifice Rome for the support of Belgrade. A division of the whole territory on ethnic lines, starting from the realistic basis that Zone A is to all intents and purposes Italian and Zone B Jugoslav, would now be the fairest way to a tenable solution. It might be desirable to modify this simple basis by giving the Italians some part of the hinterland of Zone B—though one reason why this is often opposed is that it would be extremely difficult in practice to draw the boundary—and by allocating perhaps two Slovene villages in Zone A to the Jugoslavs. This is the solution behind which the western powers should throw their weight, if Rome and Belgrade cannot readily agree on something else. It is in nobody's interest that the present friction and uncertainty should continue.

NOTES OF THE WEEK

Leaders and Parties

The Conservative campaign was opened in robust style but serious tone by Mr Churchill speaking at the Liverpool Stadium on Tuesday night. Mr Attlee had performed the same service for Labour at the beginning of the Scarborough conference on Monday. His speech was striking neither in matter nor in manner, but it served well enough the purpose that his party intended of it. The Scarborough conference has brought out more clearly Labour's wish to present the primary election issue as a choice between Mr Attlee and Mr Churchill, and both Mr Attlee's qualities and his defects serve at least to make the contrast sharp enough.

The Liberals inevitably stand aside from this contest in personalities; significantly, a meeting in London with several speakers opened their election campaign. It would hardly be fair to say that the Conservatives are afraid of the direct Attlee-Churchill challenge, but they certainly intend also to make the most of Mr Eden's popular appeal as the man to whom foreign affairs would be entrusted in a Conservative administration. Moreover, the Labour party has hardly avoided giving a forced impression about its emphasis on Mr Attlee. The Scarborough conference demonstrated, as nothing else had previously done, the immense gap torn in the Labour leadership by the loss in one year of both Ernest Bevin and Sir Stafford Cripps. Though every effort was made to build up Mr Attlee as the man to match the hour, though the pre-election atmosphere encouraged and aided unity, the sense of powerful and united leadership had gone. There was no Sir Stafford Cripps to pour a cold dose of realism on the delegates, no Bevin to lumber on to the platform, and by his very personality produce not merely the appearance but the reality of a united party. The fissionable material within the movement is, it is true, considerable in this year of rearmament. But it was also considerable during the foreign policy controversy of 1947, and even during the opening of the arms drive last year. The chief difference is that in those days the leadership to cope with such pressures existed. Now only the greater external pressure of the Tory challenge is holding back a considerable tussle for power within the Labour hierarchy.

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The Scarborough Rally

The shortened annual conference of the Labour party this week became purely a pre-election rally, and as such was only a moderate success. Two and a half days was still too long, particularly when any spoken dissension might look like disloyalty and much of the debate from the floor was correspondingly hamstrung.

It was perhaps this knowledge that criticism from the Left could not be voiced that produced the remarkable increase in the votes cast for Mr Bevan and his friends in the election of the seven representatives of the constituency parties on the party executive. The constituency delegates have always tended to vote well to the left of centre as a counterbalance to the trade union bloc on the executive—Mr Bevan has headed the poll ever since 1946 (when he displaced Mr Shinwell, the wartime leader of the Left). No one, however, expected the elegant but hitherto politically unimportant Mrs Barbara Castle to rise to second place, or Mr Driberg to come third, ahead of Mr Griffiths and Mr Morrison, or Mr Mikardo to secure re-election. The voting is, of course, an imperfect guide to the feeling of the party's members. It is indirect—done by the delegates to the conference, not directly by the rank and file—and no electioneering by the candidates is permitted. This gives an advantage, at any rate among candidates who are not ministers, to writers, journalists and broadcasters—perhaps now most of all to television "stars"—whose names come regularly before the public.

But after all allowance for such considerations, the implications of this pro-Bevan vote are undoubtedly serious for the Labour party. It is not that they carry Mr Bevan nearer to party leadership—he still has only three supporters on an executive of 27 members, and an even smaller proportion of support within the Parliamentary party, which finally selects the leader. But the voting did demonstrate the unusually sharp split between the constituency parties and the unions. The unions duly endorsed, with increased majorities, the very members of the executive who were attacked with such bitterness in Mr Bevan's recent pamphlet on "Going Our Way." Some of the Right-wing union leaders are as a result already toying with the idea of restoring the method of voting which existed before 1938; all members of the executive were then elected by all the conference, instead of, as at present, twelve trade unionists being elected by the unions, and seven politicians being elected by the constituencies. But such a device would enable Mr. Bevan's supporters to pose as martyrs. It certainly would not restore the real unity of the party, and might further weaken even such appearance of unity as is likely to survive the election campaign.

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Shades of Palmerston

Mr Morrison appears to have had second thoughts about the wisdom of making "Tory war-mongering" an issue in the election. He has said it would be neither true nor fair to use such terms of the average Conservative. Certainly the mud, if thrown, will not stick. For the leading Conservatives have, generally speaking, given the Labour Foreign Secretary fair and consistent support on all big issues of policy; and Mr Bevin owed much of his influence abroad to the fact that the British seemed to be speaking with one voice. It was only during the last illness of Mr Bevin and during the more inept stages of Mr Morrison's handling of affairs that the bipartisan habit was seriously interrupted in the House of Commons. In fact, as Mr Morrison well knows, Mr Churchill is no more likely than he is to forget that "the days of Palmerston are over." The difference between them is that Mr Morrison is obviously relieved that they are over whereas Mr Churchill is sorry. But that is another story.

Unfortunately Mr Morrison may have spoken too late. There are a number of Labour members who will prefer the simple charge of warmongering to the avuncular misgivings about Tory backbenchers that he expressed at Scarborough. And if those same backbenchers retort with the charge of appeasement, foreign policy will be, after all, spattered with mud. This would be on every count unfortunate. It would mean that whichever party wins, its Foreign Secretary would take office wearing a label that would mislead the outside world.

In fact it is important that the electorate as well as friends and enemies abroad should realise that a Conservative foreign policy would not differ substantially in aims and principles from a Labour policy. There would be differences in method and tone, and Mr Churchill might well seek fresh advisers. But the limits set to policy by membership of international institutions, by alliances, by treaties and—above all—by the state of the country's finances would be the same. This being so, the purpose of the Labour party in casting doubt on the sanity and restraint of Mr Churchill and Mr Eden can only be to distract attention from the basic problem

discussed in the first leading article of this issue. If this brand of peace campaign brings Labour back to office, it is the Labour Foreign Secretary who will feel in the House the effects of making foreign policy a party issue. But perhaps Mr Morrison has already made up his mind that someone else will be at the Foreign Office, and that he can return to the role of party tactician. Whatever the explanation for it, his tone has been deplorable.

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Watered Liberalism

The efforts of the Liberals to convince the electorate that they have no connection with either of the firms next door met with an irritating setback this week. The Conservatives put into their official list of candidates the names of all the five Liberals whom they are not opposing. Even Mr Clement Davies—whom, as he has a safe seat, it would be folly to oppose—was subjected to this unwelcome blessing. But if the Tories did what they could to confuse the electorate, the Liberals do very little themselves to prove that they offer something distinct from the other parties. The Liberal manifesto is a collection of vague aspirations from which no politician could dissent. There must be a strong Commonwealth with a system of genuine co-operation; more production, lower prices as a result of greater efficiency, action against monopolies, more houses if (a touch of realism) the materials are available; a check on wasteful public administration, but no reduction of the social services or, unless food prices can be reduced, the food subsidies. There must be no change, either, in the system of guaranteed prices and markets for farmers. The only specifically Liberal sections are an expression of faith in the Council of Europe, a proposal to give self-government to Scotland and Wales, and a reference to the party's belief in co-partnership and profit sharing.

The manifesto claims that a strong body of Liberals is needed in the House to "strengthen the liberal forces in both parties," to act as a "brake on class bitterness," and to support legislation to help the producers of goods instead of hampering them. Certainly, the more liberal-minded men and women who are returned to Parliament the better. But is it necessarily best to segregate liberal-mindedness in a special group? Whether or not the other parties are wise to offer only comforting generalisations, the Liberals, having no chance of forming a government, certainly need not be so timid. Last year, although in theory they were contesting enough seats to form a government, their programme was commendable for its comparative bluntness. This year they had a better opportunity to show the country what a realistic programme for dealing with present problems would be like; it is a pity that they have missed it in order to take refuge in pious platitudes.

* * *

The Minimum in Korea

The deadlock over the truce negotiations in Korea has produced the danger that the United Nations cause may be seriously weakened by a nervous impatience in western countries in favour of winding up the war at too low a price. The Chinese Communists have cultivated in two and a half decades of incessant war, either against the Kuomintang or the Japanese, the valuable habit of perseverance, and if they think they can wear out the United Nations by holding out for a truce on their own terms, some recent comment in this country must have been very encouraging to them. The suggestion has been made that it is illogical for the United Nations to insist on retaining for the time being "a few miles of land" north of the 38th parallel, as in fact the parallel is the only possible line on which any lasting political settlement can be based. This suggestion shows a misunderstanding of the significance of the dispute over the line between the two Koreas.

It is not simply a question of choosing between the line on which the United Nations armies now stand and the 38th parallel. More important, in this context, than either of these is a third line, the line which General Ridgway has built up into a formidable defensive barrier, and which runs in places north of the parallel but coincides only at a few points with the present battle-line. Any withdrawal behind this third line would expose South Korea again to the threat of a sudden assault from the north in almost the same conditions as those of June, 1950. The parallel itself cannot be turned into a strong military position; neither the United Nations nor the Communists have ever succeeded in holding it. It is in no sense a tenable frontier. If the United Nations are to keep faith with South Korea, they cannot do less than provide it with a defensible frontier; if they are not to tie up an unnecessary proportion of their own troops in Korea for an indefinite period, they must find a line which can be held, at least against the first assault, by a reasonably small force. Both arguments make clear the vital importance of basing whatever dividing line may eventually be adopted on General Ridgway's prepared positions.

* * *

Dr Adenauer Sets the Course Straight

Dr Adenauer's government has made three declarations in the last few days which represent a brave attempt to steer German public opinion back to the right course, at a moment when it was wavering among cross-currents. The Chancellor has announced Germany's moral obligation to make restitution to the Jews; he has condemned the newly-formed League of German Soldiers for political activities, and he has granted a special fund for the relatives of men who were hanged after the 20th July plot. The Bonn Government's declarations should not be dismissed as obvious or belated. On the contrary, they have far more importance and require far more courage now than during the brief period after 1945 when almost every German was eager to claim that he had opposed the Nazis.

Among Germany's victims abroad the memory of past crimes is beginning to fade, and there is a widespread feeling that a fresh start should be made together in the interests of common defence. In Germany itself, however, the opposite process has taken place. The past has been revived in a new spirit of self-righteousness which is in turn alienating people who were willing to forgive and forget. Inside the Soldiers' League, the issue of "honour" and the 20th July is passionately contested. The temporary head of the League, General Friessner, has publicly expressed the widely-held view that the officers who revolted against their Supreme Commander were traitors.

The issue of war guilt and treason is more live than that of Hitler's persecution of the Jews, for few Germans would positively defend the massacres of the Third Reich. Most prefer to convince themselves they never took place. Restitution of Jewish property has been proceeding for some time past. Nevertheless, it remains an act of courage on the Bonn Government's part as well as a necessary prerequisite for relations with Israel, to make a solemn admission of Germany's crime and its determination to make whatever material restitution it can.

No one can say with certainty what effect such expressions of faith in a new Germany may have at this moment. It might well be powerful. Germans respond quickly to a lead, good or bad, and it was high time that the Chancellor raised his voice above that of General Friessner.

* * *

Check to Grotewohl

With Herr Grotewohl's offer of all-German elections in his pocket, Dr Adenauer has told the High Commissioner that the Washington proposals do not grant the sovereignty which he demands and the Western Germans have been led to expect. The talks on the abolition of the occupation statute in favour of contractual agreements have, therefore, reached a difficult hurdle at the outset, and optimistic forecasts of their quick conclusion are being revised.

It is understandable if the Federal Chancellor, with his vituperative critic, Dr Schumacher, at his heels, now desires to show that he is as firm a champion of German national claims when he is dealing with the western powers as he is when answering Moscow's spokesmen. Dr Adenauer secured a great triumph last week when the entire Bundestag, excluding the Communists, approved the fourteen conditions for free elections which he announced as a reply to Herr Grotewohl. Although the High Commission had taken no part in the decision, and forbore even to cheer from the gallery, this firm stand was in fact a victory for western interests as a whole. The Bundestag's conditions were well framed. They leave the Soviet German Government no chance of slipping through the loopholes of a federal state and of retaining a Communist system in the eastern part of the country, while the rest voted for democracy. The very first of the fourteen points laid down that "the electoral area shall form a single constituency and each party shall submit a list of candidates for the entire electoral area."

The overriding importance of the West German reply lies, however, less in its terms than in the fact that it was pronounced as an ultimatum. The Bundestag has not agreed to a conference at which their representatives might be trapped into supporting a Communist demand for the withdrawal of the occupation forces. Herr Grotewohl will now have to raise his price if Moscow wishes to continue the bidding.

* * *

A Plot That Paid

There seem to have been some genuine elements in the short-lived revolt which occurred in Argentina last week. The flight of a number of army officers to Uruguay suggests that the widespread belief that the whole affair was stage-managed by General Perón is not wholly accurate. But all the evidence indicates that the Argentine President knew exactly what the conspirators were planning, and that he welcomed the attempted coup as a timely chance to show his power and to rally the country behind him. The almost unruffled calm which prevailed in Buenos Aires, the swift counter-action taken at all the military stations affected, and the mobilising, within a few hours of the outbreak, of a mass rally in the capital from which the sounds of tempestuous loyalty to Perón were broadcast over all Argentine wireless transmitters, scarcely gave the impression that the authorities were taken unawares. And there can be no doubt as to the value of the incident to the Peronista regime; with the general elections only six weeks away it was provided with a new excuse for arresting opposition leaders while simultaneously exciting the masses of the people with emotional appeals to rally to the defence of the country—and the President.

The affair has naturally caused speculation about a possible revival of Señora Perón's claims to the vice-presidency, which were dropped at the end of August after they had threatened to split the Peronista movement. Señora Perón had, however, been ill for a week before the events of September 28th, and it has now been officially announced that she is suffering from anaemia severe enough to necessitate blood transfusions and absolute rest. While her illness may in itself win new popular sympathy for the Peróns, the removal of her powerful personality from public life must be a considerable setback to the propagandist strength of the regime. It is almost entirely her doing that, in next month's elections, Argentine women will for the first time both vote and stand for seats in the legislature. The regime, and particularly those within it who follow Señora Perón's demagogic but radical line, can undoubtedly count on gaining fresh strength from the newly enfranchised half of the population.

* * *

Conservative Agriculture

Politicians do not have to be too consistent, but even so it is surprising that the Conservative party should sponsor, at a time when it is striving to win the urban vote with talk of holding the cost of living, a document* about agriculture quite so blatantly restrictionist as that published this week. The Conservatives presumably hope that no consumer or taxpayer will read it; for it is written exclusively from a producer's point of view, and on a narrow interpretation of the producer's interest at that. The promises to stop "dumping" of cheap foreign food, which appear also in the Conservative election manifesto, strike an incongruous prewar note. The implication is that it is the British farmer, not the urban housewife, who is at present "depressed." The proposals for restoring producers' marketing boards are coupled with the extraordinary statement that the safeguards for consumers introduced in the 1949 Agricultural Marketing Act are unnecessary. Guaranteed prices would be retained, and would be further supplemented by "special selective subsidies" such as those for hill farming.

The Conservatives must know that the inevitable result of these policies would be higher prices in the shops, yet they insist on considering agricultural policy in isolation from the rest of the economy. It is an easy but inadequate answer to plead the paramount need for growing more food. British agriculture is mainly concerned with high-cost livestock products and is therefore a long way from the sort of subsistence farming which siege conditions or dire necessity would force upon it. The Conservatives wish to increase this emphasis on the more expensive farm products. They would therefore make costs more, not less, relevant in agricultural policy, and even in present conditions the prices paid to farmers are, for some products, well above what the consumer would pay in an open market. It is essential to relate production to the consumers' wants and pocket precisely because more food—of the right kinds—is so badly needed.

* * *

Festival Farewell

Londoners said goodbye to the South Bank exhibition in a strictly traditional way, with Gracie Fields, "Abide With Me," a religious service and the Guards. The Festival has earned general goodwill and has at least lived down the charge that it was a gross waste of money. Whether it was worth all the outlay remains an unanswerable question. It cannot be proved—as some have tried to prove it—an economic proposition in terms of extra foreign exchange or the development of overseas trade. About 450,000 foreign visitors are thought to have gone to the South Bank, but no one can say how many of these would not have come to Britain if there had been no Festival, and the total number of visitors is hardly more than can be accounted for by the normal growth of tourist traffic since the end of the war. Although it is of some advantage that British products should have been so brilliantly displayed, the Festival could not compete with the British Industries Fair as an industrial shop window.

But there have been other benefits. Artists and architects found for a short time a surprisingly enlightened patron, with plenty of money. Civic pride was stimulated all over the

* "Agriculture and Politics." By Philip Brembridge. Conservative Central Office. 1s. 6d.

country; and people enjoyed themselves, mostly in ways that are rarely provided in this country—in pageantry, eating and drinking out of doors, dancing on the Fairway, and looking at the lights: simple pleasures that in fact could have been enjoyed for very little outlay.

One permanent benefit ought be an attractive south bank. Government offices, inevitably, are to be built on the upstream half of the site, and the LCC is to complete the north block of County Hall. On the downstream site, next to the Festival Hall, there will one day be the National Theatre, and there is talk of leasing some land for building a luxury hotel. By the river the LCC intends to make gardens. None of these plans is yet complete, and in present circumstances there can be no timetable. But if there is ever again enough coal, the plans ought to include the floodlighting of the riverside each summer in the tourist season.

* * *

New Towns Defended

Sir Thomas Bennett, the chairman of Crawley Development Corporation, made last week an able defence of the work of the public agencies responsible for building new towns. He argued that since Government financial backing was today indispensable, and since the interests affected were numerous and diverse, it was a right choice to build the towns by public corporations of independent status which could be wound up when their work was done. More surprisingly, he professed complete satisfaction with the operation of Government centres in the new towns, in sharp contrast with the severe criticism expressed by Sir Ernest Gowers when he was chairman of the Harlow Corporation. The public must wonder which chairman is right—or whether their experiences have differed.

Sir Thomas's view was that slow progress in the new towns must be attributed to labour difficulties and the need for careful advance planning, and cannot be blamed on the Government. His comments are reassuring so far as they go, but they by no means exhaust the problem. It is not generally realised what an enormous part the building of new towns may be required to play in future development. New towns have been launched or advocated not only as the principal means of dispersal from large cities, but as aids to industrial development (as at Corby), as resettlement centres in the coalfields (as in Durham and South Wales), and even as agricultural centres. The problems of London remain particularly pressing. The LCC is still building houses in its outcounty estates at a faster rate than all the new towns combined, but within a few years this large force of building labour is supposed to be switched to the development of new towns and other centres at a distance from London.

Clearly there is here urgent need for the careful advance planning rightly insisted on by Sir Thomas Bennett, and for a review of new town machinery to see whether it could not handle more economically, preferably in closer conjunction with local authorities, the larger tasks that will be thrust upon it.

* * *

No Power for Papagos

Greece is again to be disappointed in its hopes of a strong and stable government. It is true that the elections on September 9th caused many casualties among the multiplicity of small parties; but no party secured enough seats to gain an absolute majority over all the rest. Field-Marshal Papagos's Greek Rally did best and will probably have 112 out of the 250 seats in the Chamber. But the King has turned down Papagos's request that he should be given a mandate to dissolve parliament and hold fresh elections on a simple majority basis; and Papagos has refused the King's request that he should join in a coalition with the two next largest parties—General Plastiras's Progressive Union (EPEK) and Mr Venizelos's Liberal party. The Field-Marshal will therefore find himself in the rôle—no doubt uncongenial—of opposition leader. His refusal to co-operate with the other parties may be unwise, but there seems to be no need to read into it any sinister implications. During the election campaign he repeatedly asked for an absolute majority which would allow him to govern "without compromises, without alliances and without political combinations and devices." He may well feel that he must stick to his guns if he does not wish to prejudice his chances of appealing more successfully to the electorate at a later date.

The King has therefore been forced to fall back on a coalition of the EPEK and the Liberals which will take office under General Plastiras when the new Chamber meets next week. The exact final distribution of the seats is not yet clear, but it seems only too probable that the new government will be gravely handicapped by its small majority. On the other hand, it is unlikely that the Greek Rally will prove a very disciplined opposition. The greatest danger to the new Cabinet probably lies in its own lack of cohesion. There is no real reason why the Liberals and the Progressives should not maintain a united front; but they have not found this easy in the past. Moreover, the question of the extent of political amnesty to be allowed to those implicated with the Communists in the civil war is still a live one; and it was precisely over this that the last EPEK-Liberal coalition came to grief in the summer of 1950.

* * *

Set Fair in Venezuela

Remote from the turmoil which has engulfed the oil industry in the eastern hemisphere, oil experts in the western hemisphere have just been attending a quiet but satisfactory gathering in Caracas. Two years ago the then Minister of Development in the Venezuelan Government conceived the idea of preparing, for public consumption, a technical and historical survey of the oil industry in his country. His successors in the present government decided that this September was an appropriate time at which to carry out Dr Engana's project. Accordingly, a National Petroleum Convention was held in Caracas from September 9th to 18th, attended by the representatives of ten foreign governments, including the United States and Britain, and members of the oil companies operating in Venezuela.

Venezuelan oil is mainly produced by three companies, Shell Caribbean, Creole (a subsidiary of Standard Oil) of New Jersey and Meneg (a subsidiary of Gulf Oil). At the present time an average of 1,700,000 barrels of crude oil are being produced daily, or about 620 million barrels a year. This is rather more than three times the quantity produced in 1939; and it represents an increase of 130 million barrels per annum since 1948, when the existing 50-50 agreement was concluded between the companies and the government. Venezuelans participate in all grades of the industry; not only do they provide nearly all the labour, but they are to be found in increasing numbers as technicians and managers. The most important factor of all in the present situation is that the proceeds from oil operations constitute at least 90 per cent of the country's revenue.

Both the companies and the country, therefore, have a major interest in an expanding future for the industry. The central feature of the recent convention was that both sides recognised the simple fact—which it is fashionable in international gatherings to deny—that there is a strong common interest between the private foreign investor and an underdeveloped country. The representatives of the industry, for their part, were given an opportunity to present themselves and their operations in their fair colours; no considered account of the development of the industry can fail to demonstrate the vast risks as well as the vast rewards, the perilously accumulated skills as well as the capital gains. The Venezuelans, for their part, had two important things to say: they welcomed foreign companies and capital in the development of their oil; at the same time, they were desperately anxious to broaden the base of their own economy, to reinvest their oil revenue in agriculture and secondary industries, and to encourage foreign capital in these fields as well. Venezuela offers, in other words, an expanding market—for capital, for goods and for technicians—with the opportunities for the one, and the money to pay for the others.

* * *

The Christian Churches in China

It is a long time now since it was Communist policy to make a frontal attack on the Christian religion. Although the Communist creed remains dogmatically atheist and any totalitarian ideology must strive through its educational system to eliminate all other world-concepts than its own, Communism in practice recognises that religious beliefs are strongly rooted among the masses and that it is well to walk warily in dealing with them. Thus in Eastern Europe the policy is to concentrate on destroying all links of the Catholic and Protestant churches with Western Europe and America and to encourage "reformed" religious bodies which denounce American imperialism, support the Communist "peace" campaign and otherwise make themselves politically useful. A similar policy has been followed by the Chinese Communists; but in China Christianity is a religion which has been introduced from the West, was only tolerated in the nineteenth century under the protection of treaties forcibly imposed on China, and has been up to now largely dependent on foreign missionaries for its propagation and on foreign money (mostly American) for its educational and philanthropic work.

Christianity in China has therefore always been under the reproach of being a "foreign" religion, and was formerly a target for reactionary anti-foreign outbursts, of which the worst was the "Boxer" rising of 1900. For a long time, however, before the Communists came to power such persecutions had ceased, and it is only now that active and violent interference with the work of the churches has been renewed. This time it is being carefully emphasised that the persecution is not being directed against Christians as such, but only against "imperialist" foreign agents and their Chinese accomplices; committees of Chinese Christians are formed to endorse (or at least the Communist radio, which no one can contradict, alleges that they endorse) the charges made against foreign missionaries.

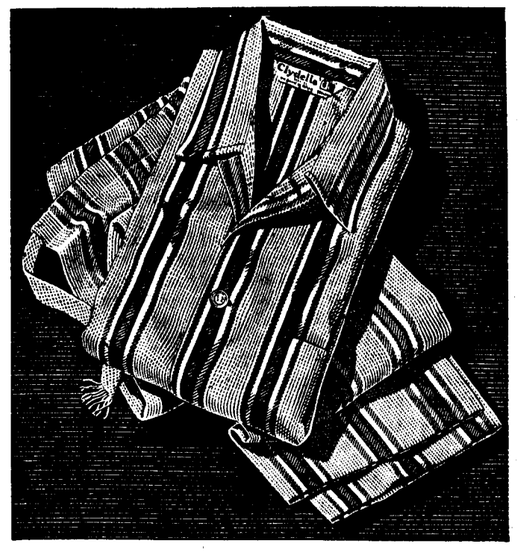
The Communists, who usually have nothing but contempt for the ways of "feudal" China, have for the purpose of discrediting Catholicism (which has numerically the largest following of any Christian body in China) revived the popular prejudices against Catholic orphanages which were the cause of the Tientsin massacre of 1870. Catholic orphanages have always done a great work of charity in China, but they incurred suspicion among the masses by a practice of paying small premiums for mortally sick children to be brought to them so that they might be baptised *in articulo mortis*; the report was spread abroad that their aim was to obtain Chinese children in order to kill them and make magic potions from their hearts. Recently the Communist press has been full of accounts of the wholesale "deliberate" killing of Chinese children in Catholic orphanages, and a number of priests and nuns have been given prison sentences after mass "accusation meetings" in the Communist manner. The only difference between 1870 and 1951 is that the Communists do not publicly admit the nature of the popular belief which they have been exploiting, because to do so would imply the prevalence of faith in witchcraft among the Chinese proletariat, so these terrible crimes of the foreign "imperialists" are left without any motive except sheer malice. One wonders what Chinese intellectuals, such as Fei Hsiao-tung, who went over to the Communists as the party of progress and enlightenment, think now of the kind of propaganda which they have to endorse.

* * *

Crime and Prisons

The number of indictable offences known to the London police was reduced again last year. This is the most satisfactory section of the report (Cmd. 8359) of the Commissioner for the Metropolitan Police. The crime statistics for England and Wales as a whole, published in August, showed that the fall that took place in 1949 was not maintained in 1950. In London, however, the number of indictable offences has declined steadily since 1945—in spite of the increase in the population of the Metropolitan Police District and in spite of the fact that the regular force is still some 3,800 below establishment.

If this success in reducing the amount of postwar crime could be matched in the rest of the country, it would ease the burden on the Prison Commissioners, whose report for 1950 (Cmd. 8356) is again depressing. In May, 1951, the population of prisons and borstals passed 21,800, the highest figure recorded since 1909. Obviously a fall in the number of indictable offences would be the most satisfactory way



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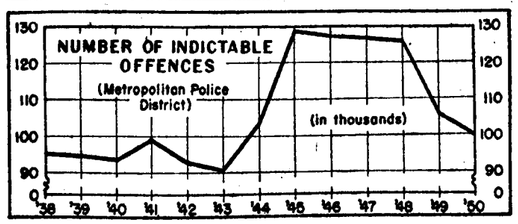
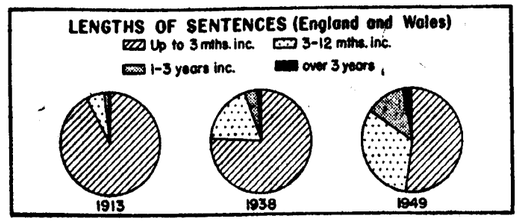
of reducing the prison population. As it is, much of the prison officials' effort is diverted from their main function of training persons convicted of crime. Of the total receptions of men into prisons and borstals in 1949, more than half had not been sentenced to prison for an indictable offence. They were there because they had been committed





on remand or for trial, or because they had failed to pay fines or to comply with orders for payment of money, or because they had been sentenced for non-indictable offences like begging.

Modern penal reformers think that offenders, particularly young offenders, should not be sent to prison if it can be avoided and that a prison sentence, when inevitable, should be long enough for the prisoner to have constructive training. The prison commissioners' report shows how far this theory is from practice. The accompanying diagram shows that short sentences are much fewer and long sentences more frequent than a generation ago or even in 1938. But in 1949 70 per cent of the convicted men were serving sentences of less than six months. It is even more disquieting to note that of the 1,216 youths aged 16-21 sentenced to prison, as many as 327 had no previous conviction. Further, many young people are still remanded to prison, and subsequently either acquitted or dealt with otherwise than by a prison or borstal sentence.

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The Cost of Learning

If the needs of Cambridge, as expressed by the retiring Vice-Chancellor on Tuesday, are any guide to the financial needs of other universities, a large increase in the Exchequer grant for the coming quinquennium, 1952-57, will be necessary. In the year 1949-50, the last for which figures are available, Cambridge received some £950,000 from the Exchequer for running expenses. The Vice-Chancellor said that it would need an extra £200,000 a year simply to "maintain its activities at their present level." If Cambridge is typical, this 20 per cent increase over 1949-50 would involve an extra expenditure of £2,500,000 a year for all the universities.

It must be assumed that the Treasury is now scrutinising the demands from all the universities with a fiercely critical eye. All demands from civilian sources for larger grants are unwelcome, but obviously the universities are as subject to the difficulties of rising costs as are other institutions; the margin for economies is small, unless the Government deliberately wishes to reduce either standards or the number of students. Many people in the older universities would support a reduction in numbers, but they do not represent the universities as a whole. In the provincial universities the expansion over the past six years has been welcomed in spite of the problems it has brought. It would at least be premature to force the universities to reduce the number of their places until the situation can be more clearly seen. The Government has repeatedly pushed the policy of university expansion. Nothing has happened to make that objective less desirable. On the contrary, the recent decision by the Government not to support the project of a technological university makes it more than ever desirable to continue its support for the universities undiminished.

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Reorganising Uganda's Cotton

After more than twenty years of inefficient management and discontent, as well as a whole series of commissions of inquiry, Uganda's valuable cotton industry is at last to be reorganised. There have been three main criticisms: there were far too many separate ginneries, many of them antiquated; there was no proper inspection or control, so that the product was of poor quality; and the ginneries were almost all in Indian hands, to the great resentment of the African growers. For a time there was talk of nationalising the industry, but this solution had little appeal for the Africans who suspected that nationalisation would not give them the entry into the industry that they desired. The Uganda government has now put forward new proposals.

Its first step will be to acquire and put out of action some dozens of uneconomic ginneries, so that the rest will handle a larger output. Next, strict specifications and standards, with power to enforce them by withholding licences, are to be imposed on ginneries. Most important, African co-operatives are to be assisted by government funds in purchasing ginneries, so that within ten years they should be processing some 100,000 bales of the total output of 350,000 bales. These ginneries will buy their cotton from African co-operative producing societies. Further, a Cotton Development Council will be established, representing all sections of the industry, to supervise the whole field of its operations. And finally, a training school will be set up immediately to train Africans as sub-managers, mechanics and accountants.

These proposals involve a comprehensive attack on the abuses of past years and they have a significance which extends beyond the problems of Uganda cotton alone. Uganda is one of many undeveloped countries that have rich crops which could bring them great wealth and which are urgently needed in world markets. Yet too often their production is badly organised and the producers are leaders of political agitation. Industrial reform is almost as badly needed as constitutional reform—and it has been far more neglected.

THE AGE OF INFLATION

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HARD FACTS

ANYONE who is approaching this election with the least hope of easier living in Britain, whichever party wins power on October 25, may as well realise at once that it is impossible. Any politician who leads the electorate to expect new benefits is not leading the people but misleading them.

Everyone should realise clearly the truth of the hard economic facts set out by Mr. Gaitskell There is no argument about them. The figures show clearly enough how, despite our greatly increased production, world trading conditions, plus rearmament, are draining Britain's reserves.

There is no argument between the parties either about the necessity for our defence burden. It is agreed by both to be the minimum for our safety and it is a programme of £4,700,000,000. That means ten per cent. of our manpower, 7s. in every £ of our taxes. Yet Eisenhower's military advisers are suggesting a still greater heave.

Mr. Gaitskell has made it plain to Washington that Britain cannot do more, "unless there were to be a radical change in the economic policies of all Atlantic Pact members." This needed saying, and he has underlined that we are handsomely doing our fair share.

But clearly world facts impose on the British nation, whoever governs it, the need, for this critical space, to put peace before comfort, to step up exports, to step up production and put benefits off till later. It demands planning without waste of time, and the Labour Government has a plan already in its final stages.

The truth is that this cannot honestly be an election of promises. *It is an election in which the public will decide who can best be trusted to keep a balance between defence and social services. Whoever wins must take hard decisions. That is not the same thing as abandoning our social progress and slashing the welfare of Britain's families.*

Reprinted from the editorial column of the Daily Mirror of Sept. 27. The Daily Mirror's net sale—over 4,400,000 —exceeds that of any other daily newspaper in the world.

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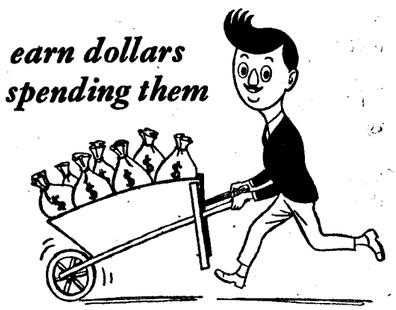

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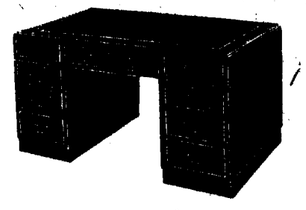

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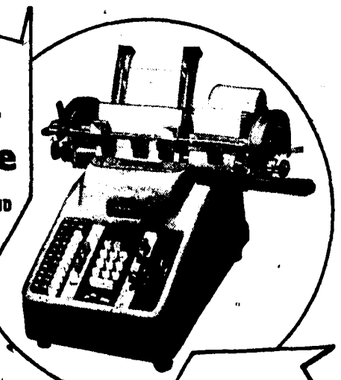

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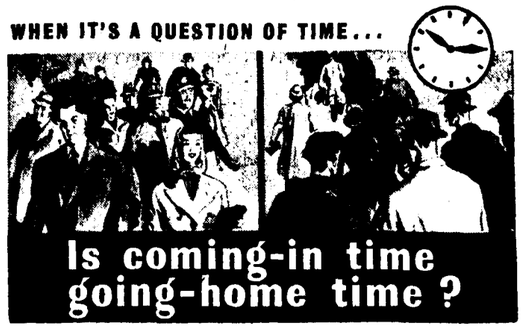

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H-F 421

The Friends' Views on Peace

The pacifist position is, at first sight, so unlike the spirit in which the free world is challenging Soviet imperialism that it is not easy to imagine what practical contribution it can make to western policy. But a group of American Quakers has recently put forward interesting and controversial suggestions on the sort of foreign policy they think their government ought to pursue.* One point, in particular, that they make cannot be too often stressed. This is that western statesmen, however remote they may reckon the hope of a general settlement with the Russians, should never stop trying to get piecemeal settlements; they should "be persistent in seeking out and negotiating on those problems where some reasonable hope of success exists." It is only too true that the towering barricade of mutual distrust which has been built up between the Russians and the West can hardly at this stage be destroyed by one diplomatic assault; but it might be gradually undermined by more modest, although no less strenuous methods. And the United States has the power to do it. This is a very different approach from that of the Communist peace campaign, which is agitating for a five-power pact so comprehensive and vague that it can only increase the suspicion with which Russian intentions are now regarded.

While stressing quite rightly that a willingness to compromise on inessentials is necessary to achieve success in negotiation, the Quakers are forced by their beliefs to discard an even more essential ingredient for success; this is that the West should be able to negotiate from what Mr Acheson has called "situations of strength." Only those who are strong can begin the process of compromise without running the risk of giving away their whole position. Moreover, to argue that diplomacy should not be backed by armed strength betrays a failure to appreciate the point of view and experience of the Russian leaders. It is arguable that the United Nations, now that the hopes of Great Power unanimity on which it was based have proved illusory, would be wiser to concentrate on its mediatory and conciliatory functions and think less of its responsibility for enforcing collective security. But it is surely unrealistic not to admit that Uno also requires "situations of strength." How else is it to exercise authority in a world of which part is ruled by men contemptuous of the spirit that inspires the Society of Friends?

* * *

As Simple as ABC

Sir Ernest Gowers has followed up "Plain Words," his first attempt at improving official English, with an "ABC of Plain Words,"† which is intended to provide civil servants with a handy guide for writing good English. It is thus compiled alphabetically—hyphens follow hope and herewith, and got gobbledygook. This is the best layout for ready reference, but it has its drawbacks. As Sir Ernest Gowers says, it reduces everything to the same level of importance; and whether to write "a number *is*" or "a number are" is not nearly so important as the "woolly circumlocutions" caused by the addiction to abstract nouns.

Abstract nouns, padding, jargon, gobbledygook—these are the main target (yes, target) of his attack. It is aimed at civil servants. But journalists provide him with many of his examples, and any journalist who reads this book will feel self-conscious afterwards. Sir Ernest allows, unwillingly, *The Economist's* favourite child—disinflation. But he would not like us to recommend the disappreciation of sterling, and he frowns on too many bottlenecks, dilemmas and issues. Oddly enough, he does not mention problem, our enduring love, but that may be because civil servants recognise no such thing.

Some people will have none of all this. To them—and there are authorities on writing English among them—the attempt to substitute plain words for gobbledygook is misplaced. Official language, they say, needs a jargon of its own because, like legal language, it has to provide for every contingency. They would even defend, on the grounds that language is a living thing, which changes with the age and has its own fashions, some of the showy words and constructions deplored by Sir Ernest Gowers. Excessive simplicity, they would say, is as inappropriate in officialese as it was in Wordsworth's poetry. This criticism is partly justified. Language does reflect the age—as those who read the extracts of a hundred years ago can see for themselves. But Sir Ernest does not maintain that the short word is always preferable to the long and the simple construction to the grandiose. His attack is directed against obscurity, and obscurity, however justified in poetry and drama, ought not to be tolerated in officials—or journalists. An official who writes obscurely instead of plainly merely exasperates the person he is trying to help. He also makes himself ridiculous. The medical profession rocked with laughter on reading the regulation, quoted by Sir Ernest Gowers:

> Every woman by whom . . . a claim for maternity benefit is made shall furnish evidence that she has been, or that it is to be expected that she will be, confined by means of a certificate given in accordance with the rules. . . .

National Characters

"Human nature (we are told) is everywhere the same":—Human lips never uttered a more shallow and fatal fallacy. Human nature, in its manifold varieties of climate, *entourage*, and origin, exhibits discrepancies as marked, if not as wide, as animal nature. . . . One tribe is restless, insatiable, and warlike; another is timid, industrious, and pacific. Some, like the Tartars, are simple, pastoral and honest; others, like the Chinese, are crafty, encroaching and commercial. Some are lovers of gaiety and careless ease; others are never contented, and ever striving. Some are impelled to ceaseless toil and untiring acquisition by an *onwardness* of nature . . . which marks them out for conquest, for command, and for supremacy—but not for the happiness of repose—and the Anglo-Saxons are of this order of humanity. Others, finally, are impetuous and impulsive, but not indefatigable nor enduring—preferring the enjoyment of life to its improvement, and seeking that enjoyment not in perpetual struggle, but in the cheerful dance or the *dolce far niente* of a sunny home; and of such men is the Irish nation made. They can toil, they can save, they can adventure, they can endure hardships, they can encounter sacrifice and self-denial—few people better—but they do all this *for a time and for a purpose*—not for ever and for itself; they toil—but it is for the sake of future rest; they deny themselves present gratification—but it is for the sake of after and fuller enjoyment; they thrive and struggle, not like the Englishman or the New Englander for the sake of rising to a loftier elevation and reaching a wider field of exertion, but in order to command for the remainder of life the repose and the pleasure after which they have been always sighing. So it is. And in this fact we may see indicated . . . the means of renovating and redeeming Ireland. It is by inoculating it with a large admixture of Scotch and English blood that its children can be rescued from misery. . . . Ireland for the Irish; Ireland inhabited exclusively by Irish; Ireland accepting its destiny and receiving its impress and its character from the Irish—means the cabin for the pig, rags for the peasant, potatoes for the population.

The Economist
October 4, 1851

* "Steps to Peace. A Quaker View of US Foreign Policy." Gollancz. 1s. 6d.

† His Majesty's Stationery Office. 3s.

Letters to the Editor

The Liberals' Choice

Sir,—Your "distasteful conclusion" about the Liberals' choice overlooks the fact that it is in the power of the Liberal vote to decide conclusively whether we shall get a "firm government" and also whether it shall be of the Left or the Right. We may well agree that the last Labour and the last Conservative governments were equally incompetent, but it is surely not a matter of indifference to Liberals what the complexion of the new government should be. Socialism and social progress are not identical, nor is a welfare state necessarily a healthy one. At present it is more urgent to increase the wealth of the nation, even if for the moment too much should get into some hands, than to see that everyone should get equal shares; and to liberate the economy is more urgent than to coerce it. A "property owning democracy" is nearer the Liberal ideal than one in which property—and therefore power—is mostly owned by the state.

Everywhere there are dangers of abuse, but if the Liberal leaders were to declare, as they reasonably might, that in spite of Tory shortcomings Liberals should, in the present emergency, vote for Conservatives when there is no Liberal candidate, millions of Liberals would do so who otherwise might not. In so doing they would probably ensure a firm government and, without any pact, it is highly probable and quite reasonable that some at least of their leaders might find themselves without Conservative opponents. This would maintain Liberal independence, for the decision would be taken without reference to other parties, and it would keep in the Liberal fold for better times millions who at present are bewildered or estranged because apparently the Liberal leaders cannot make up their minds what to do in circumstances which, if ever, require a bold as well as a wise decision. A party which in one constituency will vote one way and in the next another has given up all claim to be a political party at all.—Yours faithfully, W. N. LEAK

Winsford, Cheshire

★

Sir,—Your article rightly stresses the political purpose of the coming general election to produce a government with a working majority. The economic implication is, no doubt, that a strong government would nerve itself to pursue the sharp disinflationary measures necessary before plans for increasing production and exports can succeed.

The advice given to Liberals in order to further these aims is, however, based on two assumptions, neither of which can be shown to be true. The first of these is that the abdication of Liberal voters might increase the chances of a clear majority for one of the major parties; the second that, since 1950, the Liberal party can be written off in terms of political power. I see no evidence to support the first assumption. Surely the most one can say is that some Liberals would vote Conservative, some Labour, some not at all? If the Liberal vote were to tip the scales in favour of the Conservative in one constituency, might it not be cast to the advantage of Labour in another?

My argument against the assumption that the Liberal party is dead rests, admittedly, on pure conjecture. Much will be expected of a Conservative government, if one emerges. If such a government is much less than triumphantly successful in its economic policy (and no sane person would wish it to be unsuccessful) the "very large section of British opinion" represented by "the people who would like to support the Liberal party if they thought it had a chance" may decide that nothing is to be lost by giving it that chance. Suppose, moreover, that the Labour "split" were to develop in the comparative freedom of Opposition. All these imponderables are of the very stuff of politics, and the fact that it is possible to discuss them renders obituary notices served on the Liberal party a trifle premature!—Yours faithfully, L. A. JACKSON

Weybridge

★

Sir,—May I contribute one or two to the "legion of arguments," "wishful" or otherwise, which you anticipate in your article. I suggest that you are being much less than just to Liberal policy. In this very issue you pay tribute to the realism of the interim report on housing, and I recall similar praise for the party's attitude on other matters in the past. I cannot agree, either, with your statement that "The influence of the nine Liberals in the present narrowly divided Parliament has been negligible." The influence of nine among six hundred is bound to be limited but, within those limits, I submit that the record is one of which the party can be proud. Again I quote your own columns in support of this assertion, for you suggest that "their record in the last Parliament as the defenders of individual liberty" is such that the party will be tempted to rely on it as one of the main planks in its election platform.

But the influence of the Liberal party is far greater than that of its members in the House. The liberal tendencies to which you refer in the two major parties are surely induced by the need to woo liberal voters from the Liberal party. As it is, liberalism in both these parties grows on stony ground and is constantly menaced by the thorns of those "extremes on the Right and on the Left that are equally objectionable to any British Radical." I wonder how long liberalism so placed would survive the extinction of the Liberal party. Liberals will regard their vote as a long-term investment in the maintenance and development of their party and the defence of British liberty, for which they are willing to sacrifice the immediate advantage of helping in the choice between the two larger parties. If they also believe with you, sir, that "neither the devil he knows nor the devil he has almost forgotten is impressive," that will make things all the easier for them, both by reducing the present sacrifice and by enhancing the prospective yield of the investment.—Yours faithfully,

E. VICTOR MORGAN

Swansea

Germany and the West

Sir,—Being a German myself, at present studying in England, I was disgusted by Herr Lambertus's impudent letter published in your issue of September 29th.

It is ridiculous that a man like Herr Lambertus—full of self-importance and self-righteousness and exactly the type of German whose attitude horrifies and must horrify not only the outside world but Germans themselves—should advocate co-operation between the West and Germany. No letter could do more to prejudice a friendship between England and Germany, which so many people of good will, in both our countries, are doing their utmost to cement. I only hope that Englishmen and Americans will understand that most Germans don't think like Herr Lambertus. If the majority of the German people really shared his view, nothing, I think, would prove more convincingly that the Allies would be justified in having no confidence in Germany at all. But, fortunately, there are many Germans who realise that Germany has much to answer for and are willing to make amends for the past—as far as this is possible.—Yours faithfully,

Leeds S. H. FROWEIN

Age of Inflation

Sir,—I feel that the suggestion made by Mr Hepburn in his letter appearing in your issue of September 22nd, that a with-profit life policy provides, as far as life office contracts are concerned, a natural hedge against the effects of inflation cannot be permitted to pass without comment. In the first place the premium for a policy entitled to share in the profits of the life office is greater than that for a policy not so entitled, and the excess premium provides a substantial part of the bonuses added, the balance being derived from the profits of the life office. Secondly, Mr Hepburn's statement implies that the level of bonuses declared in times of inflation is so much higher than the normal level as to reflect the full effect of the rise in commodity prices; the records of life offices over the past forty years show that bonuses have not risen to such an extent as to compensate policy holders for the decrease in the purchasing power of the bonus itself let alone the sum assured. As for the future, is there any reason to suppose that the position will be different? The business of a life office is concerned not with goods, etc., but with money itself.

In general at the present time, a large proportion of life office funds is held in fixed interest securities. If the suggestion were made that these funds should be invested to secure the advantages of ownership of property, etc., the hedge thus provided would be dependent on that secured by the investments themselves, and, as shown by recent events, such protection as far as equities in the United Kingdom are concerned is far from complete. In any event it must be remembered that the financial strength of life offices and public confidence therein have been largely secured by an investment policy devoid of a large element of speculation.—Yours faithfully, A. C. RICHARDS

Horley, Surrey

Emaciated Technology

Sir,—While you are correct in saying that the policy outlined in the White Paper on Higher Technological Education "will not help technological progress," it is not true that the "hotchpotch of decisions will offend no one." The decision to establish a College of Technology instead of a technological university certainly does not find favour with my association.

The proposed (Royal) College of Technology will grant awards of Associateship and Membership at levels corresponding to first and second degree standards. But will the universities recognise Associateship of the College of Technology as a first degree for the purposes of post-graduate study? The Ministry of Education says no; the universities cannot be expected to commit themselves in advance to recognising degree-equivalents as actual degrees, although it is hoped they will do so eventually. Since, however, the universities have successfully "opposed the setting-up of any rival institution," that eventuality seems most remote. Yet only a technological university can give degrees that will serve as a satisfactory hallmark of professional standing.—Yours faithfully, PETER IBBOTSON

National Association of Labour Teachers

The Red Sox

Sir,—The consul who essayed to correct you on your knowledge of American baseball is not so omniscient himself. The Chicago White Sox have always been known by that name, except that in their earliest days, more than half a century ago, they were the White Stockings. The "Black Sox" nickname was the creation of Chicago sports writers who, in 1919, applied it to such members of the White Sox of that year as were involved in the scandal.—Yours faithfully, PAUL HUTCHINSON

The Christian Century, Chicago

Books and Publications

Lloyd George

Lloyd George. By Thomas Jones. *Oxford University Press.* 330 pages. 21s.

T.J.'s life of L.G.—the two pairs of initials have often been together before—has been awaited with lively expectation by those who knew the subject and know the author. Most of those expectations will be realised. Dr Jones has written an informative, penetrating and readable book—a truly remarkable achievement for a man in his 82nd year. Its outstanding character—and this also was to be expected—is its judiciousness; those who can remember the events he describes will often find their heads nodding in appreciation of Dr Jones's summings-up.

And yet it would be uncandid not to confess a certain dissatisfaction, of the kind that asks for more. After all, Dr Jones, of all men, should be able to write the final word on Lloyd George. He is of the same age and country and background; he worked intimately with him in his best years; and yet he can stand apart—was he not also a close friend of Stanley Baldwin, one of the very few who could bestride that chasm? He could have said so much more about Lloyd George than he has said in this book. For example, L.G. is 43 and in the Cabinet by page 33; and in the later years one often wants Dr Jones to expand and continue. This reticence is partly due to the limits set by the purpose for which the book was written—it is one of a series of "Makers of Modern Europe" published by the Harvard University Press. This has meant not only that the length of the book was determined, but also that the reader could not be assumed to have much or any knowledge of the background; valuable pages are therefore consumed in summaries of external events. For this Dr Jones is not to be blamed.

But he also seems to be deliberately holding back, as if half aware that his emotion and his reason are obstructing each other in trying to arrive at a judgment on L.G. As a result, Dr Jones will leave on his readers the rather odd impression that he thinks more highly of Lloyd George as a man than as a statesman. He defends him on the matters where his personal honour was in question (some of them he does not even mention), but his judgments on policies are often very severe. Yet surely the judgment of most people, as they look back, would be that (up to his semi-retirement in 1931) L.G. was very much more often right in his policies than wrong—indeed, some of the positions he took, at Versailles or in the 1929 election, now seem much more right than any of his contemporaries would allow him—while the distance of time hardly lends enchantment to his personal character.

But of all the public men of the twentieth century, Lloyd George is perhaps the one of whom it is least possible to express a single judgment. There were so many different Lloyd Georges—Baldwin said it would take ten men to write his *Life*. There was the Radical of 1906-14, who aroused among his countrymen emotions many times more passionate than have been seen since, passionate hatred on one side, but passionate love too among the great middle and lower middle classes, especially the dissenters. There was the war leader. Here the inevitable comparison is with Mr Churchill, and though Lloyd George was much less of a military leader, he had an infinitely more difficult political problem, and mastered it. He was perhaps the supreme executive of his age; there are still men in Whitehall who can tell of the electric urge that ran right through a great department of state when he walked in at the front door; and he had that sublime self-confidence of the great Minister who can listen to a roomful of experts talking on their own subject, can reject their advice, and be right. Then there was the Prime Minister of the peacetime coalition, when all the same great qualities seemed to go into reverse. And then finally there was the sudden and complete eclipse and the long years of frustration, the gall of which, in the later years, completely ate away his judgment.

Some people, of course, never had any use for him; but they were in the main the comfortable and the complacent and the narrow members of those governing classes to which he was proud never to belong. Millions of others, though they found it difficult to forgive some of the things he did, could also never forget what once he was. Their feelings may be summed up in some words quoted in Dr Jones's book:

> He is a man of iron determination, inflexible will, matchless courage and audacity and of peerless skill as a leader, but a man who will not allow even the demands of conscience and honour to stand in the way of his purposes, "who neither fears God nor respects man" . . . Who can withhold his meed of admiration from the old fallen commander and who can help feeling compassion at the ruin of such grandeur?

That is not Dr Jones on Lloyd George; it is Lloyd George on Parnell.

Assessment of Anthropology

Elements of Social Organisation. By Raymond Firth. *C. A. Watts.* 257 pages. 18s.

It is a sign of the times that catchwords purporting to be taken from the works of anthropologists are becoming for the Higher Journalism of the nineteen-fifties what psycho-analysis was to it in the twenties. Professor Firth's book is a welcome reassurance that all is not lost yet. The book is based on the Josiah Mason Lectures delivered by him at Birmingham University in 1947; and the Rationalist Press Association, which

founded the lectureship and has now published the book, deserves gratitude for sponsoring this important assessment of the present position of serious anthropological research.

Mr Firth's book is directed to the general reader ; but its sober style, exemplary clarity and abundance of factual information are deceptive. For there is a precise and by no means simple theoretical framework to it and the cumulative exposition of this theory is a notable achievement. The argument is satisfying not only because it fits the facts about Tikopia and Malaya but also because it makes sense to the historian or economist concerned with our own affairs.

The book begins with a closely argued chapter on the scope, data, methods of observation and main analytical categories of social anthropology. Mr Firth describes the unit of empirical study as a "field of social relations" which has a structural aspect, a functional aspect and an organisational aspect. He goes on to show how the social structure of a small homogeneous community of the kind normally studied by anthropologists can be analysed by reference to these categories and to the value standards accepted in it. But such simple societies are today undergoing rapid changes ; so Mr Firth turns to examine this process, drawing on data from all parts of the world. He gives special attention to the technological and economic changes going on in peasant societies and demonstrates with vivid examples how they affect all sides of social life. The high level of discussion is maintained in the next chapter, which deals with economic organisation. Mr Firth contends that the main body of economic doctrine holds for all types of human society, but that economic activity has social meaning only in the context of values and ends peculiar to a given society. Tackling the economist on his own ground and with his own weapons, Mr Firth shows that these values and ends are susceptible of systematic study and that primitive societies offer critical data for such study.

The theoretical argument is rounded off with a discussion of primitive art and of some general features of religious beliefs. This enables Mr Firth to show that the distinctive mental achievements of mankind can be related to the social ends and the standards of value found in a given society in the same way as can technological and economic activities. The sensitivity and wisdom of these chapters are the best proof that social anthropology, as expounded by Mr Firth, has a contribution to make to the formation of objective judgments about our own social problems.

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In No Man's Land

Corporation, Trust, and Company. By C. A. Cooke. *Manchester University Press.* 206 pages. 15s.

The gap between economics and law is certainly one of the most serious gaps between two social sciences which should work closely together, and this study on the common ground of legal and economic history is therefore particularly welcome. The author has brought out the ways in which legal forms and economic purposes mutually influenced one another in the fields of corporate and joint stock enterprise from the development of the guild system to the Companies Acts of the mid-nineteenth century.

His central point is that the concepts of the corporation and of joint stock developed separately. Incorporation was originally bound up with the pursuit of some purpose identified as being in the public interest ; the growth of trading companies in the sixteenth and seventeenth centuries meant essentially that common interest in an enterprise and common ownership of funds had to be reconciled with the older conception ; but the reconciliation was slow. In the eighteenth century a body of law was growing up concerned with the rights and duties that arise from the joint ownership of funds, quite apart from the purpose for which the funds were intended, but it was from the equitable conception of the corporation —or the unincorporated group—as a trust holding property for the benefit of its members that the fruitful changes flowed. The original purposes of incorporation were paternalistic and monopolistic. Nevertheless, an age of competitive private enterprise honed to obtain from incorporation the benefits of limited liability and transferability of shares. The common law hampered this, and must have influenced the form of enterprise, but equity gradually modified the position, and in the early nineteenth century the common law position was itself changed. At first incorporation was hedged about by parliamentary enquiry, and the degree of limitation of liability was separately determined in each case, but the great series of Company Acts from 1844 to 1862 (at which point the treatment ends) laid down a standard procedure in the modern manner.

This is a useful book, in which a very large subject is treated in a moderate space, with sufficient detail, and with an appreciation of the interacting economic and social forces at work.

Co-operation Overseas

Agricultural Co-operation in the Commonwealth. By Margaret Digby. *Blackwell.* 172 pages. 15s.

Practical Co-operation in Asia and Africa. By W. K. H. Campbell. *Heffer.* 275 pages. 21s.

The spread of the co-operative movement from its home in Britain to the farthest corner of the Commonwealth is the theme of Miss Digby's book—treated here in a highly condensed, descriptive form. Agricultural co-operation, as Mr C. R. Fay points out in a Foreword, is concerned pre-eminently with the business side of agriculture, and this study compares its economic effort with that of the invention of the joint-stock company. This may be an exaggeration, but no one would deny the immense benefits which agricultural co-operation has brought. India, Pakistan, Ceylon and Malaya now have vigorous co-operative movements, and since the war the colonial territories have been opened to co-operation with some remarkable successes. These movements have been nurtured by registrars sent from Britain —often men of inspiration who have devoted their lives to the co-operative ideal. Today new problems for co-operators are arising through the interposition of the state as buyer, producer and distributor. The relation of the movement not to private but to public economy is the primary intellectual task now confronting co-operators. Miss Digby does no more than state this problem ; her narrative is wholly factual.

The author of "Practical Co-operation in Asia and Africa" is one of the best-known of the co-operative "missionaries" who has worked in, or paid advisory visits to, no less than 14 Commonwealth countries. His main task was as Registrar of Co-operatives in Ceylon, which now has one of the most effective movements ; he also advised the Chinese Government for five years. In this book his great wealth of experience is crystallised into straightforward advice on the law and administration of every type of co-operative—credit societies, co-operative banks, marketing societies, and his practical hints are shot through with the idealism which one expects from men of his stamp.

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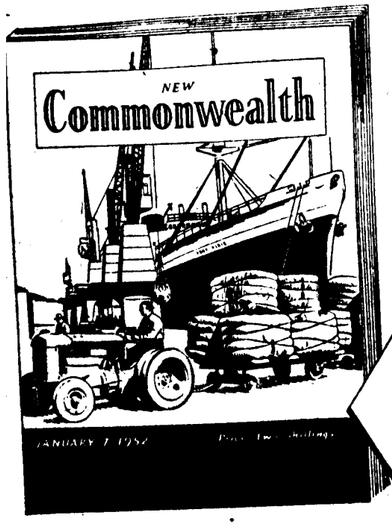

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THE negotiations for a Japanese Peace Treaty, and the conference at San Francisco which was their climax, may well be remembered as the moment when the United States emerged as a great diplomatic power. It had been an economic power for a long time and had used its economic strength for political ends on many occasions—not always with superb tact but, generally, with good intentions and satisfactory results. But at San Francisco there was evident not only a greater certainty than in the past but also something new in American foreign policy, coherence. The delegates of other countries could see that Mr Acheson and Mr Dulles knew what they were doing, that what they were doing was what they wanted to do and that they had taken into account the possible effects of their actions. This spectacle, probably more than anything else, generated confidence in many delegates who had been wondering, before the conference began, how far and how fast they should follow the leader.

It is only four years since the United States began to have a foreign policy. Before 1947 it had no more than a set of unilateral and unrelated relations with foreign powers. Mr George Kennan notes in his new book that the Policy Planning Staff, of which he was the first director and which was one of General Marshall's early innovations when he became Secretary of State, was the first regular office of the Department of State to be charged in our time with looking at problems from the standpoint of the totality of American national interest, as distinct from a single portion of it. Traditionally, the State Department has been organised as a collection of separate kingdoms, not always on speaking terms with each other, with each kingdom conducting policy, if it can be called that, without reference to any of the others. Even now so many evidences of this tradition exist in matters of detail that one official in another Department often remarks that nothing like it has been seen since the Holy Roman Empire.

But gradually the various offices and divisions which recently operated so gaily on their own have been brought to realise that their operations must be organised to help, rather than hinder, the main lines of policy. And, since the Marshall Plan (the Truman Doctrine was really an *ad hoc* decision dressed up as a Doctrine), there has been a main line of policy. But State Department officials only originated the plan; they were not allowed by Congress—Congress, in this case being, to all intents and purposes, Senator Vandenberg—to run it. In retrospect the decision seems a wise one. The Economic Co-operation Administration was able to be single-minded in a way that would have been impossible for the State Department without many years of training.

ECA was, however, continually being frustrated by officials of the State Department who, without consulting anybody, took decisions with their eyes focused on the immediate problems of one geographical area—and one, probably, far from Europe—and who failed to take account of interlocking relationships. For example, while the main policy was to rebuild the economies of Western Europe, a busy little group was involved, in the name of anti-colonialism, in destroying the Dutch economy in Indonesia. And there are still some people in the State Department who believe it to be their duty daily to frustrate one of the old colonial powers.

* * *

As long as the main policy of the United States could be, and frequently was, modified by officials who took their own line, the country could not exercise the power which its inherent strength justified. It is probably no accident, therefore, that the kind of fears which are now being expressed all over Europe should become vocal at exactly the moment when American diplomacy has come to terms with itself and become certain and coherent in all important fields. The complaint is essentially that it has become altogether too coherent and takes too little time and makes too little effort to understand the incoherence and placate the fears of weaker countries.

Mr John Cowles, the publisher of the Minneapolis *Tribune* and *Star*, a Republican, but a Willkie Republican, last week released his observations on a trip round the world. He reported that

> Many highly intelligent Europeans and Asians, individuals who loathe Russian totalitarianism and believe completely in the democratic ideal, fear that through ineptness the United States is going to blunder into war with Russia or that we will become so provoked at Russia's exasperating conduct that we will ourselves precipitate war. It is difficult for Americans who have not recently talked with political and intellectual leaders in Europe and Asia to realise how widespread this view is. . . . Much of the world thinks that the United States has only one idea, that of confining Russian Communism by military might.

Mr Cowles concludes that the United States should put more emphasis on the "kind of a peaceful world that we envisage," but which will be possible only if Russia is not allowed to plunge the world into another war.

What he is asking, in effect, is that those who are administering the second stage of American postwar policy should give details of the third before they have had time to plan it. The first stage, the economic rebuilding of Europe, was interrupted by the Korean war and therefore gave way to the second stage, the military rebuilding, before either American plans or the European economy were ready to take the latter in their stride. As things have turned out Mr Cowles is right; American intentions have been misunderstood—and not without solid evidence for the misunderstanding. But it is reasonable to wonder what Congressmen would say if the new world were unveiled by the State

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Department before they had been consulted on either its shape or its cost.

What is needed is probably not so much promises for the future as clearer definition of present policy—and, despite recent improvements, a greater loyalty to it on the part of all officials, whether they are talking for publication or off the record. There would be less apprehension about what the United States intended a rearmed western world to do with its strength if such men as General O'Donnell stopped advocating using it to bomb all and sundry. But there are less extreme cases, which can be more damaging. When the President demands that there should be freedom of information on the other side of the Iron Curtain, he is demanding something which he must know that he cannot get without removing the present rulers of Russia—without, that is to say, going to war. Sonorous platitudes, designed to comfort powerful groups, are a part of the pattern of American domestic politics, but even sonorous platitudes can be dangerous at a time like the present.

Mr Kennan asserts that most of the present troubles of the United States come from its old habit of doing little beyond asserting moral and legal principles. Those who are making its policy are doing their best to recover from the position in which this habit landed them. They are continually impeded from both right and left. Nevertheless it becomes easier every year to recommend that the rest of the world watch what comes down the main stream of policy and neglect the shallows on both the right—or swashbuckling—side or the left—the "do-good"—one.

Minnesota's Primary

[FROM A CORRESPONDENT IN MINNEAPOLIS]

THREE local personalities and a coming event make politics more than usually interesting just now in Minnesota, the midwestern agricultural State that lies at the end of the Great Lakes just below the Canadian frontier. The personalities are Mr Harold Stassen, who was a strong contender for the Republican presidential nomination in 1948 and would like to be a candidate again next year; Mr Luther Youngdahl, Republican Governor of the State until he went to Washington at the end of September to take office as a Federal judge; and Mr Hubert Humphrey, junior United States Senator from Minnesota and a Democrat. The event is the State's first primary election, on March 18th, when the voters of Minnesota will have the opportunity, new to them, of expressing their views on possible presidential candidates from each party.

Mr Stassen has had the chief voice in important Republican decisions in Minnesota ever since his own election to the governorship in 1938, at the age of 31. Though now president of the University of Pennsylvania, he returns to his native State frequently and needs its endorsement in the primary to give him a good start towards winning the favour of the Republican party as a whole. President Trumans' nomination of Mr Youngdahl to be a Federal judge was a blow to Mr Stassen's pride and plans. Both represent the liberal side of the Republican party and Mr Stassen had picked Mr Youngdahl, then a member of the State Supreme Court, to run for Governor in 1946. Mr Youngdahl won easily and was re-elected in 1948 and 1950 by big majorities; he became one of the most popular figures in Minnesota's political history, although he was too headstrong to suit some of his party's leaders. Mr Stassen was counting on the Governor's help when he tries for the presidential nomination next year, but now the Federal judgeship has taken Mr Youngdahl out of party politics.

Although Mr Stassen was in Minnesota at the time, Mr Youngdahl did not consult him about the offer of the judgeship and Mr Stassen did not conceal his displeasure that such a powerful vote-getter was being removed from the scene. Indeed, the appointment seems to have been a master stroke by Senator Humphrey for, with Mr Youngdahl gone, it is generally conceded that the Democrats will have a better chance of capturing the State Government. Traditionally Minnesota is Republican, but it has voted for Democratic Presidents since Franklin Roosevelt first ran in 1932. It has one Republican and one Democratic Senator and five Republicans and four Democrats in the House of Representatives. The State Administration and State Legislature have been in Republican hands fairly constantly, although the Farmer-Labour party took control for a few terms in the nineteen-thirties.

Technically there is no Democratic party in Minnesota, but only a Democratic-Farmer-Labour party; the merger was engineered in 1944 when it became apparent that neither the Farmer-Labour nor the Democratic party could get far by themselves. Active in that coalition movement was Mr Hubert Humphrey, who in 1945 was elected Mayor of Minneapolis, Minnesota's largest city; he was re-elected in 1947 and chosen US Senator in 1948. He has plenty of political appeal of his own, especially in labour circles, and is full of energy and of ambition to turn the State Government over to his coalition party. It is even possible that he will try for the governorship himself in 1952, something he would never have attempted against Mr Youngdahl, for whose political sagacity and popularity he has a healthy respect.

Mr Stassen was also made uneasy by another aspect of the Youngdahl appointment. The new judge's successor as Governor is Mr Elmer Anderson, a young and unassuming wholesale magazine dealer, who has been Lieutenant-Governor continuously since 1938, with the exception of the term between 1942 and 1944, when he was sidetracked by the then Governor, Mr Stassen. Those were the years during which Mr Stassen went to war and the Lieutenant-Governor, Mr Thye, now the senior US Senator, took over. Mr Anderson has always said that he has no political aspirations beyond being Lieutenant-Governor, but now that he has at last tasted power he will probably be a candidate for the governorship next year. His extreme modesty and the slight put on him in 1942 aroused the sympathy of many voters and since then he has quietly and steadily, and without anyone's help, been successful in every biennial election. He is certainly not to be counted out of the governorship race in 1952, although more brilliant figures in both parties are looking hopefully at his position. And in view of past history it is unlikely that in the meantime Mr Anderson will use his influence as Governor on behalf of Mr Stassen's presidential candidacy.

*

Still it is a fairly safe bet that the Minnesota delegation, or at least a substantial portion of it, will back Mr Stassen at the Republican partys' convention next summer. Senator Taft and General Eisenhower both have strong support and the Minnesota Poll, a local opinion survey, indicates that General Eisenhower is the most popular of all amongst both Republican and Democratic voters in the State. But in the absence of any encouragement from him the organised backing will go to Mr Stassen or Mr Taft, or perhaps be divided between them.

The new Minnesota law provides that a candidate for the presidential nomination may enter his name in the State's primary election between January 15th and February 15th of a presidential election year, or may be entered by his supporters with or without his consent. A candidate may himself file only on one party ticket, but that limitation does not apply to his supporters and General Eisenhower's name could conceivably appear on both tickets in Minnesota. But he, or any candidate, may withdraw by February 25th, and it is possible that what the General does in connection with the Minnesota primary may provide the first firm evidence of his presidential intentions.

The probable winner on the Democratic side of the primary is President Truman. Although he has not stated his intentions, he raised no objection when told by Senator Humphrey that his name would be entered. Mr Humphrey has long been a leader in Americans for Democratic Action, a liberal organisation, and urged support for either General Eisenhower or Justice William Douglas of the US Supreme Court at the 1948 Democratic convention. Nevertheless, since then Mr Humphrey has gradually worked himself into Mr Truman's good graces, although secretly he would probably prefer a stronger candidate for the 1952 campaign.

A Democrat can count on most of the labour vote in Minnesota and in 1948 the farm vote was also given to Mr Truman, as it was, unexpectedly, in most States. Now there seems to be much more dissatisfaction with the Administration. Far Eastern policy and the conduct of the Korean war are widely criticised and in the new defence programme Minnesota has been neglected. Lying on the northern border, the State would probably be a target in an air attack coming from across the North Pole, but virtually all military air stations are being established in the south. The Mayor of Minneapolis recently reminded the President that he is not supposed to be defending the Mason-Dixon line. Any resurgence of isolationism in this State would operate to the disadvantage of the Democrats. So Democratic leaders are apprehensive and, like many others, are looking to the presidential primary on March 18th for an indication of how far their apprehensions are justified.

American Notes

Reprieve for Economic Aid

Economic aid for Europe, the stepchild of this year's foreign assistance programme, has fared better in conference than was expected before the Ottawa meetings underlined the need for it. In the Senate, where the most damaging cuts were made, the upward revision already has been accepted. Out of a total authorisation of nearly $7.5 billion, just under $1.5 billion is allocated to economic assistance; of this, Europe's share is just over $1 billion, $142 million more than the Senate originally approved. The division of aid funds between regions and economic and military assistance for the fiscal year ending next June is as follows:

	Economic Aid	Military Aid
	(Millions of Dollars)	
Europe	1,022	5,028
Asia and the Pacific, excl. Korea	238	535
Middle East and Africa	160	396
Korean Reconstruction	45	...
American Republics	21	38
Total	1,486	5,997

None of these figures is more than a ceiling; foreign aid must go round the Congressional course once more before the appropriations are fixed. And economic help for Europe still remains $600 million below what the Administration thought was needed. But by loosening some of the rigid boundaries between economic and military aid, the conferees have made this less serious. Though some Republicans objected that they had no right to do so, the conferees provided that the President may transfer as much as 10 per cent of the military funds to the economic programme, instead of 5 per cent; this may swell Europe's economic aid to $1.5 billion. In addition, military funds may be used, not only to finance munitions contracts abroad, but also to pay for the building of airfields and other facilities for the common defence in Europe. This may bring $500 million or more to the relief of Europe's dollar deficits and strained budgets.

This reprieve for economic aid is due almost entirely to the last minute intervention of General Eisenhower, who informed the conference committee, in the most forceful language, that economic aid was as important as military help and, from the point of view of increasing arms production in Europe, even more vital. This warning could not be lightly disregarded; it came not only from the Supreme Commander in Europe, but from a man who may soon be the first Republican President for twenty years.

In return for its concessions on the amount of aid, the Senate has had its way about the control and organisation of the programme, which the House had favoured placing in the hands of a new, single agency. The conferees are thus to be congratulated on preserving the best in both versions. A new Mutual Security Agency will replace the Economic Co-operation Administration within sixty days, taking over its responsibility for economic aid and 90 per cent of its staff. But the Defence Department will continue, as at present, to supervise military aid and the State Depart-

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ment to direct technical assistance under Point Four, though the director of the new agency, who is to co-ordinate their efforts, will be responsible to the White House, not to the State Department, as the present co-ordinator has been. He is confidently expected to be Mr Harriman, though the President insists he has not made up his mind and Mr Eric Johnston is thought to have ambitions for the job.

* * *

Tax Relief—Senate Style

Fifteen liberal Democrats kept the Senate working overtime for nine days on the Tax Bill in an attempt to bring it closer to the Administration's wishes, but they did not loosen Senator George's grip on what he declares will be the last tax-increasing Bill to come out of the Senate Finance Committee while he is chairman. The Senate version provides for additional revenue of about $5.4 billion in a full fiscal year, but this is only half as much as the President wanted and $1.8 billion less than the House offered in the Bill it passed three months ago. Of more immediate importance, the Senate, by postponing the start of the various tax changes, would provide only $2.7 billion in the current fiscal year compared with the House's $5.4 billion.

Both Bills make changes, both up and down, in existing excise taxes and put a 10 per cent tax on a new group of mechanical household devices such as floor polishers, door chimes, and pants pressers. Both Bills also contain a new 10 per cent tax on betting, even though this will mean that the Federal Government is profiting from something it does not approve of. At the last moment the Senate required annual returns of net worth from all persons drawing more than $2,500 from any illegal enterprise, so that the police might know who were building up fortunes through activities, such as gambling, banned by state governments.

* * *

The Senate Bill is less severe than the House as regards increases in both personal and corporate income taxes, although it provides for levies on the expense allowances of the President and members of Congress—but not until after the next election. Both Bills permit the establishment of family partnerships, so that incomes can for tax purposes be spread among relatives instead of being credited all to one individual. The Senate made this provision retroactive to 1938, thus apparently benefiting people who are still fighting tax assessments on inflated wartime incomes. This is only one of many obscure clauses which have led those who claim to understand their implications to call the Senate Bill a "tax relief," instead of a "tax increase," Bill. Relief is also provided for new and fast-growing businesses, such as television, in a collection of twenty-two provisions which lift the weight of excess profits tax from their shoulders; in addition the Senate has refused to lower the ceiling above which earnings become liable to EPT.

The oil industry will continue to enjoy its very generous depletion allowance and a number of other mineral producers are also granted new or increased depletion allowances. Coal owners are permitted to pay taxes on a capital gains basis, more favourable than income tax in the higher brackets. This relief for coal can perhaps be excused on the grounds that it is a depressed industry, but this hardly applies to farming. Yet the same concession has been extended by both Houses to livestock kept for breeding, and the Senate added turkeys, apparently because one member takes a special interest in these birds. Other examples of the Senate's leniency are its rejection of the House's withholding tax on dividends and its refusal to increase the capital gains tax; both of these differences are likely to give trouble to the conferees who are meeting this week.

Government in a Goldfish Bowl?

To the satisfaction of the Republicans, case after case of improper influence, of alliances between officials and gangsters, of bribes accepted and favours bought seems to be qualifying the Administration for the old tag of "corrupt and contented" originally applied to the city government of Philadelphia. These are not scandals on the scale of the Harding era, but the public is becoming disgusted with "Trumanism"—the blind eye deliberately turned to wrongdoing. The President burned his fingers over the Reconstruction Finance Corporation, and today he is as obstinately standing by the chairman of the Democratic National Committee. The Senate investigating sub-committee has received, as yet, no proof of the *St Louis Post-Dispatch's* charge that Mr Boyle received $8,000 from a printing firm for expediting an RFC loan in the days before the agency itself was reconstructed. But Mr Boyle admits to arranging a meeting between the firm's president and the then head of the RFC, and to accepting eight law cases, mostly concerning government agencies, while he was unpaid head of the Democratic Committee. Republicans contend that the alleged sale of his practice when he reluctantly accepted a salary from the Democrats was only a blind.

Mr Boyle is only the largest Republican exhibit. A new internal revenue scandal has blown up in the west, and a whole procession of government employees have admitted receiving gifts, loans, and commissions from companies dealing with the government. Few have had even as nice a sense of the proprieties as the RFC examiner who, admitting he had taken a ten-pound ham, said he would have drawn the line at twelve pounds.

To the irritation of the Republicans, however, the sharp edge of their case has been blunted by their own national chairman who, four days a week in that capacity, declared the RFC should be abolished, but on the other three ran Carthage Hydrocol, Incorporated, a firm with an $18.5 million RFC loan. While some Republicans were demanding Mr Gabrielson's resignation, Mr Truman gave the tables an additional turn by asking Congress to require all appointed and all elected officials (including Congressmen and prominent party figures) to make public all their sources of income, including gifts and loans. This, the President said blandly, would put an end to cruel insinuations that most public servants were venal, while it would discourage the few tempted to put private concerns before the national interest. Such a proposal, however justified it may seem in the light of present revelations, might be a source of keener discomfort to innocent than to guilty men; it certainly would not make government service any more attractive to the able. But Congressmen, who have no objection to officials being forced to live in a goldfish bowl, are not likely to take the plunge where they themselves are concerned. Many Congressmen augment their incomes by practicing law or in other ways. Mr Truman has scored a shrewd political stroke which will make it easier for Democratic orators to face their critics, but whether it will satisfy the public is more doubtful.

* * *

End of the Beginning

The main fact which emerges from the third quarterly report of Mr Wilson, the defence mobiliser—rather grandiloquently entitled "Three Keys to Strength: Production, Stability and Free World Unity"—is that after more than a year of hard work, tooling up for defence is nearly complete. The United States stands on the "threshold of volume production" for many articles of military equipment. Contracts worth $45 billion have been let (in addition to $7 billion committed, but not spent, at the outbreak of the Korean war), out of nearly $100 billion made available, including foreign military aid. Deliveries up to the present total $14 billion, more than $5 billion of which were received

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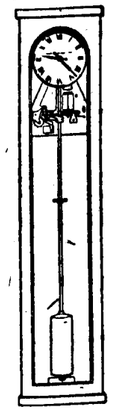

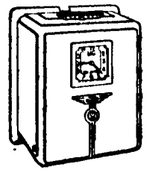

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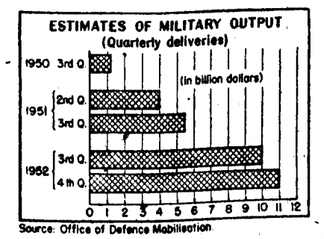
during the past quarter. This quarterly rate is four times the amount received a year ago; by this time next year it should have doubled. Re-tooling for combat vehicles is now one-third complete, and should be finished by the end of the year; in 1952 deliveries are expected to be seven times what they are today. A threefold increase in deliveries of electronic equipment also is expected by next summer. Aircraft production will quadruple, but not for two years; re-tooling for the complex new bombers has been delayed by the scarcity of skilled labour and of specialised machine tools.

That there has been some "slippage" in the schedules—the jargon for a failure to meet them—springs to the eye.



Source: Office of Defence Mobilisation

Three months ago the defence mobiliser confidently predicted that military deliveries would reach $4 billion a month by next June. Now that rate of production is not expected even to be approximated until the third and fourth quarters of the year. And annual spending for national security, which also was to reach a peak of $65 billion in June, will not attain it until three months or more later.

It is Mr Wilson's belief that, thanks to an increase by then in the gross national product to an annual rate of $330 billion (at 1951 dollars) and decreases in private investment, defence spending on this astronomical scale will not seriously decrease consumers' goods, though shoppers will have to take more in soft goods and less in metal-using articles such as automobiles, television sets, and houses. The present metal stringency is due, not only to direct defence demands, but also to those of the basic industries which are expected, in a three-year period, to expand to the tune of $50-$60 billion. Mr Wilson is more hopeful than his aides that further immediate cuts in supplies for consumers' durable goods can be avoided; and more optimistic, at a press conference, than his own report, which points out that continued drought in the north-west might, by turning off the electric power, cost the nation 100,000 tons of aluminium in the next six months and force further cuts in consumption.

* * *

Gunning for McCarthy

Last week was a black letter one in Senator McCarthy's calendar, for during it he was for the first time forced to take not one, but three, doses of his own medicine. The first was at the pre-trial hearings of Mr Drew Pearson's damage suit, for combined assault and libel, against Mr McCarthy and others. There the Senator was questioned, as he has so often himself questioned witnesses, in a way that he considered impertinent about income tax returns that seemed to him irrelevant. The day afterwards Senator McCarthy was again on the defensive, being examined by members of the Senate Foreign Relations Committee who are considering whether Dr Philip Jessup is a suitable delegate from the United States to the United Nations. Mr McCarthy had accused Dr Jessup of "having an affinity for Communist causes," but the committee members, whether Democrats or Republicans, insisted on pinning him down, a new experience for the Senator. They demanded definite answers, not rambling insinuations, and were unimpressed by "proofs" which only proved that, if Dr Jessup had ever been connected with the causes in question, they had not been Communist-front organisations at the time.

Next day another Senate sub-committee, a section of the Rules Committee, allowed Senator Benton to present his case for driving Mr McCarthy out of the Senate as he has, in his own opinion, driven Communists out of government. The case was presented in almost the flamboyant McCarthy style, but the ten specific charges against him, by a man he regards as a "mental midget," add up to far more than any he has ever made himself. Mr Benton accused Senator McCarthy of perjury, fraud, calculated deceit and gross irresponsibility in his attacks on the State Department, in his interference in last year's election campaign in Maryland and on other occasions. If upheld, the charges certainly amount to the "disorderly behaviour" for which the Senate is constitutionally entitled to punish its members. But even if the sub-committee decides to proceed with hearings on Senator Benton's accusations, it would be most surprising if Mr McCarthy were expelled.

Last week's events show definitely that the tide has turned against Senator McCarthy, but there is some danger that Senator Benton's direct challenge may reverse the trend. His own Democratic Party officials are unenthusiastic about his insistence on gunning for Mr McCarthy, for they fear that, if Mr Benton fails to hit the mark, the Administration may be accused of trying to silence its critics; and if Mr McCarthy is actually shot down, his home state of Wisconsin may make a martyr of him and re-elect him next year—as it probably will anyway. Finally, if the many Republicans who would like to drop Senator McCarthy quietly are asked to do so with a bang, party loyalty may overcome their scruples and rally them to his side.

Shorter Notes

Civil war rages in New York City every year between the Giants of Manhattan and the Dodgers of Brooklyn, both of baseball's National League, and last week the two teams tied for this year's championship. From Monday to Wednesday the decisive play-off kept the city glued to its television sets until the Giants won in a sensational finish, a fitting climax to the series of victories which had taken the team from far down the League to the top in two months. But this was only the beginning, for on Thursday the Giants went on to the field to fight the World Series against yet another New York team, the Yankees from the Bronx, who head the rival American League. There is therefore no cause for alarm, and no long-term significance, in the fact that business activity in New York has dropped almost to vanishing point this week, except in a few specialised fields such as peanut-vending.

*

When Congress realised last week that it could not meet its proposed adjournment date, October 1st, it was obliged, for the third time since the fiscal year began on July 1st, to provide temporary appropriations to finance the Federal Government for yet another month.

*

The State Department has come to the conclusion that most of the young Lebanese who come to the United States as students are looking not for further education but for a spouse. For a Lebanese to get a visa as an immigrant takes five years, but visas for students are available at once. Few of the Lebanese students have completed their courses and even fewer have returned home. Most of them have married American citizens, usually members of resident Lebanese families with whom they had already been in correspondence; this seems, in fact, to be a new version of the "picture bride" system, applied to both sexes.

*

The Pennsylvania Railroad is experimenting with automatic machines on its trains, from which can be obtained such delicacies as roast beef sandwiches, ice cream, pastry and hot coffee. If successful the machines will take the places of the attendants who have hawked food up and down the coaches, and perhaps of some of the dining cars as well.

THE WORLD OVERSEAS

The Crown Comes to Canada

(From Our Ottawa Correspondent)

THE history books show how closely the monarchy is linked with the course of the Commonwealth; but it does not need a future historian to estimate the importance of the tour of Canada on which Princess Elizabeth and the Duke of Edinburgh are to embark next week. It must be accident rather than design; but it has happened that the tour coincides with a particularly sharp mood of Canadian national consciousness; and Princess Elizabeth and the Duke provide a focus for it.

Their present tour has the incidental effect of correcting in the most vivid manner possible the exaggerafed sense which many British people seem to have of the "Americanisation" of Canada. It sometimes seems here as though the "Mother Country"—a phrase which most Canadians abominate—had watched her Canadian child grow up, and then been saddened to see that child flirting with a rich young man of whom she could not altogether approve. In so far as this may be a fair representation of some British attitudes towards Canada, it is based on a complete misunderstanding of the supposed flirtation. To carry through the rather odious family analogy—Canada has to live next door to the rich young man, who is determined and sometimes headstrong. It requires all Canada's tact and skill to maintain friendly, harmonious relations while avoiding any suggestion of impropriety. For any daughter in such a position the most irritating attitude her mother could possibly adopt would be to assume that the marriage—or the liaison—was already a foregone conclusion.

Spontaneous Public Interest

That the British should recognise Canada's distinctive character as a country that is British by history and American by geography is welcome and overdue. But the recognition that Canada is part of North America might have come from any schoolboy's atlas; and it should not conceal the equally important fact that Canada is still very different from the United States. The royal tour is a very vivid, and timely, illustration of this second fact. From afar it may seem as though the crowds which turn out to cheer Princess Elizabeth and the Duke of Edinburgh have little permanent significance. It may not be easy to distinguish the welcome given to the royal couple and that which might be evoked by any pageant or any celebrity from Hollywood. But Princess Elizabeth is not being greeted with the flippant and frothy excitement which a film star might arouse. Every Canadian magazine and newspaper, in French or in English, has been flooded these past weeks with the latest pictures of Princess Elizabeth and her family, and with articles about them. But the inevitable and natural "human-interest" stories are matched by serious discussions about the nature of the Commonwealth to which this country belongs and the role of the Crown in Canadian life. The national broadcasting system is using the occasion to broadcast a series of talks by eminent Canadians about the Commonwealth. The regular broadcast commentaries on current affairs, given by prominent journalists and others, have for some weeks devoted a surprising amount of time to the position and

of the Crown. There is a new emphasis on the Commonwealth link as a counter-balance to the United States.

This public mood—a mixture of emotional enthusiasm and rational discussion—has had no inspiration from above. The Canadian government has been co-ordinating arrangements for this visit through a back-room committee, whose doings have been publicised only in the form of bare and unexciting schedules. The impression left by the federal government offices here has been that they would be just as happy to soft-pedal the whole affair. The massive public interest and concern arose quite spontaneously. Certainly it would be wrong to overemphasise the part of royalty in the minds of most Canadians. It would be utterly misleading to suggest that there is any return to the mood of old-time "imperialism." But the royal tour has aroused and demonstrated deep feelings which do not often get such open expression. Its effect is to put a new stress on those things which differentiate Canada so sharply from the rest of North America.

A Sovereign in Residence?

It would be over-facile to say the stress is on the "British-ness," rather than the "American-ness" of Canada, and it would be only a partial truth. For one thing, the royal visit arouses as much enthusiasm amongst Canadians of French ancestry as anywhere else. Moreover, this is something even more significant than the maintenance of ties with people across the seas: the sense of relationship with them inevitably grows feebler as the years pass. The reality, about to be proved by Princess Elizabeth, is more remarkable. It is that the Crown, the British parliamentary system, the joint traditions of British and French law and culture, have become so much a part of the Canadian fabric that they evoke spontaneous recognition—not as something imported from across the seas, but as essential components of the community which is Canada. Canada is not so much showing itself to be British as the Crown is showing itself to be Canadian.

This being so, part of the serious discussion about the visit inevitably concerns the continuing relationship between the Crown and the many countries which owe it allegiance. Dr B. K. Sandwell, the veteran Canadian editor who is now in semi-retirement as "Editor - Emeritus" of *Saturday Night*, recently brought into the open considerations which many Canadians have had in their minds. He wrote: "A Kingdom implies a Palace, and a Kingdom of Canada implies a Palace in Canada, even if the same King has other palaces in other lands. I think it also requires that for a portion of each year, or perhaps of each two or three years, the monarch should be in residence in the Canada of which he is sovereign, and should himself, and not through a deputy, exercise his right 'to be consulted, to encourage and to warn' his advisers."

There may be many opinions about the practicability of this solution. But there should be little argument that the problem to which it is a suggested answer is already a

Exercise Counterthrust

[BY A CORRESPONDENT]

THE general idea behind the recent manœuvres of the British forces in Germany was that lying to the north of a peaceful and democratic state, called Blueland, was a hostile and aggressive state, called Redland, possessing military forces initially much superior in strength to those of its southern neighbour. After a short period of tension Redland launched an unprovoked attack on Blueland, which fought a delaying action to obtain time to mobilize its reserves and obtain help from its Allies. The ground forces actually engaged were, on the Blueland side, an army corps consisting of the 7th and 11th British Armoured Divisions, a Belgian brigade, a Netherlands brigade and a Norwegian brigade; and on the Redland side the 2nd British Infantry Division plus an American armoured brigade group together with one Danish and one French battalion.

From a general point of view the main interest of the exercise lay, first, in the light it threw on the standard of training and equipment of the British Forces in Germany, and second, in the light thrown on the problem of close co-operation in the field between units from different Nato countries. So far as the British forces were concerned there was a marked improvement on the situation prevailing a year ago. The strength of units was in many instances up to ninety per cent of war establishment as compared with little more than sixty per cent a year ago and the standard of elementary training very clearly reflected the benefits of the extra six months of national service. On the equipment side the two armoured divisions, one of which had been sent to reinforce the Rhine Army earlier this year, were fully equipped with Centurion tanks, a process which a year ago had only just started in the one armoured division then in BAOR. The "soft" vehicle situation was on the other hand still unsatisfactory. The majority of trucks were ones that had been in use at the end of the war and they showed the effects of six years of hard wear. The wireless equipment was old and this contributed to the unsatisfactory standard of wireless communications.

The standard of basic training was good, but for the rest wide variations were apparent. A striking contrast was to be seen between the superb standard of camouflage of the 7th Armoured Division, which has been in Germany in one form or another since the end of the war, and the much lower standard of the 11th Armoured Division which only joined Rhine Army in April of this year. Similarly there were great differences in the standard of field defences prepared by different infantry battalions.

Broadly it was the finer points that were wanting, and here there was a noticeable difference between those officers and NCOs with war experience and those without. Those without war experience were not on the whole sufficiently information conscious and failed to pass back information as to what was occurring in their own locality and to demand information of what was happening on their flanks. One artillery regiment, for example, did not appear to have kept a proper tactical map at any stage during the exercise, and when their forward observer became a casualty his replacement was gaily sent up along a main road which had been in enemy hands for twenty-four hours. Likewise there was a tendency to accept, without serious effort at overcoming it, the failure of wireless communication.

A further weakness amongst young officers was a lack of appreciation of the need for the closest co-operation between different arms. In one such instance an artillery regiment was supporting a screen of armoured cars which were holding a gap between two brigades, but no plan had been arranged between the gunner officer on the spot and the armoured car commander for artillery fire in the event of enemy attack. In this case, as in many others, wireless sets which were provided for the express purpose of establishing this kind of inter-arms communication were lying unused in the back of trucks. A particularly disturbing feature of many of these cases was that the officers concerned, on being spoken to, did not seem to grasp the importance of this close co-operation. The best way of bringing the lesson home would have been to award to those units which were the principal offenders the heavy casualties that their sins would inevitably have brought them in real battle. For understandable reasons, however, it was laid down that the "dead" would be resurrected after a period of six hours (otherwise those killed would have had no more opportunity of gaining experience in the manœuvres).

Exercise Counterthrust provided a good opportunity to study the problems involved in the use of a number of relatively small different national formations, none bigger than a brigade. The only really satisfactory and intimate co-operation was that between the British and the American armoured brigade. Here there were naturally no language difficulties, and the steps that were taken both during the war and afterwards to standardise military terminology and procedures in the two Armies seemed to have borne excellent fruit. So far as the other brigades were concerned, language difficulties were very substantial, and these were made worse by differences in organisation. As a result these brigades were used as independent formations holding outlying positions and not as a coherent force. In the circumstances this was almost certainly the right decision by the Blueland commander, but it suggested very forcibly that a European Army made up of a large number of small national units would be relatively wasteful and inefficient. On the whole, the equipment and training of these Nato units compared not unfavourably with that of the British troops involved in the exercise, though it would be an unsafe deduction to suppose that the same could be said of the general standard of equipment in the continental Armies concerned.

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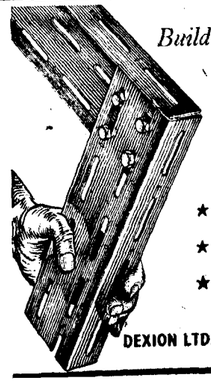

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Forces for German Unity

[BY OUR SPECIAL CORRESPONDENT]

THE reaction of West German politicians to the latest Soviet-German proposal for talks on unity and a peace treaty will probably encourage Herr Grotewohl to try again. The fact that the Bundestag supported practically with one voice Dr Adenauer's declaration of terms for free elections could not conceal the increased divergence of opinions which the Soviet-German concessions roused. On this occasion, Dr Schumacher has been playing a particularly dangerous game. He has denounced the Schuman Plan, the European army and the Washington proposals for ending the occupation statute; and he has refused to collaborate in negotiations with the High Commission, though Dr Adenauer has insisted upon keeping him informed. Dr Schumacher has said he was prepared to take part in "actions, not capitulations," *vis-à-vis* the Western Powers, and indicated that Dr Adenauer could be suspected of being the Allies' tool if he rejected Herr Grotewohl's proposal out of hand. The opposition leader, though he did not propose simple acceptance of the East German offer, made it, in fact, very hard for Dr Adenauer to argue that Germany's best interests would be served by concluding pacts with the West before any other step was taken.

This divergence between two equally patriotic and anti-Communist Germans such as Dr Adenauer and Dr Schumacher can be explained in broad terms. Though it contains Protestant and Socialist concentrations, the Federal Republic is predominantly Catholic and opposed to Marxist socialism. It is federalistic rather than centralist. In Bavaria, dislike of Berlin and everything "Prussian" becomes outright separatism. Dr Adenauer, the Catholic Rhinelander, with a traditional inclination towards France and away from Prussia, is the outstanding representative of a state which would in external affairs work with the West and in domestic affairs follow a Christian-social policy of collaboration between labour and capital.

Schumacher Looks East

By contrast, the present Soviet zone is predominantly Protestant, and once contained Social-Democrat strongholds in Berlin and Saxony. It is hard to say how many former Social-Democrats retain their allegiance to their old party since the merger with the Communists in 1946; but Dr Schumacher is convinced that free elections would rally them to him. In the West, Dr Schumacher has failed to force general elections on the issue of rearmament and German sovereignty. But all-German elections on the terms laid down by the Bundestag last week would, he believes, bring him and his party to victory. The Social-Democrats, perhaps with their allies, the refugee party (BHE), would govern a centralised state with its capital once more in Protestant Berlin. Its internal policy would be to socialise the industries of Western Germany and bring them into line with the present "people's concerns" of the Soviet zone. Externally it would concentrate on securing the next and biggest step towards unity—the return of the Oder-Neisse territories.

West German industrialists and businessmen, however much they want a reunion with the Soviet zone, have their enthusiasm damped by the prospect of Schumacher socialism. They also fear that they would lose the benefits of American rearmament orders, and would have to share any further US aid with an impoverished Eastern Germany. The Ruhr wants trade with the Soviet sphere, and dislikes the competitive industries which are being built up in the eastern zone—particularly the big new steelworks known as the *Huettenkombinat Ost*; but the steel industry would still less like to find, say, the *Gutehoffnungshuette* taken over by a socialist state and renamed *Huettenkombinat West*. On the other hand, there are many German industrialists who are refugees from Eastern Germany, and hope that reunion would bring them back lost factories and homes.

Nationalist Protestants

One of the leading forces working for unity is the Evangelical Church, which has its main strength in Eastern Germany. Its power and determination were demonstrated at the big all-German Protestant rally which was held in Berlin last summer. The Catholic Church is of course also concerned deeply for its flock in Soviet hands; but it is undeniable that its weight lies in the West, and that it has ties with Rome and Paris. The Evangelical Church in Germany is traditionally nationalist and obedient to a strong centralist state. Its Confessional wing, led by Pastor Niemoeller and his colleagues, is strongly opposed to rearmament; but the Church as a whole is not inclined to pacifism, even of Pastor Niemoeller's nationalist persuasion. It has, on the contrary, strong links with the old German army; owing to the domination of Prussia, the higher ranks of the officer corps were almost exclusively Protestant. Only the advent of the *Waffen SS* introduced generals who were not only anti-Catholic, but non-Christian by order.

It is clear that there are strong sections of the West German community whose particular interests lie in securing unity—with the Soviet zone first and the lost East German territories next. They will always be able to appeal to the patriotism of the people, and to the general fear of being branded as tools of the occupation powers. Now that the crucial moment is coming for the Federal Republic to join the Atlantic forces, it is evident that the idea of unity will appear much more strongly than before in the light of an attractive alternative.

A New "Purge" of Russian History

[BY A CORRESPONDENT]

IN the Soviet Union even death does not guarantee repose and stability to a public figure. Since it is considered, in Humpty Dumpty-like fashion, that historical events should mean what one wants them to mean, dead national heroes lead a perturbed existence travelling from the Pantheon to the dustbin and back again according to the political needs of the moment. The writing, or rather the rewriting, of history thus becomes an interesting indication of the political line currently followed by the Soviet rulers. A good illustration is provided by the posthumous fate of Tsarist generals such as Kutusov or Suvorov. Dismissed as Tsarist stooges or agents immediately after the revolution, they were brought back into official favour on the patriotic and nationalistic wave of the thirties. During the war, when it was necessary to increase the prestige of the Army, these Tsarist generals were restored as fully fledged national heroes. Then, fearing the danger of Bonapartism, Stalin gave another sharp turn to the wheel. Patriotic excesses and the glorification of the Army and its pre-revolutionary predecessors were severely criticised. But Kutusov and Suvorov did not leave the Soviet stage for long. In the present tense international situation the patriotic cult has once again become fashionable.

A symptom of this new and important trend is provided by a violent attack in a recent issue of the *Bolshevik*—the Party's theoretical organ—on the eminent Soviet historian Eugene Tarlé for "slandering the Russian Army and the memory of Kutusov." Not long ago Tarlé was still in the limelight as a contributor to *News*, the new Soviet English-language magazine. Now, the attack on him is so strongly worded that judging by prewar standards the author should be "withdrawn from circulation" as well as his book. This time, however, it appears that only the book will be with-

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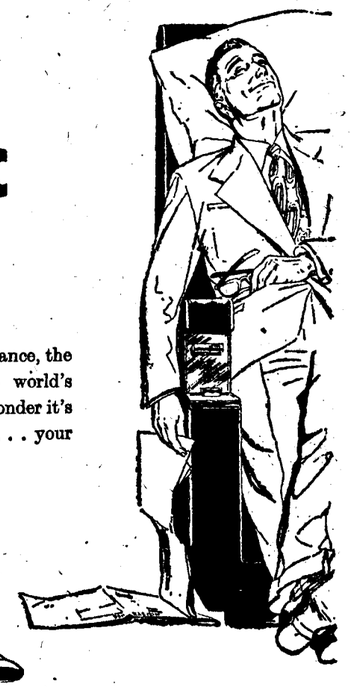

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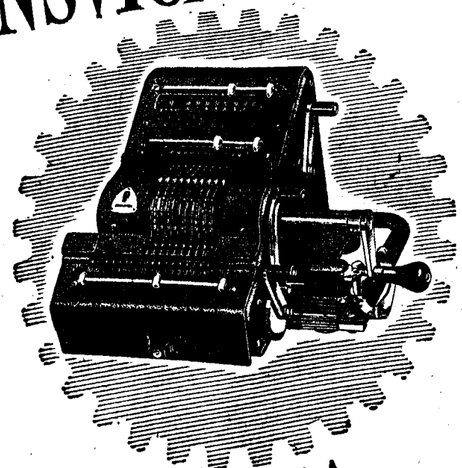

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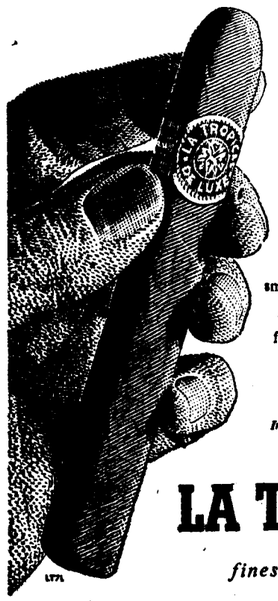

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drawn or rewritten, since at the same time as he was attacked in the *Bolshevik*, Tarlé's name was included among the signatories of some "important" peace petition.

The striking feature of the *Bolshevik's* article is that Tarlé is attacked for a book—"Napoleon's Invasion of Russia, 1812"—which he wrote in 1938. At that time, when war and invasion seemed likely, the Russians were being reminded of their "glorious national past," and the revolutionary tradition was being replaced by Tsarist legends. It was then that a Soviet film was made, in which the Tsarist general Suvorov was proudly shown trampling down flags belonging to the revolutionary armies of France. Tarlé's book was written in this mood. In 1943 it was republished with an introduction drawing a parallel between the two invasions and stressing the difference between Napoleon and Hitler (this differentiation between invaders may now be displeasing to Soviet leaders).

Chauvinism in Retreat

In 1945 the ultra-patriotic line in history was discarded. Stalin had become a generalissimo and pushed the marshals into the background. The *Istorichesky Journal* (Historical Journal) was accused of nationalistic excesses. It was closed down and replaced by *Voprosy Istorii* (Problems of History). One of the tasks of the latter was to fight against "the great power chauvinism which had developed in recent years and shown itself in attempts at justifying the rapacious, colonial policy of Tsardom, in the restoration of bourgeois concepts . . . in the idealisation of statesmen of the autocratic regime and the abandonment of class analysis of historical events." Tarlé did not escape attack; but he was criticised not for his writings on Napoleon but because in his history of the Crimean campaign he had shown an uncritical nationalism which went so far as to justify the diplomacy of Nicholas I.

Today Tarlé is being criticised once again but for quite different reasons. His book on the Napoleonic invasions which was acceptable at the height of the wartime nationalist wave does not apparently come up to the new standards of too great respect for the West. An unknown historian, a certain Kozukhov, brands his method as "unscientific" and reproaches Tarlé with giving more credit to French, English and German sources than to Kutusov's documents. "Tarlé," we are told "has distorted the image of one of our greatest men, has omitted his merits in the Battle of Borodino and minimised the heroic role of the Russian people, its Army and Kutusov." Since the mantle of the hero of the First Patriotic War falls on the shoulders of the generalissimo of the Second Patriotic War, it would seem that Kutusov must again be described as a hero without weakness or blemish, and who knows whether one day Tolstoy will not be blamed for his treatment of Kutusov in "War and Peace"?

In the meantime the new "historical purge" will no doubt follow its course. Tarlé's book will be followed on the censor's desk by works on the same period written under his influence. Already Professor M. V. Nechkina, a well-known author of text-books, has been blamed in the same article in the *Bolshevik* for stating that Moscow was burnt by the Russians, not by the French, and that the country was partly ruined by the Russians' own scorched earth policy.

The Generals Reappear

The new line imposed on historians seems to have a twofold aim: on the one hand, to rekindle the Russian, or rather the Great Russian patriotic spirit; on the other, to quell any non-Russian, that is, centrifugal patriotic feelings. This second process was started some time ago by the withdrawal of a Stalin Prize granted to the Azerbaijan historian, G. Husseinov. The latter's "sin" was to have praised Shamyl, a Caucasian national leader who fought against Tsarist Russia. Shamyl, who until recently was still considered a hero in Soviet writings, has now been degraded to the role of "an English agent." After this the Academies of Sciences of Uzbekistan, Tadjikistan and other Soviet Central Asian republics all began to get busy rewriting the history of their countries. Russian writers too, for example, Professor A. M. Pankratova, have been criticised for their "wrong" interpretation of the history of these lands. In the books now being written, even the past of the countries in question must not be linked with the culture of, say, Persia or any other country now outside the Soviet orbit. National heroes who fought against Tsardom must be presented as foreign agents, while the civilising effect of Tsarist conquests must be stressed.

Thus, while the struggle with non-Russian nationalist movements goes on, the Great Russian nationalism is fostered. The two trends seem to be part of Stalin's policy of consolidation in the face of new external dangers. It is now a far cry from the anti-patriotic resolutions of 1945. The wartime Soviet marshals reappear in the limelight after years of oblivion. After Marshal Zhukov's sudden visit to Warsaw and Marshal Voroshilov's visit to Bucharest, Marshal Sokolovsky was sent to Sofia. In the wake of the Soviet marshals, the famous Tsarist generals once again step on to the stage.

Towards a West Indian Dominion?

EARLY next year—it has just been announced—a conference on West Indian federation is to be held in London. Four years have passed since the first conference on closer association in the West Indies was held at Montego Bay in Jamaica, and the vision of a Caribbean Federation, able to command Dominion status, took shape. But already at Montego Bay, political cross-currents disturbed the smooth surface of the discussions; individual territories and personalities had their own axes to grind, and it was by no means certain that all the clashing interests could be welded into harmony.

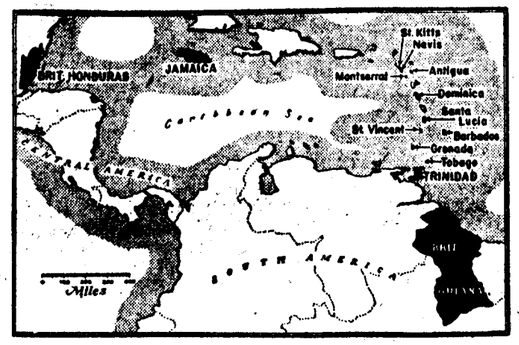
But the Montego Bay Conference did manage to approve the principle of federation and to agree on a number of immediate practical steps. It resolved that a Standing Closer Association Committee should be set up to prepare a plan for a federal organisation, and also that a number of special commissions, on such practical questions as a customs union and the unification of the public services, should immediately get to work.

The focus of the work was the Standing Closer Association Committee. It enjoyed a brief and successful life. It had a British chairman and secretary, but all seventeen members were West Indians, including many leading West Indian politicians. Two each, chosen by their own legislatures, came from the major colonies of Barbados, British Guiana, British Honduras, Jamaica, and Trinidad; one each from Antigua, St Kitts-Nevis, Montserrat, Dominica, Grenada, St Lucia and St Vincent. After eight weeks of discussion, spread out over a year, a unanimous report was signed proposing a federal constitution in which each of the West Indian territories could play its part.

The proposals were, in short, that "The British Caribbean Federation" should be established, with the seat of government in Trinidad. It should have a two-chamber legislature—a Senate, with two Senators nominated for each unit (except small Montserrat, which would have only one), and an elected House of Assembly of 50 members, elected on universal adult suffrage. There would be a Cabinet of 14—all except 3 to be members of the Legislature—including a Prime Minister, and the Cabinet would become the principal

instrument of policy. To this liberally based federal legislature certain special subjects would be assigned; in all other matters each constituent unit would retain complete control over its own affairs. These recommendations appeared early in 1950, together with the proposals for the unification of the public services, and were followed soon after by a plan for a customs union.

The next step was to take these proposals to each of the local legislatures—and it has been there, during the last eighteen months, that the reefs and shoals have uncovered themselves. Trinidad, the four small islands of the Windwards, and the three of the Leewards, all voted in favour of proceeding towards federation; but the major territories of Barbados, British Guiana, British Honduras and Jamaica would not commit themselves. Yet these four important colonies contain over two million of the total population of three million which would enter the federation. The reasons for their hesitancy are complex and various. There would be no difficulty in proving that, economically and administratively, each separate Caribbean unit is not viable; that development and trade are badly handicapped



by being split between so many governments; that the economic future of each separate territory is dubious; that some are overpopulated to an appalling extent and must find outlets for their population in others; that, indeed, already today the individual territories are forced to combine to sell their main crop (sugar) advantageously; and that in a dozen other ways the whole area is interdependent. But none of these rational arguments assuages local fears or overcomes parochial prejudices. For the very benefits which some islands would derive from federation may be at the immediate expense of others; by comparison with these immediate sacrifices future advantages seem nebulous.

The conflict between the short-term and the long-term has a different bearing in the different territories. The bigger and more prosperous units (apart from Trinidad) have fears that they will be saddled with the economic burden of the smaller and poorer islands (who have all voted in favour of federation). Some of these weak links are today dependent on British help—will that onus in future fall on, say, Barbados and Jamaica? Trinidad, on the other hand, has strongly favoured federation as it is beginning to be industrialised and sees itself as the industrial supply centre of the whole area as well as the natural geographical trading and communications centre. Here, for Trinidad, is the obvious market for its new secondary industries.

Jamaica has looked at it differently. It has a population approaching one and a half million (half of the total) and feels more self-contained; also, it is divided from the other units (except British Honduras) by a thousand miles of sea, and feels no natural affinity with them. On the other hand, its large population and proximity to British Honduras, which is still largely undeveloped, frightens the Hondurans, who picture themselves flooded by the more aggressive Jamaicans, for whom they have no particular affection. British Guiana, with its temptingly unsettled and vast interior, has a similar dread of being swamped by Barbados's surplus population, as well as by Jamaicans, and this is particularly frightening as its own population is now increasing rapidly after an amazingly successful anti-malaria campaign. British Guiana also has other preoccupations. It is on the mainland of South America, and there has long been visionary—if unrealistic—talk of its "continental destiny." Why turn to the islands of the north when there are solid mainland neighbours next door? Not only that, but half its population are East Indian in origin, with an honoured and influential place in the community. Federate, and the East Indians become an insignificant minority in the overwhelming majority of African descent.

Whitehall Remains Neutral

Woven into these anxieties comes a clash of politics and personalities. Almost all the powerful political parties of the Caribbean are, in some way, "Labour," but there is a deep division between Labour leaders of the type of Alexander Bustamante in Jamaica and Uriah Butler in Trinidad on the one hand, and Grantley Adams of Barbados and Norman Manley of Jamaica, on the other. The first type—and they have their counterparts in some of the other territories—are dubbed "Fascist demagogues" by the second type, who adhere more strictly to the Socialist way of thought and action, and there is a very serious fear on the part of the latter that the federation as a whole will fall under the sway of the former—possibly with Bustamante as Prime Minister. It is not a fear to be lightly dismissed in this phase of West Indian political development.

The Colonial Office, faced with these conflicts, decided to hold its hand. There have already been flickers of resentment that federation was being "imposed" from London—and West Indians have gone far beyond the stage of stomaching Whitehall impositions. So London has remained neutral on the main issue, though pressing on with functional regional arrangements—a Standing Economic Committee, the unification of the currency, a trade commissioner service and so on—and working on constitutional reforms in the separate territories. For a time, the federation project has seemed altogether to hang fire, and gloom settled on all who were convinced that West Indian progress is impossible except within the broader framework.

Next Stage Towards Federation

New life is now given to the whole conception by the news of next year's London conference. The proposal, surprisingly, has come from Jamaica—formerly among the most lukewarm supporters of federation. Resolutions have been passed by both houses of the Jamaican Legislature accepting the principle of federation, and a joint committee of the two Houses will now consider the details of the Standing Closer Association Committee's report. After that they will be ready to join with the other colonies who are favourably inclined, for the next stages of the discussion. This should prod British Guiana, British Honduras and Barbados to a decision, or they will be left by the wayside.

That the conference is to be held in London is a particularly good move. As a pro-Federation politician in Trinidad put it some time ago: "When we West Indians meet anywhere in the Caribbean, we are conscious only of our differences. We think of ourselves first as Barbadians or Jamaicans or Guianese. But bring us among the cold and indifferent millions of London and we stand united as West Indians and brothers."

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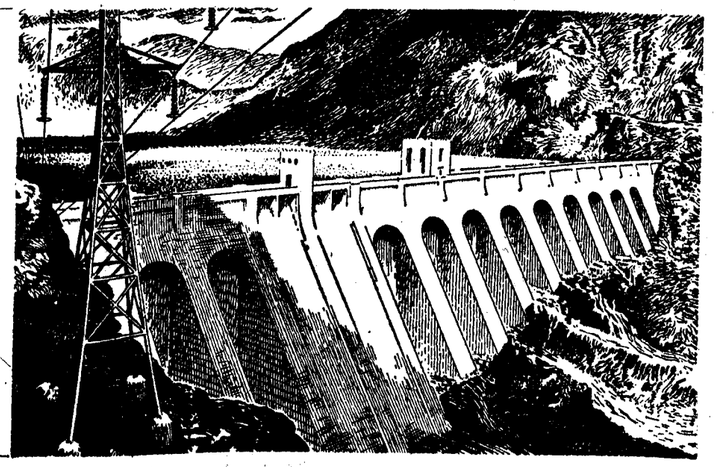

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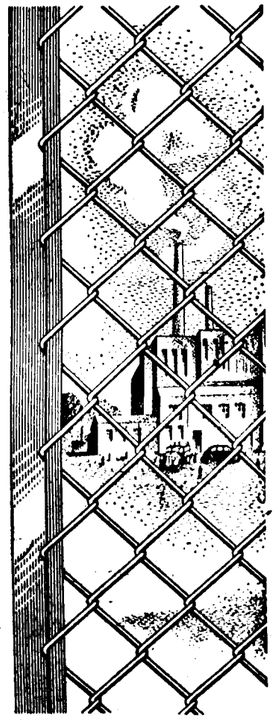

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THE BUSINESS WORLD

Deep in the Red

THE plunge into dollar difficulties proves to have been deeper and more violent than anyone might have foreseen a few months ago, and deeper even than was implied by the sombre picture, baldly portrayed by American correspondents, that the Chancellor was sketching in Washington in early September. That is the clear conclusion to be drawn from the weighty data released this week—the gold and dollar figures for the third quarter of this year, the statistical White Paper on the balance of payments during the first half of the year, and Mr Gaitskell's own appraisal in his speech at the annual bankers' dinner on Wednesday.

The net gold and dollar deficit of the sterling area in the three months to end-September was no less than $638 million—substantially more than the highest of the apparently inspired forecasts that had filtered out from Washington and had themselves come as a shock to observers on this side. This deficit is actually slightly bigger than that for the worst quarter of 1949, when the reserve was under special strain from the pre-devaluation

TABLE I—STERLING AREA DOLLAR DEFICIT AND RESERVES
(US $ Million)

Years and Quarters	Net Surplus (+) or Deficit (−)	Financed by: US and Canadian Credits	Purchases from IMF	S. African Gold Loan	ERP	Change in Reserves	Reserves at End of Period
1946	− 908	1,123	140	...	..	+ 220	2,696
1947	− 4,131	3,273	128	328	...	− 618	2,079
1948	− 1,710	357	...	...	682	− 223	1,856
1949 :—							
I	− 330	30	52	...	325	+ 56	1,912
II	− 632	30	...	...	340	− 262	1,651
III	− 539	29	...	...	284	− 225	1,425
IV	− 31	27	30	...	246	+ 263	1,688
Total, 1949	− 1,532	116	82	...	1,196	− 168	1,688
1950 :—							
I	+ 40	27	...	...	229	+ 296	1,984
II	+ 180	18	...	...	240	+ 438	2,422
III	+ 187	...	...	...	147	+ 334	2,756
IV	+ 398	...	...	...	146	+ 544	3,300
Total, 1950	+ 805	45	...	...	762	+ 1,612	3,300
1951 :—							
I	+ 360	...	...	...	98	+ 458	3,758
II	+ 54	...	...	...	55	+ 109	3,867
III	− 638	...	...	...	40	− 598	3,269

movements of capital; to find a larger deficit it is necessary to look back to that year of catastrophe and of post-war abnormalities, 1947, when the quarterly deficits ranged from $1,890 million to $704 million. No less striking than the absolute size of the latest deficit is the violence of the transformation that it reveals. Only nine months previously the dollar account was showing a record quarter's surplus of $398 million, and even as recently as the first quarter of this year there was a surplus of $360 million. The deterioration in these past three months has therefore been more than twice as great as that in the preceding three months, when there was still a surplus of $54 million.

Naturally, so large and sudden a deficit, like the large and sudden surpluses of a few months ago, is partly the result of special and probably non-recurring influences. These figures relate not only to current transactions, but also to all other operations in gold and dollars or their equivalent that impinge upon London's central reserve of the sterling area. They therefore include capital movements; and, just as the reserve was being fortified in the summer and autumn of 1950 by transactions inspired by the wave of rumours of impending appreciation of sterling, so in recent weeks has it been weakened (though much less markedly) by the opposite rumours—which had much wider currency on the Continent and in New York than in London. Such operations, however, can-

TABLE II—UNITED KINGDOM GENERAL BALANCE OF PAYMENTS
(£ Million)

	1948	1949	1950 Jan. to June	1950 July to Dec.	1950 Year	Jan. to June, 1951*
A.—CURRENT ACCOUNT						
DEBITS						
1. Imports (f.o.b.) :—						
(a) Food and feeding-stuffs	826	909	519	455	974	608
(b) Tobacco	36	49	17	41	58	19
(c) Raw materials	606	690	431	529	960	745
(d) Petroleum	127	121	78	71	149	90
(e) Machinery and vehicles	50	55	28	26	54	46
(f) Other imports	145	149	92	95	187	135
(g) Total imports	1,790	1,973	1,165	1,217	2,382	1,643
2. Shipping	174	190	96	103	199	125
3. Interest, profits and dividends	102	104	58	56	114	65
4. Travel	66	73	32	49	81	39
5. Migrants' funds, legacies, gifts (net)	44	26	5	1	6	5
6. Govt. transactions (net)	87	142	70	70	140	71
7. Total debits	2,263	2,508	1,426	1,496	2,922	1,948
CREDITS						
8. Exports and re-exports (f.o.b.)	1,584	1,822	1,040	1,183	2,223	1,505
9. Shipping	260	273	149	165	314	195
10. Interest, profits and dividends	179	189	104	133	237	135
11. Travel	33	4	28	30	58	31
12. Other (net)	188	201	147	164	311	160
13. Total credits	2,234	2,529	1,468	1,675	3,143	1,826
14. Balance of current transactions (credit, +; debit, −)	− 29	+ 21	+ 42	+ 179	+ 221	− 122
Of which :—						
(a) Visible trade	− 206	− 151	− 125	− 84	− 159	− 338
(b) Invisible	+ 177	+ 172	+ 167	+ 213	+ 380	+ 216
B.—INVESTMENT AND FINANCING ACCOUNT						
I. Grants, etc. (to UK, −)	− 188	− 154	− 111	− 98	− 189	− 90
II. Inter-area transfers, etc. (net)	...	...	...	...	...	...
III. Overseas investment, borrowing, etc. (investment by UK, +)	− 11	+ 368	+ 25	− 23	+ 2	+ 109
IV. Sterling liabilities, etc. (increase, −)	+ 174	− 190	− 134	− 84	− 218	− 104
V. Gold and dollar reserves (increase, +)	− 54	− 3	+ 262	+ 314	+ 576	+ 203
VI. Total of investment and financing	− 29	+ 21	+ 42	+ 179	+ 221	− 122
Of which :— Net change in capital account (III–V above, investment, +; disinvestment, −)	+ 109	+ 175	+ 153	+ 207	+ 360	− 98

* Provisional.

not explain more than a modest part of the quarter's deficit—though it seems possible that the sterling held on American and Canadian accounts in London, which rose on balance from the equivalent of $90 million at

mid-1950 to roughly $200 million at end-June last, has since relapsed to near its former level. Influences such as these are non-recurring in the sense that particular balances can be withdrawn only once; but unless and until official denials of any intent to devalue are reinforced by convincing action to bring the deficit within manageable proportions, Britain can expect a continuing dollar strain on capital account.

A little more reassurance can be found—though perhaps not as much as the Chancellor held out in his Mansion House speech—by scrutinising other influences that have been at work during the past quarter. This, as he pointed out, is traditionally a phase of strain on reserves, because dollar payments for cotton and tobacco are seasonally high while dollar receipts from sales of sterling area wool and cocoa are at a low ebb. In this past quarter, too, the seasonal swing has been enlarged on both the payments and receipts sides by special factors. Britain's dollar imports, as well as those of some sterling area countries overseas, have been unusually high; they have apparently included "some element" of purchases for strategic stockpiling as well as for the rebuilding of the sadly reduced level of commercial stocks of materials. In addition, there has been a heavy outlay by the sterling area as a whole in Western Europe—and net deficits incurred there have been costing Britain gold, through the working of the European Payments Union. By end-August, it will be recalled, Britain had repaid to EPU all the gold (amounting to $106 million) received from it on account of earlier surpluses. There will now be at least a pause in these losses, because Britain can tap the "gold-free" portion of its EPU overdraft rights. On the other side of the dollar account, receipts have been more than seasonally depressed by the suspension of United States purchases of tin. Tin, rubber and wool, it is worth recalling, normally provide one-third of the aggregate dollar earnings of the sterling area.

Finally, there has been one special factor that the authorities now describe as "semi-permanent"—the need to spend dollars to replace former supplies of "sterling" oil from Persia. The cost of this was formerly officially guessed at $350 million for the first full year, on the assumption that the Persian oil lost to Britain was purchasable elsewhere; this estimate has now been revised to $300 million, and it is pointed out that after the first year the dollar provision might be progressively reduced as additional refinery capacity comes into operation. Obviously, this element in the latest deficit is not, even on the best assumptions, so temporary that it can be left out of the reckoning in any programme of measures for dollar economy.

The special and seasonal and normal factors are all inextricably intertwined; but the Treasury experts are *hazarding* the guess that, if only "underlying" influences had been at work—notably, the heavy addition to import costs and the much slower rise in export receipts — the past quarter's deficit would have been "rather less" than half the $638 million actually recorded. There is little enough consolation to be obtained, however, from such hypothetical calculations: even if they implied (which of course they do not) that no other adverse influences would be at work in future, this "underlying" deficit would still be at the rate of some £400 million or more a year. And it deserves to be noted that, although undoubtedly there are adverse seasonal influences in the third quarter, only in one other postwar year has that quarter been worse than the second quarter and only twice has it been worse than the quarterly average for the year.

TABLE III—UK REGIONAL BALANCE OF PAYMENTS
BALANCE OF CURRENT TRANSACTIONS
(£ Million)

	Dollar Area	Other Western Hemisphere	OEEC Countries	Other Non-Sterling Countries	Rest of Sterling Area	Non-Territorial Organisations	Total
1948.....	−262	− 38	+ 85	− 87	+239	− 9	− 29
1949.....	−300	+ 64	− 10	− 1	+273	− 5	+ 21
1950.....	−107	+ 24	+132	− 81	+216	− 5	+221
1950 :—							
Jan.-June	− 56	− 10	+ 53	− 24	+ 83	− 4	+ 42
July-Dec.	− 51	+ 34	+ 69	− 7	+135	− 1	+179
1951 :—							
Jan.-June	−109	+ 14	− 20	− 43	+ 46	− 4	−122

★

The official attitude is that this new dollar gap is not catastrophic; but there are at least three major reasons for taking it even more seriously than the problem of the gap in earlier postwar years. The first is that this violent swing from surplus to deficit has by ill-chance befallen precisely at the moment at which the postwar stream of special dollar aid has virtually ceased. In the year 1947, when the total dollar deficit was $4,131 million, no less than $3,273 million of the gap was filled by drafts on the United States and Canadian loans and a further $240 million by dollars from the IMF, so that the year's loss of reserves was limited to $618 million. Almost as much as that has now been lost in a period of three months,

TABLE IV—UK STERLING LIABILITIES AND HOLDINGS OF NON-DOLLAR CURRENCIES
(£ Million)

	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	June 30, 1950	Dec. 31, 1950	June 30, 1951
UK Sterling Liabilities :—						
TO NON-STERLING AREA COUNTRIES						
Dollar area	18	19	31	32	79	73
Other western hemisphere	235	135	80	88	45	55
OEEC countries	480	370	439	391	395	422
Other non-sterling countries	573	553	515	486	494	520
Total—Non-sterling area countries	1,306	1,057	1,065	997	1,013	1,070
TO STERLING AREA COUNTRIES						
Dependent overseas territories	510	556	583	648	756	908
Other sterling area countries	1,787	1,807	1,769	1,924	1,978	2,190
Total—Sterling area countries	2,297	2,363	2,352	2,572	2,730	3,098
TOTAL—STERLING LIABILITIES TO ALL COUNTRIES	3,603	3,420	3,417	3,568	3,743	4,168
Non-territorial organisations	388	398	576	579	576	567
TOTAL	3,991	3,818	3,993	4,145	4,319	4,735
UK Official Holdings of Non-Dollar Currencies :—						
OEEC countries	36	38	23	41	51	28
Other non-sterling countries	1	...	...	...	...	1
TOTAL	37	38	23	41	51	29
UK Credit Balance in EPU Units of Account	...	...	...	...	80	114

since the only cushion against the deficit was the mere $40 million of residual receipts from Marshall aid. Unless and until the Nato "burden-sharing exercise" yields a slice of American relief for Britain, the position will soon be even worse than this—because, instead of being able to draw on loan or Marshall dollars, Britain will have to find dollars for loan repayments, at least to the extent of the capital portion of the annuity.

The second major reason for special concern is obvious, but needs emphasis. These dollar difficulties have arisen before Britain's own rearmament effort has had any significant effect upon the export trade; and they have also been felt at a time when raw material shortages have had much less effect upon industrial production than was feared earlier in the year. As Britain's arms effort grows, and especially if the Continental programmes get into their stride, measures to redress the dollar balance are likely to be much more difficult and painful than they would have been if attempted in recent months.

The third major consideration is that this new dollar gap, unlike any since 1947 when there was the bridge of liberal aid, is combined with the reappearance of yawning deficit on Britain's balance of payments as a whole. Britain's own dollar deficit is no longer being approximately offset, as it was in 1948 and 1949 (and much more than offset in 1950), by a massive surplus with the rest of the sterling area and with other countries. The changes in the geographical distribution of Britain's payments cannot be traced in detail beyond the first half of this year, the period embraced by the new White Paper; but there is no reason to suppose that the tendencies that it discloses have not been carried further in the past three months. During the half-year, Britain was in deficit with each of the geographical areas except the sterling area and the non-dollar portion of the Western Hemisphere; and the surplus with the former ran down from £83 million in the first half of 1950 and £135 million in the second half to only £46 million. At the same time, the dollar deficit rose from £56 million and £51 million in the 1950 half-years to £109 million, while 1950 surpluses of £53 million and £69 million with the OEEC group were transformed into a half-year's deficit of £26 million.

The aggregate deficit for the six months was £122 million, in contrast with surpluses of £42 million and £179 million last year. This half-year, moreover, included only a small part of the phase of maximum strain from the rise in import prices; at a rough estimate, the f.o.b. import bill for July and August was running at almost 20 per cent above the average rate for the first half of the year, and the aggregate deficit in these two months may have been equivalent to an annual rate approaching £700 million. During the remainder of the year the burden of import prices will be below the worst, but it will still be bigger than in the early months of the year. It seems certain that the deficit for the second half-year will be substantially larger than the first half-year's, and may be more than twice as large. Meanwhile, in the first half-year alone, Britain's liabilities on sterling balances have grown by no less than £425 million, to £4,168 million; and of this growth £368 million has accrued to the sterling area, whose balances stood at £3,098 million at June 30 last.

Such is the statistical shape of the problem. The unpalatable measures that will be required for an assault upon it will doubtless receive continuous study by civil servants, but it is plain that no significant decisions will be taken until after the election. Mr Gaitskell is obviously right in claiming that the dollar problem must be examined as an integral part of the balance of payments problem as a whole, and he is justified, too, in the contention that Britain cannot devise measures for either the dollar or the sterling part of the problem except in consultation with the sterling area. The problem is one of getting the sterling area as a whole into reasonable equilibrium with the rest of the world as well as with the dollar—and to these closely related objectives, as the Governor of the Bank of England emphasised on Wednesday, each member of the sterling group has a duty to contribute. In many instances, the manner of the contribution will have to be a belt-tightening process imposed not only by the method of reducing import quotas but also by a stiff dose of domestic disinflation to release supplies for export, to buttress the specific import cuts and to promote the maximum efficiency in production. It is not on Britain alone that the sacrifices should fall, but it is right that Britain should give a lead—especially in view of the rate at which it has been piling up borrowings from the rest of the sterling area.

The obstacle here, however, is political. After the experience of the past six months, there is no ground for supposing that a new Labour Government would pursue a policy of the degree of toughness required. To predict that a Tory Government might get closer to the target would be a political guess at odds with the fulfilment of some of the major proposals of the Tory manifesto. But, whatever the parties think and promise now, it is quite certain that one of them will be forced to come down out of the clouds of unrealism within a very few months. Mr Gaitskell affirms that the gold reserve, at $3,269 million, is big enough to give time for the formulation of wise correctives in concert with the representatives of the overseas sterling area who are expected to meet about the turn of the year. But, given the present and prospective rate of strain on reserves, the new Government will find itself imperatively required to take major and politically difficult decisions within a very few weeks of assuming office.

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Cut off the Joint?

MEAT is a subject full of paradox and passion. Three weeks ago when the weekly meat ration was 2s. 2d., the British public, who had been loud in their complaints about the meagre ration of 8d. six months ago, failed to take up the whole of their bounty and sales are estimated to have reached only 90 per cent of the total ration. Now there is a growing argument whether in four months' time the meat ration may once again be down to the same meagre level, which after the recent rise in price of meat would cost 10½d. a week. The National Federation of Meat Traders Associations have voiced their concern about Britain's future supplies of meat and engaged in the usual exchanges with the Minister of Food. At their annual conference this week, the meat traders passed a unanimous resolution calling on the Ministry of Food to "procure and store sufficient quantities of meat of suitable quality to be made available to the public during the winter months." Before the resolution had time to reach Mr Webb, he had sent a lengthy telegram to the conference assuring the delegates that meat stocks were appreciably higher than they were last year and that although some difficulties would be experienced this winter, the ration at its lowest should be "appreciably higher than some of the recent guesses." The butchers and the Ministry have differed before, but rarely as widely as this. The butchers have as good an idea of the immediate flow of supplies as the Minister of Food, though presumably they would not claim to be so well acquainted with prospective arrivals. Yet in the past the meat traders' forecasts have sometimes been more accurate than the assurances of the Minister.

TABLE I.—BRITISH MEAT SUPPLIES
(Monthly Averages: '000 tons)

	Imports from				Home Production	Total Supplies	Consumption	Net Change in Stocks
	Australia	New Zealand	Argentina	Total				
1938.....	16·5	20·4	7·7	88·2	90·9	179·1	175·5*	...
1946.....	9·4	26·8	24·2	78·2	70·1	148·3	141·3	+ 7·0
1947.....	13·3	26·9	31·2	84·0	60·2	144·2	136·5	+ 7·7
1948.....	11·1	28·8	23·3	69·8	60·4	130·2	132·1	− 1·9
1949.....	10·8	25·3	24·0	67·8	66·3	134·1	127·8	+ 6·3
1950.....	10·8	28·8	18·1	67·5	78·9	146·4	154·3	− 7·9
1st half—1950...	12·5	28·7	33·1	85·3	56·3	141·6	156·2	−14·6
2nd half—1950...	9·1	29·0	3·2	49·7	101·4	151·1	153·7	− 2·6
1st half—1951...	5·2	16·0	3·8	29·8	57·7	87·5	90·1	− 2·6

* 1934–38.

October which provide about 40 per cent. Home-killed meat is usually sold as soon as the animals are slaughtered, and not hung to improve its quality for fear of losing what is technically known as "bloom"—the luscious blood-red colour that gives the meat an attractive appearance but often leaves it tough. Thus the meat ration varies directly with home killings, and the basic supplies and reserves depend entirely on imported supplies.

Consumption of carcase meat declined in the first quarter of this year until in March it reached the lowest ration. Since then consumption has increased, thanks to a larger supply of home-produced meat and to the costly new agreement with Argentina, to reach a peak in September. In the first half of this year, consumption averaged no more than 90,000 tons a month compared with 156,000 tons a month in the first half of 1950. In the second half of this year consumption will undoubtedly be higher though it will be nowhere near the monthly average of 154,000 tons for the second half of last year.

The Government's new policy of encouraging the production of more meat has not had time to show positive signs of success, but up to June purchases for slaughter averaged 25,400 cattle and 20,200 calves a week compared with 24,600 cattle and 20,100 calves a week in the first half of 1950. For the whole of last year, purchases for slaughtering averaged 36,200 cattle and 25,600 calves a week, whereas the prewar weekly average was 38,000 cattle and only 15,900 calves. This year's figures should be higher than in 1950. Slaughterings of sheep and lambs this year were 7 per cent smaller than last year when the weekly average was 127,000—well below the prewar level of 180,000. But the numbers of cattle and sheep in Britain last June were slightly smaller than a year ago though cattle other than dairy cows increased. This summer British farmers appear to have culled their herds very heavily because meat was more profitable than milk. No official figures are yet available to show the extent of this movement, but it cannot provide a permanent increase in cattle supplies. That will have to

TABLE II.—MAIN SOURCES OF CARCASE MEAT
('000 tons)

	Production	Consumption	Total Exports	Exports to U.K.
Australia:*				
1945–46....	805·3	572·0	88·5	50·3
1946–47....	885·2	632·3	162·2	145·0
1947–48....	947·1	689·7	162·3	146·8
1948–49....	991·5	751·8	145·9	121·3
1949–50....	1,054·8	780·2	174·3	147·1
1950–51....	1,013·9	N.A.	101·1	72·6
New Zealand†:				
1946–47....	537·9	159·6	331·3	322·6
1947–48....	527·2	162·6	326·8	324·1
1948–49....	534·9	182·7	324·6	321·8
1949–50....	556·1	186·6	322·6	317·5
Argentina:				
1946.....	2,168·7	1,502·3	368·0	N.A.
1947.....	2,456·3	1,624·8	471·6	350·0
1948.....	2,358·4	1,761·9	364·8	260·0
1949.....	2,426·3	1,853·1	392·9	270·0
1950.....	2,405·2	1,899·3	218·7	165·0

* Season ending June 30th. † Season ending September 30th except for trade figures which are for calendar years for the second year shown. *Note*.—Data for Argentina partly estimated. *Source*: Commonwealth Economic Committee.

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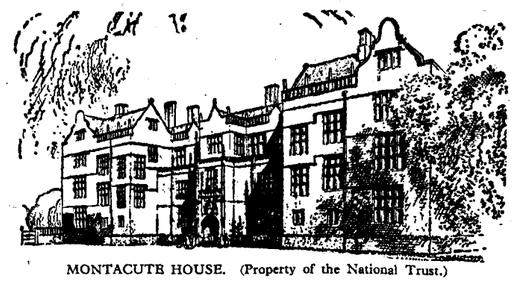

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wait until beef rearing and feeding has been considerably extended.

Supplies of imported meat this year have been disappointing. Up to August only 314,000 tons of carcase meat and offal were received compared with 655,000 tons in the first eight months of 1950. No meat at all came in from Argentina until June, and supplies from Australia and New Zealand were greatly reduced first because of shipping difficulties and the dock strike and secondly because the high price of wool last season tempted the dominion farmers to keep their lambs until the spring shearing. Meat production in Australia and New Zealand has been increasing, though it fell in Australia last season, while in Argentina it has been declining. But domestic consumption in all three countries is much higher than it was before the war; total exports are smaller and exports to Britain are much smaller. In 1951-52, larger shipments of New Zealand and Australian lamb should be forthcoming, and possibly larger shipments of Australian beef, if the reports that the Ministry of Food has increased this season's contract price for lamb by 17 per cent and for beef by 23 per cent are true. But these imports will not arrive in quantity until February, even if there are no shipping delays. Argentina promised to send 200,000 tons of carcase meat in the twelve months ending May, 1952. So far about 45,000 tons have been shipped and nearly three months ago the Argentine Government banned all further export for the time being to conserve supplies for the domestic market, and there is still no news of any resumption of large-scale shipments. But it is unlikely that Britain can expect to receive, even on the most optimistic assumptions, more than 50,000 tons before the end of the year.

At the beginning of this year stocks of carcase meat in Britain amounted to 150,000 tons compared with 240,000 tons at the end of 1949. By the end of June stocks fell to about 135,000 tons and up to the end of September they may have increased to 200,000 tons against 180,000 tons a year ago. These estimates would seem to support Mr Webb's claims about stocks. But unless imports in the second half of this year amount to more than 300,000 tons, the ration will have to be cut again soon if a more drastic cut is to be avoided early next year.

The prospect seems about as bleak as the butchers suggest. Is there anything that the Minister of Food can now do, apart from imploring Argentina to resume large-scale exports once more? Mr Webb can hardly be expected to take meat off the ration and allow its price to fluctuate over the season, but the recent attitude of consumers towards a 2s. 2d. ration suggests that this step may not be nearly so fanciful as the Minister would no doubt think. Supplies and consumption are both well below pre-war levels. But if the public is not willing to buy more than 2s. 2d. of meat a week a head and if the average retail price of meat in this country has to go up from 1s. 8d. to 1s. 11d. or even 2s. a lb. because of the higher prices that Britain has apparently agreed to pay Australia and New Zealand, a balance between supply and demand might well be reached without the help of a costly and complicated rationing system.

There is certainly a need to spread home-killed supplies more evenly over the season, particularly as the consumer may in future have to depend more on home-fed meat than on imports. If there were a free market in meat, such a spread would be imperative if only to ensure an adequate return to British farmers, since large supplies at peak periods could only be cleared by reducing the price. At present there is insufficient chilling equipment and storage space to handle home supplies. If there is a serious intention to increase home-produced meat, increased storage space must be provided. If not, the consumer will be no better off than he was a hundred years ago when supplies of fresh or relatively fresh meat were only available in the summer months, and the cupboard was bare in winter.

Business Notes

Markets and Manifestoes

The perceptible improvement in all sections of the Stock Exchange in the middle of the week seems to have paid equally scant regard to the shock of the third-quarter gold losses and to a number of important investment implications that emerge from the manifestoes of the two major political parties. The Labour manifesto adds to dividend limitation the intention to "prevent" large capital gains and to "stop all excess profits." The Conservative manifesto, as expanded this week, emphasises the intention to impose firmer control over credit, and admits "changes in the rate of interest" among the variety of ways in which borrowing can be restricted. There is little or no spelling out of the "special contribution in the nature of an Excess Profits Tax" that the Conservative Party proposes "to ensure that the burden of rearmament is fairly and evenly spread for this emergency period" in the next three years. In framing the details of this plan, guidance will be sought from "past experience and by study of the American system." It can hardly be said that the American system itself provides much clear guidance, for its revision is now being fought out in Congress; but at any rate the Act of last January set a maximum of 62 per cent of net income that could be extracted by a combination of the regular rate of 47 per cent corporate profits tax, and the excess profits tax of 30 per cent of net income above the standard (85 per cent of the earnings of the best three years between 1946 and 1949). "Guidance" of this kind would seem to be necessary not merely in determining the rates, but also in providing for special cases.

The equity shareholder may indeed wonder whether a Conservative administration would be markedly more solicitous towards risk capital or more insistent on the need for its fair reward and encouragement than the Labour party. Evidently, there is no place in election manifestoes for emphasising the drastic prescriptions that alone would remove the "fortuitous rise in company profits" that rearmament is alleged to be causing. It may be something gained, however, that the Conservative document undertakes to "recast the existing system of taxation on industrial and commercial profits" and promises relief where profits are ploughed back and used for renewal of plant and equipment. These are essential to the proper maintenance of industrial capital, and hence are the minimum precondition of a new EPT of the form so vaguely outlined.

In sum, the Conservative proposals promise only a slightly less hard life for the equity investor. They contemplate at this stage, very tentatively, the use of the interest rate—and this may not be welcomed by institutional investors whose existing portfolios have already suffered from a sizeable fall in gilt-edged prices. Yet calculations of this kind, as the

week's events in the markets show, have been submerged at least temporarily in the City's hopes of a new government with new if not entirely agreeable policies to apply.

* * *

Mounting Defence Expenditure

After a slow start in the early months of the fiscal year, the growth of defence expenditure is now beginning to have substantial effects upon the national accounts. In the three months to end-September, Exchequer outgoings for supply services (including civil expenditure) totalled £831 million, compared with £635 million in the similar period last year, an increase of just over £195 million, or 31 per cent. The expansion during the first quarter of the year was only £98 million, or 16 per cent. Although the half-year's increase represents only one-third of the additional £867 million officially estimated for the full year, it is too soon to assume, as some people have done, that the year's provision will not be spent. The adjusted estimate for supply services for the year (including the full £160 million margin for defence supplementaries) is £3,580 million, so that £2,042 million remains unspent; but if the recent rate of increase were merely maintained, the second half-year's outgoings would come within roughly £100 million of this figure.

So far, the impact of rising outlays has been largely cushioned by an unexpected buoyancy of revenue. Ordinary revenue totalled £1,784 million during the half-year, showing a gain of £201 million, equivalent to fully two-thirds of the additional ordinary expenditure and nearly four-fifths of the budgeted increase in revenue for the full year (£258 million). The half-year's above-line deficit is therefore no more than £17 million, compared with a surplus of £14 million in the first quarter and one of £79 million in the first half of 1950-51. A large part of this heavy gain in revenue is quite clearly traceable to the rise in prices and the high level of consumption—especially of imported goods. Customs receipts, which were expected to rise by £25 million in the full year, have already gained twice that sum, while Excise, expected to fall by £4,000,000, gained £28 million. The other big influence, presumably also reflecting surpluses from rising prices, has been the increase of £35 million in receipts from trading services; for the full year, these were expected to fall by £25 million. All other revenue items except miscellaneous receipts have been running well up to estimate; income tax has provided in this season of lean collections £66 million of the year's estimated addition of £220 million.

Below-line expenditures, however, have been heavy. At approximately £276 million net, compared with £220 million in the first half of last year, they have already risen by more than twice the rise budgeted for the year. A large part of this deterioration has been attributable to an increase of £33 million in net new advances to local authorities; these were expected to decline by £13 million during the year. The "overall" deficit amounts to £293 million, compared with £142 million in the similar period of 1950-51. This worsening of the overall balance by £151 million compares with an officially estimated deterioration of £670 million for the year as a whole.

* * *

IMF Capitulates on Gold

The International Monetary Fund has at last acknowledged defeat in its attempts to control premium sales of gold by member countries. A resolution passed by the Board of Executive Directors at the end of last week reaffirmed the oft-repeated view of the Fund that gold should be held in official reserves and not go into private hoards. But it then went on to add that the circumstances of gold-producing and gold-consuming countries vary so widely as to make it impracticable to expect all members to take uniform measures to achieve the objectives of the (Fund's) premium gold statement of 1947. Accordingly while the Fund reaffirms its belief in the economic principles involved and urges the members to support them, the Fund leaves to its members the practical operating decisions involved in their implementation.

The statement of June, 1947, expressed the Fund's concern about international transactions in gold at premium prices on the grounds that, directly or indirectly, they involved exchange dealings at depreciated rates and thereby threatened to disturb exchange relationships among member countries. Such transactions encouraged evasion of measures designed to conserve monetary reserves and the IMF requested members to take steps to prevent them.

This request evoked varying degrees of compliance among member countries, but breaches were soon made and enlarged. One country after another began to operate domestic free markets in gold at prices higher than parity. It was argued that such markets acted as a disinflationary factor and served an essential purpose in certain countries by mopping up redundant purchasing power. As long as they remained domestic and insulated, the writ of the IMF was not contravened; but it was not long before the domestic markets in such countries as France, Belgium, Egypt, the Netherlands, were in effect linked and involved in international transactions in gold. The breach was greatly widened when consent was given to international sales at a premium of gold in the form of manufactured articles or against affidavits purporting to guarantee that the gold was required by the importer for genuine industrial purposes. A thriving international traffic in gold ashtrays, bangles and chains—all easily manufactured, and as easily remelted into bars—quickly grew. Many importing countries with flourishing free gold markets showed great readiness to issue affidavits that gold imports were intended for genuine industrial purposes. The producing countries, and South Africa in particular, began to use these facilities; had they found it politic to do so, they would have encountered no difficulty in accumulating enough affidavits to sell the bulk of their gold output on the premium market. In recent months South Africa has in fact been selling 40 per cent of its output in this way.

* * *

Official and Free Markets

Events in Korea greatly stimulated the hoarding demand for gold, and a noticeable decline occurred in the net amount of new gold entering official monetary reserves. The Executive Board of the IMF thereupon started an investigation, pointing out at the same time that the existing arrangements and practices of several countries, including specifically South Africa, "are no longer a satisfactory basis to implement the Fund's gold policy." The South Africans, specifically named in the charge sheet, argued by reference to the Fund's Articles of Agreement that although the IMF could control the prices at which inter-central banking or inter-governmental gold transactions took place, it had no authority whatever to control private international marketing of gold. When the report of the gold committee was submitted to the executive directors, it was clear that any attempt to bring the recalcitrants into line would probably provoke resignations.

The Fund's new managing director, Dr Ivar Rooth, explained this decision at a press conference this week and declared that gold should be held in official reserves and not in private hoards. He admitted, however, that attempts to control the premium price market could have only a limited effect unless they were reinforced by appropriate economic policies and that as these attempts at control lost their effectiveness it was useless to try to reinforce them by the mere imposition of supplementary controls. "The only

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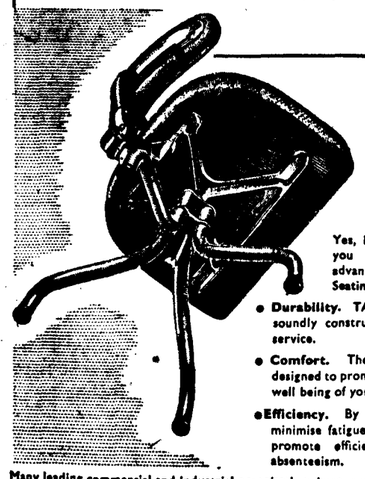

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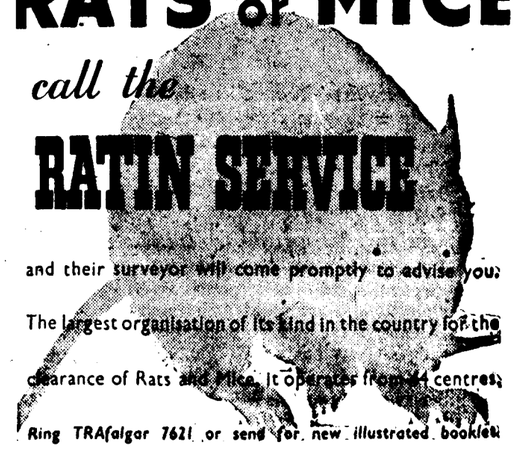

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dependable way to get rid of premium gold markets and private hoarding of gold," said Dr Rooth, " is to create the economic conditions under which the private demand for gold will become negligible." This is tantamount to saying that in present conditions, and given the inflationary policies pursued by most countries in the world, the true price of gold differs considerably from the official price and that no controls will succeed in bringing these two together. Their reconciliation will be achieved either by such a diversion of newly mined and of existing monetary gold to the free market as will bring the free price down to around $35 per ounce or by an appropriate adjustment of the official price of gold.

Since there is no early possibility of a change in the official dollar price for gold, it is to be expected that a considerable increase in the flow of newly mined gold to the free markets will occur. This flow may even be supplemented, as it was during part of 1950, by some inroads into existing monetary reserves to feed the demand in the free market. All gold producing countries will now have freedom to decide their premium sales policy in the light of their own interpretation of their duties as members of the IMF. It may be assumed that South Africa will not be prepared to lower its premium sales below the figure of 40 per cent of output, and it is reasonable to guess that other producers will grant themselves at least the same dispensation.

*

This dispute on gold policy is not solely between the gold producers (represented by South Africa) on the one hand, and the IMF (reflecting United States policy) on the other hand. Other parties are as directly concerned, notably those governments and central banks that are once again feeling the pinch of a dollar shortage and whose gold and dollar income is likely to be adversely affected by the new freedom given to gold producers to sell their gold where they will. If, as a result of continuing monetary inflation and political uncertainty, hoarding demand maintains a reasonable premium in the free market price over the official price, considerable changes in the marketing of gold are to be expected. South Africa and the other gold producers are bent on getting the highest price they can for their gold. If they can do so by increasing their sales in the free market, they will unquestionably reconsider the contracts under which they sell gold to Britain at the official price. In the debate on gold policy which has been proceeding in the IMF the voice of the British representatives has constantly supported the Fund's policy. Its defeat must add to the United Kingdom's dollar difficulties.

* * *

The Deficit and the Banks

The impact of Britain's balance of payments crisis upon the domestic banking position is very apparent in the latest returns from the London clearing banks. In the five weeks to September 19th, net bank deposits rose by £28 million to £5,935 million. This increase compares with a decline of £58 million in August ; but much more significant is the fact that in each of these months the movement compared favourably with the corresponding change last year. In September, 1950, net deposits rose by £78 million, and in the preceding month they fell by less than £6,000,000. This slackening of the rate of credit expansion by comparison with last year has occurred, moreover, despite the continuance of strong demands for bank advances ; these rose last month by £25 million, whereas in September, 1950, they dropped by £1,000,000. The disparity between the behaviour of deposits and advances is explained by the fact that, although private demands for bank finance have been bigger than last year, governmental demands have been much smaller, despite the increase in the Treasury's need for finance to meet a growing deficit both " above " and " below " the line.

The Treasury's ability to reduce its new borrowing from the banking system at a time when its domestic requirements are rising is explained by the larger amount of new finance that is accruing to it from overseas. The relapse of the balance of payments into large deficit means that the Exchange Equalisation Account has been receiving sterling in exchange for its sales of dollars and gold (indeed, £200 million of the Account's holding of tap Treasury bills are to be cancelled this month), while the Treasury has been borrowing not only this EEA sterling but also the additional sums that have been piling up on externally-held sterling balances. Since the widening of the external deficit became particularly violent after the turn of the half-year, it is instructive to examine the banking trends of the past three months. Between end-June and mid-September, net bank deposits rose by only £15 million, or by fully £100 million less than in the similar period last year. Yet in this period bank advances were reduced on balance by only £5,000,000, in contrast with a reduction of £47 million in the third quarter of 1950. Allowing for a slight difference in the movement of bank investment portfolios during the two periods, these figures imply that net governmental borrowings from the banking system during the past quarter have totalled less than £20 million. In the corresponding quarter last year they were about £160 million—despite the fact that in that period the authorities secured substantial sums from the sale of gilt-edged securities.

* * *

Trade Agreement with Germany

Discussions for a new trade agreement between the United Kingdom and the Federal Republic of Germany were concluded in Bonn last Monday. These discussions were separate from but associated with the discussion on the special arrangements for the supply of steel scrap from Germany, the main outlines of which had been previously announced. That scrap agreement fixes German exports on a sliding scale based on actual collections of scrap in Germany. Assuming these scrap collections to run at the estimated rate of around 400,000 tons a month, it is probable that the British share in the exportable quota will lie between 20,000 and 30,000 tons a month. This is well below the figure of British imports of German scrap in recent years, but it is rather better than fears entertained in the early months of this year seemed to suggest.

Under the new trade agreement, the principal exports to Germany from the United Kingdom will be cotton, wool and linen yarns, textile machinery and miscellaneous chemicals. The United Kingdom will take from Germany steel and other metal manufactures, a number of foodstuffs and dyestuffs. Germany will also facilitate the supply to Britain of steel and other goods required in the rearmament programme. The new agreement will cover arrangements for Anglo-German trade up to the end of this year. It is based on assumptions governing the issue of import licences that are becoming decidedly out of date, given the considerable changes in the creditor-debitor status of both countries with the European Payments Union. It will be recalled that the issue of licences for imports into Germany was virtually suspended in April and May this year, owing to Germany's balance of payments difficulties. The issue of import licences is still subject to control in accordance with recommendations of the OEEC. This organisation has defined the lines on which Germany should proceed to licence imports on a non-discriminatory basis from all OEEC countries, including the United Kingdom, in respect of goods formerly admitted without restrictions, and it has in addition fixed limits within which Germany should negotiate quotas for imports of other goods in the period up to December, 1951. The new agreement provides for quotas relating to the latter imports.

A large proportion of United Kingdom imports from Germany and from other OEEC countries is now on open

licence. The new agreement relates to United Kingdom imports still subject to licensing control and it repeats for these goods the arrangement first made last December when German balance of payments difficulties became acute. In other words Anglo-German trade up to the end of this year will still tend to be conducted on the assumption that Germany is the chronic debtor and Britain the creditor. The subsequent readjustments in import licensing may be all the more violent by reason of this disregard of the fundamental change in the relative position of the two parties during the past three months.

* * *

Copper and Zinc Allocations

After arduous and difficult negotiations, agreement has at last been reached in Washington on the international allocation of copper and zinc for the fourth quarter of this year. The copper-lead-zinc committee of the International Materials Conference has announced that a total of 677,160 metric tons of copper and 469,260 metric tons of zinc will be shared among 36 countries during the last three months of this year. The United States is given the largest allocation of both metals—333,770 tons of copper and 228,460 tons of zinc—and Britain the second largest with 91,690 tons of copper and 60,250 tons of zinc. The allocation was made by meeting in full all defence requirements and then dividing the remainder of the output rateably among the claimants according to their last year's consumption. For Britain the allocation implies an annual rate of 366,000 tons of copper and over 240,000 tons of zinc, compared with the actual consumption of virgin copper last year of 332,000 tons and of virgin zinc of 237,000 tons.

Agreement on allocation was not lightly achieved. Chile resisted control of copper in order to defend its bargaining position with Argentina. A compromise was reached whereby 80 per cent of Chilean output was put into the IMC pool leaving the remaining 20 per cent to be disposed of as Chile wishes. Belgium was the problem country for zinc. It asked for much larger supplies than it used last year on the grounds that it intended to export refined zinc to other countries. The claim, however, was not accepted and in the end, Belgium was accorded the same treatment as other countries—full allocation to meet defence requirements and a share of the remainder to meet civilian requirements in part.

The new allocation scheme will at least ensure adequate supplies for the various rearmament programmes, but civilian use in many countries may have to be curtailed even more than at present. The recent agreement among member countries of the Organisation for European Economic Co-operation to prohibit the use of copper in the manufacture of specified goods will mean that the list of prohibited uses in Britain will have to be extended considerably. OEEC is now negotiating a common list of prohibited uses for zinc and nickel.

* * *

Wool Rises Again

Wool has this week displayed another of its fantastic price rises. On Monday prices at Melbourne rose by 20-25 per cent; on the following day at Perth the increase was only slight. But on Wednesday at Newcastle another 5-7½ per cent was added and on Thursday at Geelong another 10 per cent, so that merino 64's are now about 167d. a lb. compared with 123d. at the London sales last week and 114d. at the Sydney sales. This week London prices rose by 35 per cent in the opening bids and the general tone was very firm. In New Zealand prices for fleece wool have also increased; rises of up to 40 per cent have been reported for certain types.

The main factor in Australia has been heavy buying by the United States, Japan and Europe. Bradford reduced its purchases as prices rose. American military authorities are expected to place fairly large orders for worsted cloth shortly, and part of this week's demand for raw wool may have been in anticipation of these contracts. But American consumption of wool has not declined nearly so fast as consumption in Britain and Europe, and manufacturers have been reducing the stocks that they accumulated at high prices in the opening months of this year. If this week's renewed demand for wool was merely to replenish stocks, it would be unlikely to continue for long. Wool growers would feel happier if they saw wool consumption rising once more. There is no very firm indication that this is happening in this country, though the actual daily rate of wool consumption in August, after making allowance for holidays, was slightly higher than in July.

* * *

Manchester on Purchase Tax

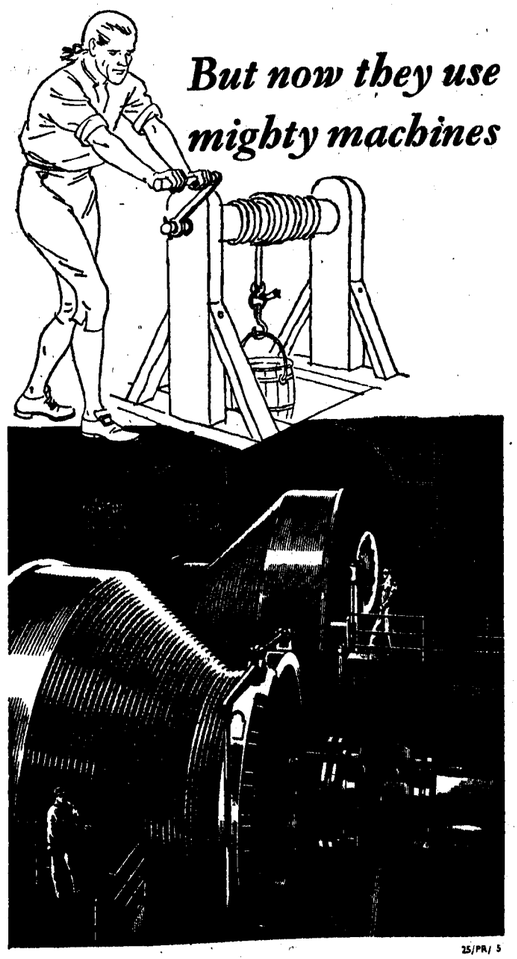
The Manchester Chamber of Commerce has published its evidence to the committee now reviewing the effects of purchase tax on industries with utility schemes; this is the first public statement of the case that industry is expected to make against the tax. The Chamber speaks with considerable authority, as representing more than 5,250 companies of which about two-thirds are engaged in utility production, and its arguments in favour of ending the present system should prove difficult to refute, particularly now that purchase tax is levied on so small a proportion of their output.

The case against the present system is based on the effects that purchase tax at home has on sales abroad. While high quality textiles are deemed a taxable luxury on the home market they are "the most essential category from the point of view of exports," and the only type of textiles that can be sold in North American markets where efficient home industries are protected by tariffs from any competition in the medium and lower ranges. But these goods are becoming unsaleable at home, as percentage increases in purchase tax exaggerate every rise in manufacturers' prices. The evidence continues:

> The Chamber has definite evidence from many cotton textile manufacturers that they have taken out of production non-utility goods which might otherwise be earning valuable currency. This is inevitable as it is completely uneconomical for a manufacturer to try to develop new export lines unless he is assured of their sale in the home market as well as abroad. Only if he can combine home and export sales will he be able to produce a volume of goods sufficient to spread his overheads, thus to ensure efficient production and to reduce costs and therefore achieve a competitive price.

A point not mentioned is that manufacturers want to be certain that if the export market closes as rapidly as markets have closed in the past, then those goods can be cleared at home. The Chamber also questions the assumption contained in the Committee's terms of reference that utility schemes have brought special benefits to the consumer. The type of goods that have been sold in the utility ranges have always been and will continue to be produced to satisfy certain sections of the home market, whether or not the higher quality ranges are subject to tax.

The statement ends with an appeal for the abolition of purchase tax, on the grounds that benefits to the country's trade balance would more than outweigh the inevitable loss of revenue. It is hard to say how big this loss would be. The customs returns for the year ending March 31, 1950, show that the purchase tax yield on sales of non-utility clothing was £58.5 million. But since 1949-50, utility specifications have been altered considerably; following the recent changes it will be possible to sell all but the highest quality products within the ruling maximum prices. The revenue in 1951-52 from these same items will therefore be considerably smaller and could be expected to continue to shrink. The long-term effects of this system by which "the competitive ability of our industries . . . may well be permanently jeopardised" are barely touched on in the Chamber's evidence: it might well have elaborated them.



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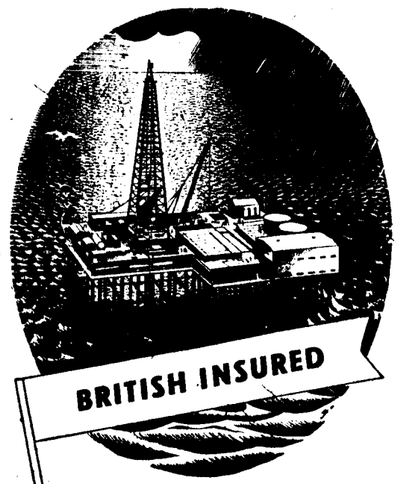

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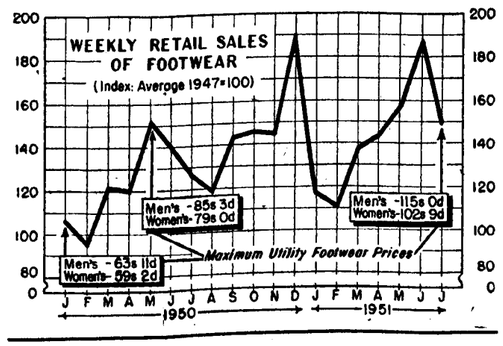
The Shoe Trade

Two exhibitions of shoes are running concurrently in London. At one of them some twenty-five manufacturers are exhibiting, all specialists in the top grade of mass-produced shoes for women. The second is the more robust Shoe and Leather Fair where the competitive emphasis is on price. About 400 companies directly engaged in shoe production or in the supply of machinery and materials are taking part in it. The atmosphere of the two shows differs but both provide similar evidence of the industry's difficulties. When world leather prices were rising alarmingly last winter, new utility price ceilings were negotiated with the Board of Trade. These allowed for a substantial increase in current margins and raised the retail prices of the highest grades of men's and women's shoes to between £5 and £6 a pair.



After these increases were announced in the summer, there was a rush to buy shoes, particularly men's shoes, at the old prices. Sales that would normally have been spread over the rest of the year or longer were compressed into a few summer weeks. Shoe sales are highly seasonal, and one result of these high summer sales will almost certainly be a comparatively slack period during the next three months, which ordinarily would be one of the selling peaks of the year.

Unfortunately for the trade, prices have in general risen by much less than the permitted margin. In the highly competitive home market, it is difficult and almost impossible to sell shoes at the top utility prices; certainly few shoes at either exhibition were being offered at the ceiling price for their range. This is becoming a common feature of trade in utility goods, especially now that the utility specifications are being so modified that the greater part of production in those industries with utility schemes can be made to conform with them. For the past eighteen months, 97 per cent of the shoes produced in this country have been sold free of purchase tax.

The rate at which orders were being taken in the first few days of the exhibitions suggests that the trade is not likely to recover for several months. Most manufacturers hope to keep up production (running at a steady 11 to 12 million pairs a month) as long as possible in order to put off the day when they lose labour to the rearmament industries. But in an industry dominated by small businesses, only the few big companies can afford to follow such a policy and now that the holidays are over rumours of short-time working in Leicester and Northampton are to be heard. At the same time, the industry may be facing one of those fundamental fashion changes that occur once in a generation. This is the popularity in the provinces of what the trade calls "bootees." Many women now wear these throughout the winter months, until they can be replaced by summer sandals. Their manufacture is comparatively specialised, while their popularity, and particularly their durability, is having a notable effect on the sale of women's ordinary shoes.

The general slackness is felt all the more acutely because the industry has only a small export market. Its sales abroad reached £8,611,843 in the first eight months of the year, £1,265,867 worth going to the United States. These figures could be higher, but few companies are prepared to undertake the type of sales campaigns essential to the development of exports. The bulk of the sales in America, for example, represent the efforts of one company showing at the smaller exhibition, a concern that has already made itself conspicuous on the home market by its vigorous advertising.

* * *

Research Race for Titanium

Since 1946, when the largest known deposits of ilmenite, an ore of titanium, were discovered at Allard Lake in Canada, American metal concerns have been investing heavily in its development. A raw material that yields fairly easily a pigment for which demand is established but still growing, and that may further be made to yield a new industrial metal of the first importance, might be described as a mining engineer's dream: and the huge Canadian ore body, estimated at 200 million tons, has justified the erection by Kennecott Copper and New Jersey Zinc of a smelter costing $30 million that should be in full operation by the end of this year. It will then produce annually 250,000 tons of titanium dioxide slag containing approximately 70 per cent of the dioxide, and 175,000 tons of pig iron. Titanium dioxide is a white pigment of extreme opacity used extensively in paint, paper, vitreous enamel, rubber, dental plastic, and glass colourings; and at present demand is swelled by the shortage of zinc for its rival pigment, zinc oxide. But development of the new orefield has inevitably heightened industrial interest in titanium as a metal; and with rearmament offering many potential applications for its special properties, great efforts in competitive research are being made to discover a simpler and cheap method of extracting the metal. In this research race, metal concerns, chemical firms such as Monsanto and Du Pont, and official research departments in the United States and Britain are pursuing a common object. Certain claims from America suggest this may be within reach.

Titanium, if it could be obtained reasonably cheaply, would need no special defence demands to justify its production. Its exceptional properties—low density, high strength, and exceptional resistance to corrosion—would then make it an obvious rival to the existing light alloys and even, as some metallurgists insist, to steel in certain applications. The metal is the seventh most abundant in nature and has been known for more than a century: but since it was first extracted in 1825, refining methods have remained exceptionally difficult and costly. Present methods, operated in two pilot plants in the United States and one in Canada, produced about 60 tons last year; this year the United States hopes to produce about 500 tons, and by the end of 1952 one American plant expects to turn out 3,600 tons a year. This will use the thermal-chemical process in which titanium chloride is reduced in molten magnesium in an inert gas at a temperature of 800-900 degrees Centrigrade. Abundant American supplies of helium make production of titanium metal in a "sponge" practicable by this method at a price of $5 a lb. The present small output of metal is used mainly in alloying. The heat resistant properties of titanium offer considerable possibilities of its use in jet engines.

In Britain, the established technique would require argon as an inert gas; this is considerably more expensive than is helium in America, and would result in higher production costs. In this country the companies producing titanium dioxide—British Titan, owned partly by ICI and Imperial Smelting, and National Titanium Pigments, controlled by Laporte Chemicals—have been mainly concerned with

developing the pigment. But the possibilities of the metal are well known, and the Department of Scientific and Industrial research, which is known to be studying reduction of the metal in hydrogen, is probably not alone in Britain in this field of research.

* * *

Materials from the Commonwealth

The Commonwealth supply meeting ended last week. Its achievements were probably greater than would appear from the face of the communiqué. The poser of price stabilisation was discussed but not pursued; countries were left to meditate in private about the best ways of fostering the almost unanimously accepted ideal of averting violent price fluctuations. According to the official communiqué the meeting concluded that "the range of prices (of both raw materials and manufactured goods) and purchasing arrangements should be such as would encourage long-term production without discouraging consumption." The Pakistan representative reserved the position of his delegation on this point. The British Government apparently succeeded in convincing Commonwealth countries that a continuous rise in the standard of living of peoples inside and outside the Commonwealth could be achieved only if the production of primary products increased commensurately. Plans to develop output of copper, zinc, tungsten, manganese and nickel in the Commonwealth were already well advanced. New and extended projects are to be introduced in the future. The limiting factor is the supply of capital equipment.

Britain, for its part, stated that, despite rearmament, it hoped to maintain a volume of exports of capital equipment and other essential goods to Commonwealth countries at the same level as in 1950. Exports of consumer goods, however, were expected to increase so as to provide a necessary incentive to production and to help to raise the standard of living throughout the Commonwealth. There was no reference to any practical steps to ensure that the dominions and the colonies got what they wanted when they wanted it. The communiqué merely concluded with a cryptic statement that "arrangements were agreed upon for the fuller exchange of information and for facilitating deliveries of British exports to Commonwealth countries."

No meeting on raw materials could ignore the existence of the International Materials conference, on which all Commonwealth countries are represented except Pakistan and Ceylon. The work of the new Washington organisation was discussed and most countries agreed that timely action in allocating scarce materials had done much to alleviate the shortages that had threatened the world nine months ago. The Commonwealth pledged itself to continue to give the IMC its full support. The real task now remains—to ensure that the practical outcome of these talks during the next five or ten years fulfils their promise.

* * *

Output According to Survey?

Industrial production, as measured by the official interim index, continues to fulfil the Economic Survey's forecast of a 4 per cent increase over last year's average: though that of the London and Cambridge Economic Service would suggest a slightly smaller increase. The official index puts output in July at 139 (1946=100), compared with 149 in June and 134 in July 1950. The London and Cambridge "B" index puts output in July at 130, compared with 143 in June and 128 in July, 1950. For August, the official index is expected to be 127-128, compared with 123 in August last year.

Most components of the official index for particular industries are published too late to indicate the pattern, as distinct from the total volume, of recent production. But building and contracting, according to the official index, is operating well below the 1950 level of activity. The London and Cambridge figure for "motors, cycles, and aircraft" in July was 187, compared with 183 in June, and 209 in July last year; this index excludes finished munitions. Textile production remains well above the industry's rate of output a year ago. These should be among the industries most concerned with defence production in the first year of rearmament; it cannot be said, therefore, that the indices yet show any considerable expansion in output for defence.

Prospects for the remainder of the year suggest that the Economic Survey's forecast about total production should be fulfilled, whatever the course of production for defence. The shortages of raw materials that became particularly threatening at the beginning of this year have in some cases been less serious than first appeared; in all cases they have been met fairly successfully by the resourcefulness of manufacturers. For the winter and for 1952, however, shortages of basic materials and interruptions of services present the main difficulties. By the end of the year rearmament may be making larger demands upon supplies of steel that can hardly be any larger; if the demands of apparently "essential" civilian industries remain irreducible, some of the remaining steel consumers may go very short. Coal production, including opencast, has so far this year increased by less than 3 per cent; with transport difficulties possibly affecting fuel deliveries and power supplies hampered by shedding and spreading, any general increases in industrial output will be hard won.

* * *

Speeding American Coal Exports

Partly because loading facilities at Hampton Roads, Virginia, are proving inadequate to handle all the coal being shipped through there to Europe, the American Department of Commerce is to introduce export licensing of coal exports from November 1st. Importing countries in Europe are to be allotted quotas of coal from this area—Hampton Roads is in a particularly convenient situation for shipments from coalfields producing the particular coals mainly required—and additional shipments are to be made through other ports such as Philadelphia, Baltimore and Charleston.

This move was to be expected. For some weeks congestion at Hampton Roads has been causing serious delays, with sometimes ten to twenty vessels waiting outside the port for loading and the scheduled arrival of coal has also been disorganised. The American Government has reason to be interested in the charges thus incurred and in the waste of shipping space involved, for through ECA it is largely financing the European coal import programme. It is also providing much of the shipping; since shipowners were recently hesitating to provide vessels at freight rates that ECA would approve, more vessels have been temporarily released from the American reserve fleet to carry coal to Europe. Port handling facilities, it is believed in Washington, now present the only real obstacle to shipping to Europe enough coal in time; there has never been any shortage of coal for export, and it is now believed that sufficient ships have been assembled to carry the 18 million tons that Europe hopes to import in the last half of this year.

Though there is some very restrained optimism about coal supplies in Europe from next spring onwards, few European observers would be prepared to argue that any considerable reduction is likely in 1952 in imports of coal from America, compared with this year's planned total of 25 million tons. For this winter, though coke supplies are expected to present the most serious shortage, most countries in Europe also expect to be short of coal, and they are picking up such additional quantities that they can find. As yet, however, hardly anyone apart from Britain has been induced to import from India.

* * *

Applied Research in Lancashire

A new company, Shirley Developments, Ltd., has been formed in Lancashire to "undertake the commercial development and exploitation of inventions, patents and processes in all fields, but particularly in textiles"—the inventions being those that arise as a result of work done at the Shirley Institute. The Institute has an established reputation in developing pure research to give eminently practical results, and has recently promoted several important developments in textile machinery, but the commercial exploitation of such work tends to lead it into fields outside the proper province of a research institution. These functions will now be taken over by Shirley Developments, although the precise relation between the two bodies, including the future of patents already held and licences granted by the Institute, has not yet been defined.

Since the Institute has facilities for pilot plant trials, the new company is likely to be a purely commercial body. Its chairman is Sir Raymond Streat, chairman of the Cotton Board; members of the Institute are on the board, and it is hoped that the principal sections of the textile industry will also be represented. Hopes have been expressed that the new company will result in technical advances perfected at the Institute being introduced more rapidly into the mills; but if these hopes are to be fulfilled, it must first find means of changing Lancashire's continued extreme caution concerning capital expenditure on new plant. The record of a similar body, the National Research Development Corporation, set up by the Government with the identical intention of bridging the gap between technical development and commercial application, has not, on its published results, been impressive, although it may have done good work behind the scenes. Shirley Development's close connections with the industry it is designed to serve may give it advantages that the NRDC, with its wider purview, cannot always secure.

Oil in 1955

Oilfields outside the Soviet orbit may be producing 30 to 40 per cent more oil by 1955 than they are today: but there may nevertheless be a gap between supply and total demand. This conclusion, based upon a report of a special committee of the National Petroleum Council in America, is reached by the Petroleum Press Service in its latest bulletin. Despite the present arrangements being made by America to assist oil consumers directly affected by the Persian dispute, the bulletin notes, the dependence of the United States upon foreign oil supplies has come to stay in the oil trade, and is certain to grow.

The American committee estimated that by 1955 American production might reach 7,800,000 to 8,800,000 barrels a day, and production from other oilfields in the free world some 6,000,000 to 7,100,000 barrels a day; these estimates compare with actual production in January this year of 6,500,000 and 4,500,000 barrels a day respectively. By 1955, then, the total "availability" of oil might be 13.8-16 million barrels a day. Of the increase in production outside the United States 70-80 per cent is expected to develop in the Middle and Far East: the expansion of "foreign" sources in general is anticipated to be proportionately much greater than in the United States itself.

The committee made no projections of demand, but the trend of recent years has shown no sign of any slackening in the growth of American domestic demand. This rose by nearly 11 per cent in 1950 to 6,800,000 barrels a day; it has been officially estimated as likely to reach 7,500,000 barrels a day this year. If the United States continues to enjoy high prosperity, the bulletin forecasts, its total needs by 1955 might well come fairly near 10 million barrels a day; even an annual average increase in consumption of only half the present rate would probably necessitate American oil imports on a higher rate than hitherto. During postwar years, the growth of demand in other free countries has been even faster, rising by some 13.3 per cent per year. This would suggest requirements of some 6,500,000 barrels a day by 1955, compared with the 1950 consumption of 3,600,000 barrels a day. Even if the higher levels of the American supply estimates are attained, on this analysis oil will not be abundant; if the lower ranges only are reached, it may mean oil shortages for all nations.

Shorter Notes

Wholesale textile stocks in August reached their highest level since the war. The value of stocks increased by 8 per cent during the month and was 22 per cent higher than in August, 1950. Sales were some 14 per cent above the July figure, which is usually low, but barely 3 per cent higher than a year earlier. Sales of furnishings fell by 26 per cent on the year and their stocks increased by 146 per cent. Sales of men's and boys' wear also declined—by 3 per cent compared with August, 1950, when prices were much lower—while stocks were 27 per cent higher. Sales of women's and children's wear fell by 1½ per cent and stocks increased by 21 per cent. Sales of other goods were higher in value than in August, 1951, and so were stocks except for gloves and sports and travel wear. These figures do not suggest any revival in public buying.

*

Retail trade figures for July show a continuance of the stagnation in trade that has been evident since March. Sales of clothing, of non-food merchandise and of household goods have declined consistently since that month and only food and perishables have shown any increase. Sales of household goods have fallen more sharply than the rest and the index of sales per week (1947 average=100) was 134 in July compared with 165 in March and 166 in February. The buyers' strike in this country is also evident in the United States and in certain European countries.

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Company Notes

British Celanese.—The full accounts of British Celanese, coupled with the chairman's informative statement, entirely justify the comments in these columns on September 22nd about the gross unfairness of the dividend limitation proposals on this company and its ordinary stockholders. The chairman himself underlines the inequity of the cut in the ordinary dividend from 10 per cent. to 9 per cent. in observance of the White Paper proposals by showing that the ordinary stockholders (there are more than 10,000, of whom 9,000 hold 500 10s. units or less) will forgo £22,113 net compared with the previous year, whereas the increases in wages and salaries made during last year will cost £800,000 in a full year.

Moreover, the company's intentions about raising new ordinary capital have been thrown out of gear. Last June Treasury consent was given to a proposed issue of ordinary shares to raise £3½ million towards the finance of the projected spinning plant at Wrexham. Almost immediately, when the Government's proposals for limitation of dividends were made known, "it became problematical if that issue could be carried out on the basis originally intended." Authority is being sought for an increase in the authorised equity capital from 5,400,000 10s. units (of which 4,422,667 are in issue) to 12,000,000 units. The board, though plainly set back by the additional dilution of the equity that would have resulted from an issue to ordinary shareholders on post-White Paper terms, still hold that such a method of issue is the most desirable, "as and when market and other conditions permit," for financing the future capital programmes, including Wrexham and the company's participation in United Sulphuric Acid Corporation. The 10s. units, which stood at 36s. 6d. in mid-June, fell to 28s. 3d. on dividend limitation. Their subsequent recovery to 38s. ex dividend owes much to the prospect of a Conservative victory.

The weight of the new programmes is only partly measured by the commitments of just over £2,000,000 at June 30th. In addition, the raising of new capital must be viewed against the fact that net liquid assets of the group rose during the past year by some £3,000,000 to more than £12 million. In fact, "substantial new capital will be required during the next few years" to enable the group to proceed with the expansion of acetate rayon production; the board's faith in the qualities, application and cheapness of acetate rayon, in competition with other synthetic fibres, remains unshaken.

Last year produced record trading, both in volume and sales. It also produced a tally of difficulties—a precipitate embargo on exports of cotton linters from the United States, a rush to obtain what supplies were obtainable from other sources which forced prices up to eight times their level of early 1950, the partial substitution of wood pulp for linters in the making of cellulose with technical difficulties surmounted, and the final crisis in sulphuric acid only less serious in degree for British Celanese than it was for viscose producers. This series of production problems has been accompanied by great price increases which have been only moderately reflected in selling prices, because of increased efficiency and because the stocks that have been used have been taken into cost at less than current replacement values.

★

Great Universal Stores.—The earnings record of Great Universal Stores since the end of the war bears witness to the success of the group's expansionist policy. In the latest year trading profits have eclipsed all previous records, soaring from £5,896,913 to £8,161,150. The post-war expansion of the group has found its mark in the balance sheet. In particular, the burden of stocks and hire-purchase debtors on the group's finances has been considerable; a year ago, stocks were valued at some £13,000,000 and hire-purchase debtors at nearly £16,000,000, with bank loans and overdrafts of some £7,200,000. Rising prices and expanding turnover are likely to have swollen these figures even further this year but the evidence of the full accounts must be awaited for confirmation of this point. An ordinary dividend of 40 per cent. has been paid since 1947 and is again maintained this year. The company's issued ordinary capital has gradually increased in the same period, largely as a result of the acquisition of new businesses. The stable dividend policy accompanied by the steady expansion of profits has enabled the company to buttress its reserves; in the latest year this reinforcement is of the order of £1,800,000, even after taxation has absorbed nearly £4,500,000 against £3,000,000 in 1950.

	Years to March 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	5,896,913	8,161,150
Total income	5,951,107	8,218,461
Depreciation	461,308	658,483
Taxation	3,019,367	4,489,415
Group earnings for ordinary stock	*1,260,265*	*2,082,700*
Ordinary dividends	295,769	284,631
Ordinary dividends (per cent)	40	40
General reserves	554,485	633,534
Other reserves	83,423	100,151
Added to carry forward	410,011	1,164,535

The group's expansion is far from being at an end. In Canada, where the company owns 86 retail stores, plans are in preparation for further development. The announcement by Mr. Isaac Wolfson that negotiations for the acquisition of a chain of retail stores in the United States are well advanced and that application is being made to the Treasury for the transfer of the necessary dollar capital recalls the events of two and a half years ago, when a similar application was accepted, but negotiations broke down at a later stage. One of the arguments then advanced for the investment was that it would provide another shop-window for British goods. In his announcement last week Mr. Wolfson emphasised that the newly proposed investment "would substantially increase the group's dollar-earning potential."

★

Glaxo Laboratories.—The preliminary statement for the year ended June 30, 1951, contains what is tantamount to a promise that, if there is a change of Government, shareholders will hear of something to their advantage. A "second interim" dividend of 7½ per cent. has been declared, bringing the year's total up, or rather down, to the "freeze" level of 15 per cent. At the same time, provision has been made for payment of a further and final dividend of 7½ per cent., payable December 12th, in the event of dividend limitation being buried with full Treasury honours. This payment will be well within the capacity of the company as profits before tax are up by £702,000 to a new high record of £3,101,000. After providing for all changes, including a greatly increased provision for taxation of £1,736,000, against £1,162,000, the net figure of £1,365,000, against £1,237,500, still constitutes a record.

The dividend proposals will require £31,356 or £62,712 net, as the case may be, against £54,750 and will leave a balance to be carried forward of £316,162 (£272,264) after allowing for the additional tax payable if a final dividend is forthcoming.

The 10s. ordinary units rose 3s. 9d. on publication of the figures, and at the present price of 83s. 9d. yield £2 13s. 9d. per cent. on the hoped-for 22½ per cent. dividend.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Sept. 26, 1951	Price, Oct. 3, 1951	Net Yield, Oct. 3, 1951 (n)	Gross Yield, Oct. 3, 1951
			£ s. d.	£ s. d.
War Bonds 2½%.....	101⅛	101⅛	...	e
Mar. 1, 1951-53			0 6 5	1 11 6f
War Bonds 2½%.....	101¼	101⅛	...	e
Mar. 1, 1952-54			0 12 6	1 16 11f
Exchequer Stk. 2½%	101⅛	101¼	0 11 5	1 13 5
Feb. 15, 1955				
War Bonds 2½%.....	102¼	102¼	0 4 11	1 9 4s
Aug. 15, 1954-56			0 13 6	1 17 6f
Funding 2½%.....	102¼	102⅛	...	0 12 5s
June 15, 1952-57			1 2 1	2 9 5f
Nat. Defence 3%...	103¼	103¼	0 7 9	1 18 0s
July 15, 1954-58			1 1 5	2 10 5f
War Loan 3%.....	103⅛*	103⅛*	0 14 3	2 2 0s
Oct. 15, 1955-59			1 2 7	2 10 5f
Savings Bonds 3%..	97⅛	97⅛	2 4 10	3 14 10s
Aug. 15, 1955-65			1 15 6	3 4 9f
Funding 2¼%.....	96⅛*	97⅛*	1 18 10	3 2 9s
April 15, 1956-61			1 12 5	2 16 5f
Funding 3%.....	92⅛*	92⅛*	2 13 4	4 12 11s
April 15, 1959-69			2 1 7	3 11 4f
Funding 3%.....	94	94⅛	2 0 9	3 10 9s
Aug. 1, 1966-68			1 19 9	3 9 9f
Funding 4%.....	102⅛*	103⅛*	1 13 9	3 10 9s
May 1, 1960-90			1 19 7	3 16 7f
Savings Bonds 3%..	92	92⅛	2 11 7	4 1 10s
Sept. 1, 1960-70			2 1 9	3 11 10f
Savings Bonds 2½%	89⅛*	89⅛*	2 4 11	3 9 11s
May 1, 1964-67			2 1 7	3 6 8f
Victory Bonds 4%..	103⅛	104⅛	1 15 7	3 12 10s
Sept. 1, 1920-76				
Savings Bonds 3%..	89⅛	89⅛	2 9 1	3 19 10s
Aug. 15, 1965-75			2 2 6	3 13 3f
Consols 4%.....	97⅛	97⅛	2 3 2	4 2 7f
(after Feb. 1, 1957)				
Conversion 3½%....	86⅞*	87⅛	2 2 2	4 0 3f
(after Apr. 1, 1961)				
Treasury Stk. 2½%..	63⅛*	63⅞	2 1 1	3 18 4f
(after Apr. 1, 1975)				
Treasury Stk. 3%...	74⅛*	75⅛*	2 1 10	3 19 9f
(after Apr. 5, 1966)				
Treasury Stk. 3¼%..	95	95⅛	2 2 1	3 17 1s
June 15, 1977-80			2 1 8	3 16 8f
Redemp. Stk. 3%...	81⅛*	82⅛	2 6 2	3 18 6s
Oct., 1986-96			2 3 10	3 16 5f
War Loan 3½%.....	86⅜	87⅛	2 2 5	4 1 4f
(after Dec. 1, 1952)				
Consols 2½%.....	64⅛*	65*	2 0 5	3 16 11f
Brit. Elect. 3% Gtd..	89⅛*	90⅛	2 6 0	3 16 4s
April 1, 1968-73			2 3 2	3 13 6f
Brit. Elect. 3% Gtd..	88⅛	89⅛	2 4 0	3 14 8s
Mar. 15, 1974-77			2 2 9	3 13 6f
Brit. Elect. 3½% Gtd.	95⅛	96⅛	2 1 4	3 16 4s
Nov. 15, 1976-79			2 0 11	3 15 11f
Brit. Tpt. 3% Gtd..	83⅛	83⅜	2 8 7	4 1 1s
July 1, 1978-88			2 4 11	3 17 6f
Brit. Tpt. 3% Gtd..	89⅛*	90⅛	2 6 1	3 16 5s
April 1, 1968-73			2 3 2	3 13 6f
Brit. Gas Gtd. 3%...	82*	82⅛*	2 5 2	3 17 6s
May 1, 1990-95			2 4 1	3 16 7f
Brit. Gas Gtd. 3½%..	97⅛	98⅛	1 19 5	3 13 4s
Sept. 10, 1969-71			1 19 2	3 13 1
Brit. Iron & Steel 3½%	93⅛	94⅛	2 2 5	3 17 3
Feb. 15, 1979-81			2 2 2	3 17 0f

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 4 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Sept. 26, 1951	Price, Oct. 3, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	8⅛	8⅛xd	3 13 10
30	30	Anglo-Iran £1	5⅛	5⅛	5 14 3
20	17½	Assoc. Elec. £1	88/9xd	88/9	4 10 2
27½	25	Assoc. P. Cem. £1	110/-	109/4½xd	5 0 6
35	30‡	Austin 5/-	35/-	33/9	5 3 6
25†	23·4†	Bass £1	150/-	148/1½	6 8 9
40	20 m	Boots 5/-	26/3	26/3	3 16 2h
10	9	Br. Celanese 10/-	37/-*	37/9	2 7 8m
20	20	Br. Oxygen £1	97/6	97/0	4 2 6
12½	12½	Coats £1	58/9	58/9	4 5 1
11‡	9‡	Courtaulds £1	50/-	49/-	4 11 10
22‡	21‡	Distillers 4/-	23/-	22/6	4 0 0
17‡	16‡	Dunlop £1	67/6	66/3	5 0 8
12½	11½	Ford £1	58/1½	58/1½	4 6 0
22½	20	Gen. Elect. £1	94/6	94/6	4 15 3
32	30‡	Guinness £1	143/9	141/10½	4 10 2
32½	8½ m	Hawker Sid. £1	39/6	38/6	5 3 11h
12	11	Imp. Chem. £1	51/10½	51/7½xd	4 12 11
32	32	Imp. Tobacco £1	103/9	101/3	6 6 5
12½	11½	Lancs. Cotton £1	46/3	45/7½	5 9 7
13½	11‡	Lever £1	55/7½	55/-	4 1 2
15	15	Lon. Brick £1	62/3	62/6	4 16 0
75	55½ m	Marks & Sp. A 5/-	98/6	98/-	3 16 0
16	11	P. & O. Def. £1	69/6	45/6	4 13 9p
25	25	P. Johnson 10/-	45/6	44/-	5 13 2
12½†	9·7†	"Shell" Stk. £1	94/4½	95/-	5 0 4
25	25	Tube Invst. £1	6⅞	6½	3 17 0
20	17½	T. & Newall £1	100/-	98/1½	4 1 6
10	9	Union Castle £1	40/-	39/6	5 1 3
50	33⅓	U. Sua Betong £1	68/9	67/6	14 16 4
12½	9‡	Vickers £1	50/9	50/3xd	4 19 6
42½	38‡	Woolworth 5/-	47/-	47/-	4 10 5

(h) Yield basis 20% after capital bonus. (k) Yield basis 10%. (m) Allowing for capital bonus. (n) Yield basis 9% * Ex dividend. † Free of tax. (p) Yield basis 10⅞% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the 8 days ended September 30, 1951, total ordinary revenue was £90,080,000 against ordinary expenditure of £85,335,000 and issues to sinking funds nil. Thus, including sinking fund allocations of £9,080,000 the deficit accrued since April 1, 1951, is £26,292,000 compared with a surplus of £69,868,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Sept. 30, 1950	April 1, 1951 to Sept. 30, 1951	Week ended Sept. 30, 1950	8 Days ended Sept. 30, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	379,270	445,195	11,822	19,312
Sur-tax	128,000	35,200	35,800	800	1,000
Estate, etc., Duties	180,000	91,450	95,300	4,100	2,700
Stamps	55,000	24,700	31,500	1,100	1,400
Profits Tax	312,650	123,770	156,100	12,200	9,400
E.P.T.		7,950	...	400	...
Other Inland Rev.	500	60	95	...	30
Special Contributn.	1,500	2,800	1,640	70	– 50
Total Inland Rev.	2302400	665,220	765,630	30,492	33,892
Customs	930,500	438,353	487,863	20,916	18,957
Excise	720,500	349,000	377,400	24,775	25,700
Total Customs and Excise	1651000	787,353	865,263	45,691	44,657
Motor Duties	62,000	10,137	11,943	...	187
Surplus War Stores	20,000	23,672	21,011	10	4
Surpl's from Tradg.	50,000	30,974	65,927	...	8,427
P.O. (Net Receipts)	5,400	...	...	*Dr 400*	*Dr2100*
Wireless Licences	13,600	4,650	5,000	900	1,000
Sundry Loans	27,000	18,074	18,980	...	...
Miscell. Receipts	105,000	42,000	29,812	1,981	3,951
Total Ord. Rev.	4236400	1582060	1783566	78,664	90,018
SELF-BALANCING					
Post Office	179,431	82,200	91,000	2,600	4,400
Income Tax on E.P.T. Refunds	4,900	4,779	2,670	193	186
Total	4420731	1669039	1877236	81,457	94,604

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Sept. 30, 1950	April 1, 1951 to Sept. 30, 1951	Week ended Sept. 30, 1950	8 Days ended Sept. 30, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	237,132	240,033	2,611	*2,382
Payments to N. Ireland	38,000	17,405	17,691	1,456	1,602
Other Cons. Funds	11,000	4,231	4,956	38	404
Total	584,000	258,768	262,680	4,105	4,388
Supply Services	*3425640	1244662	1538098	107104	80,947
Total Ord. Expd.	*4009640	1503430	1800778	111209	85,335
Sinking Funds	...	8,763	9,080	10	...
Total (excl. Self-Bal. Expd.)	4009640	1512193	1809858	111219	85,335
SELF-BALANCING					
Post Office	179,431	82,200	91,000	2,600	4,400
Income Tax on E.P.T. Refunds	4,900	4,779	2,670	193	186
Total	4193971	1591172	1903528	114012	89,921

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£166 million).

After decreasing Exchequer balances by £503,200 to £2,715,081, the other operations for the week increased the National Debt by £9,558,265 to £26,476 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

E.P.T. Refunds	229
Export Guarantees Act, 1949, s. 3(2)	10
Housing (Temp. Accom.) Acts, 1944 & 1947	50
Local Authorities Loans Act, 1945, s. 3(2)	9,550
Miscell. Financial Provs. Act, 1950, s. 2(1) Northern Ireland Exchequer	1,500
Cotton (Centralised Buying) Act, 1947, s. 2(1)(3)	3,000
Town & Country Planning Act, 1947, s. 67(1) and Town & Country Planning (Scotland) Act, 1947 s. 64(1)	100
Finance Acts, 1946 and 1947: Postwar Credits	307
	14,746

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Nat. Savings Certs	300	Treasury Bills	8,446
3% Def. Bonds	159	2½% Def. Bonds	935
Tax Reserve Certs.	9,557	3% Ter. Annuities	1,215
Other Debt :—		Other Debt :—	
Internal	1	External	2,583
Treasury Deposits	25,000	Ways & Means Advances	12,280
	35,017		25,459

FLOATING DEBT

(£ million)

Date	Treasury Bills Tender	Treasury Bills Tap	Ways & Means Advances Public Depts.	Ways & Means Advances Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950 Sept. 30	4975·9		451·0	...	505·0	5931·9
1951 June 30	5352·2		353·0	0·5	344·5	6050·3
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
" 14	3230·0	2139·1	373·2	...	344·5	6076·8
" 21	3230·0	2161·9	335·4	...	344·5	6071·9
" 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
" 11	3220·0	2164·2	280·2	...	379·5	6043·9
" 18	3230·0	2212·0	296·6	...	355·0	6093·6
" 25	3230·0	2255·7	291·8	...	325·0	6101·9
Sept. 1	3230·0	2287·7	326·7	...	290·0	6134·4
" 8	3230·0	2311·5	306·9	...	290·0	6138·4
" 15	3230·0	2378·4	328·2	...	265·0	6201·6
" 22	3230·0	2374·7	354·6	...	265·0	6224·4
" 30	6596·3		342·4	...	290·0	6228·7

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950 Sept. 29	240·0	307·0	240·0	10 3·23	72
1951 June 29	250·0	340·5	250·0	10 2·91	64
July 6	250·0	324·1	250·0	10 3·19	70
" 13	250·0	345·2	250·0	10 2·81	61
" 20	230·0	323·8	230·0	10 2·84	60
" 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
" 10	260·0	354·1	260·0	10 2·78	62
" 17	260·0	341·4	260·0	10 3·02	68
" 24	260·0	318·7	260·0	10 3·36	77
" 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
" 14	250·0	332·1	250·0	10 3·07	67
" 21	240·0	338·9	240·0	10 4·87	23
" 28	260·0	338·7	260·0	10 2·98	68

On September 28th application for 91 day bills to be paid from October 1 to October 6, 1951, were accepted at dated Monday to Saturday as to about 68 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on October 5th. For the week ending October 6th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 25 Weeks ended Sept. 23, 1950	Totals 25 Weeks ended Sept. 22, 1951	Week ended Sept. 22, 1951
Savings Certificates :—			
Receipts	40,700	84,900	2,400
Repayments	64,800	68,900	3,200
Net Savings	*Dr24,100*	16,000	200
Defence Bonds :—			
Receipts	8,430	25,464	1,240
Repayments	25,149	33,041	1,695
Net Savings	*Dr16,719*	*Dr 7,577*	*Dr 455*
P.O. and Trustee Savings Banks :—			
Receipts	308,834	326,037	12,149
Repayments	338,586	400,737	12,129
Net Savings	*Dr29,752*	*Dr74,700*	20
Total Net Savings	*Dr70,571*	*Dr66,277*	*Dr 235*
Interest on certificates repaid	14,132	16,818	550
Interest accrued	60,156	60,433	2,430
Change in total invested	– *24,547*	– *22,662*	+ 1,645

BANK OF ENGLAND RETURNS

OCTOBER 3, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—			
In Circulation	1352,251,175	Govt. Debt	11,015,100
In Bankg. Department	48,105,648	Other Govt. Securities	1385,717,709
		Other Secs.	752,721
		Coin (other than gold)	2,514,470
		Amt. of Fid.—	
		External	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	336,092,853
Rest	3,996,602	Other Secs.:—	45,039,705
Public Deps.:—	19,412,972	*Discounts and*	
*Public Accts.**	*18,851,391*	*Advances*	*21,397,067*
H.M. Treas.		*Securities*	*23,702,608*
Special Acct.	*1,081,581*		
Other Deps.:—	392,117,676		
Bankers	*297,192,673*	Notes	48,105,648
Other Accts	*94,925,008*	Coin	842,044
	430,080,250		430,080,250

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Oct. 4	1951 Sept. 19	1951 Sept. 26	1951 Oct. 3
Issue Dept. :—				
Notes in circulation	1282·7	1348·4	1348·9	1352·3
Notes in banking department	67·6	52·0	51·5	48·1
Government debt and securities*	1345·3	1398·7	1398·7	1398·7
Other securities	0·7	0·8	0·8	0·8
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	12·9	18·4	16·6	18·3
Treasury Special Account	254·8	1·1	1·1	1·1
Bankers	296·0	294·7	289·9	297·2
Others	93·5	89·4	91·2	94·9
Total	657·2	403·6	398·8	411·5
Securities :—				
Government	562·3	326·6	319·6	338·1
Discounts, etc.	18·8	18·4	19·0	21·3
Other	24·3	24·2	25·1	23·7
Total	605·4	369·2	364·7	381·1
Banking dept. res.	70·3	52·8	52·4	48·9
	%	%	%	%
"Proportion"	10·7	13·0	13·1	11·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

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

	Oct. 3, 1950	Sept. 18, 1951	Oct. 2, 1951
Cereals and meat	151·7	170·1	170·9
Other foods	162·5	182·4	182·4
Textiles	269·2	249·3	246·8*
Minerals	305·8	361·7	361·7
Miscellaneous	177·9	199·1	197·9
Complete Index	**203·1**	**221·5**	**221·1***
1913=100	*279·4*	*304·8*	*304·2**

* Provisional.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 176s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver London per ounce	Silver New York per ounce	Silver Bombay per 100 tolas	Gold Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Sept. 27	78·6	90·16	188 1	110 6
" 28	78·5	90·16	188 4	110 0
" 29	Markets	Closed	188 0	109 9
Oct. 1	78·5	90·16	187 15	108 9
" 2	78·6	90·16	Markets	Closed
" 3	78·5	90·16	188 3	109 3

COMPANY MEETINGS

THE INTERNATIONAL TEA COMPANY'S STORES LIMITED

MR FRANK WILSON ON STAFF RELATIONS

The annual general meeting of this company was held on October 2nd in London.

Mr Frank Wilson, chairman and joint managing director, said that his statement on the past year's trading had already been circulated to stockholders, but he felt that he should make reference to the recent unfortunate strike which had occurred in a section of their business in South Wales and Monmouthshire, and the later threat of a general stoppage in their London warehouses and factories, which had very nearly become effective.

Some of the stockholders might misunderstand, or even doubt, his remarks in his circulated review on the question of staff relations. That was understandable, especially when certain sections of the press had extracted headings to paragraphs such as "Happy Staff Relations" and similar seemingly contradictory headlines in view of what had happened to them recently.

It was a very serious and worrying question, and to many stockholders it might appear that the directors did not understand or appreciate the mentality and feelings of their staff or the extent of their loyalty to the company. He had prepared his review some weeks before the issue of their accounts to the stockholders or to the press, and he wanted to stress that all he had said when he wrote his review was true then and remained true today. He was not prepared to withdraw or vary one word which he had written on that subject of staff relations.

BOARD'S ATTITUDE TO STRIKE

Summarising the events leading up to the strike, he said that approaches had been made to certain companies on the question of individual wages agreements between those companies and the trade union as far back as November, 1950. Their company, acting with other multiple traders through their trade association and also acting separately, had agreed that they would not negotiate on any such individual wages agreements. It had never been a question of wages; it was entirely a question of agreements. Having undertaken so to act, they had been unable to consider a later approach by the union, when it was to be confined to a group of retail branches in one small geographical area. They, with other members of the association, had taken the line that collective bargaining on retail wages already existed. They had informed the union that they were perfectly willing to, and they actually did, refer the matter to the Ministry of Labour for arbitration. If any one company had surrendered to the union's approach and acted on its own they would have sold the pass for the whole of the members of their association. A settlement had been reached at the request of the Ministry of Labour with the assistance of the trade association.

He repeated that with few exceptions the company's staff was loyal and appreciative of what the board and management did for them. It would be unfair and ungenerous to brand in any other terms the thousands of employees who had offered to help and see things through to the bitter end. They were proud of them. They hoped that the few who had supported such actions as those to which he had referred would see the right light before it was too late.

The report was unanimously adopted and the formal business duly transacted.

GENERAL ELECTRIC COMPANY, LIMITED

INCREASED SALES

The fifty-first annual general meeting of The General Electric Company, Limited, was held in London on September 27th.

Sir Harry Railing, the chairman, in the course of his speech said: We have achieved a further increase in our net profit. This result is due to an increase in sales of some 13 per cent. following a similar advance during the preceding year.

The majority of our establishments have contributed to this record in spite of the difficulties of obtaining additional labour and sufficient raw materials. These results have been made possible only by the additional capital retained since the war in the company's reserves which has been used to provide increased manufacturing facilities and stock finance.

After allowing £1,038,000 for depreciation, £106,000 more than last year, and other provisions, we show a profit of £5,650,000 before taxation. Taxation absorbs £3,640,000, and we are allowed to keep one-third of the profit we have earned. During the last four years taxation has withdrawn £11,000,000 from your company's capital, while the net dividends paid to the stockholders amount to £2,446,000. The directors have recommended the payment of a 10 per cent. dividend on ordinary stock as before and of a bonus of 12½ per cent. as against 7½ per cent. last year.

CAPITAL LEVY ON SAVINGS

Undistributed corporation profits have of late constituted Britain's prime method of saving. The heavy burden of taxation on undistributed profits constitutes a capital levy on savings, and since it taxes profits without allowing for the increased cost of replacement of stock and fixed assets, the capital assets available for maintaining efficient production are drastically curtailed. The dividend standstill now proposed, reduces the possibility of attracting outside savings for this purpose and for expansion and new ventures.

We pleaded and mean to go on pleading, for a reduction of taxation on profits retained in business. We further plead that whatever general taxes are necessary to meet the budget, it is suicidal to bring industrial dividends to a standstill without limiting other earnings.

THE OUTLOOK

I do not need to emphasise the seriousness of the world position in regard to raw materials. This is only partly caused by rearmament; the chief reason is that raw material production the world over has not kept pace with the increased world demand for goods. It is to be hoped that the countries which can alleviate this scarcity will concentrate their resources on this task. In so doing they will best help themselves and the world.

The building up of the great strength of our organisation has only been made possible by a courageous policy and the confidence that we can continue to reckon on an expanding world-wide market for our products. It is on this basis that we have to plan.

At home and abroad we are playing our full part in the rearmament programme, which has to receive first priority to assure our very existence, in the export drive to enable us to buy food and raw materials and maintain our economic life and in the help we give to industry all over the world by new electrical devices, new applications and the quality of our products. By all these actions and by farseeing research we are striving to ensure that your company will continue to lead and expand and help to uphold Great Britain's position and influence in the world.

The report was adopted.

THE PALESTINE ELECTRIC CORPORATION

VISCOUNT SAMUEL ON THE INCREASING DEMAND

The twenty-eighth ordinary general meeting of The Palestine Electric Corporation Limited, was held on September 28th in London, Sir Edward Baron presiding in the absence of the chairman, the Rt. Hon. Viscount Samuel, P.C., G.C.B., G.B.E.

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

The year 1950 was marked by a continuance of the rapid expansion in the economic life of Israel which has been so striking a feature since the establishment of the State. All this activity has brought an unprecedented demand for electricity for industrial and domestic purposes and for irrigation. The consumption of electricity in 1950 was 40 per cent. higher than in 1949 and six times what it was in 1938.

PLANT EXPANSION

Your Corporation, anticipating a great increase in demand, took active steps immediately after the war to expand its plant and has since continued them without intermission, in spite of serious obstacles arising from the refusal of the British Treasury to sanction the issue of new capital; restrictions in currency transfers; difficulty in obtaining indispensable materials; and the constant rise in constructional and operating costs. All through 1950 supply kept pace with demand.

The gross revenue was I£4,833,000 in 1950. There was, however, an increase in operating expenditure in 1950, compared with the previous year, of 28.3 per cent. partly due to the increased output but in the main to the continuing steep rise in the cost of living in Israel. The directors again recommend the payment of a dividend of 5 per cent. free of tax on the ordinary and "A" ordinary stock and ordinary shares. The dividend will absorb I£152,583, leaving a balance of I£323,447 to be carried forward.

It was found necessary to place further orders for new plant in the United States, because of greater facilities for financing there and quicker delivery. The relevant orders in the U.S.A., amounting in the aggregate to some $10 million, are being financed as to $2,500,000 out of the facilities made available to the Israel Government by the Export-Import Bank of Washington.

The number of units sold was 315 million in 1949 and 443 million in 1950. It is estimated that the figure will be 600 million in 1951, and likely to reach 780 million in 1952, and 1,000 million in 1953. We have to envisage further extensions of plant accordingly.

CAPITAL INCREASE

Your directors therefore contemplate making further issues of capital, of such amounts and at such times as they may consider expedient. It is accordingly proposed to increase the authorised capital of the Corporation from £4,000,000 to £8,000,000 by the creation of 4,000,000 new shares of £1 Sterling each. Your directors intend to issue 250,000 ordinary shares of £1 Sterling each on the Israel Register, at par, to the trustees of the Corporation's staff pension funds, in accordance with the trustees' request.

During the first six months of the present year the operating results have been satisfactory.

The report was adopted.

At a subsequent extraordinary general meeting the proposed increase of capital was approved.

THE VALLAMBROSA RUBBER COMPANY LIMITED

The forty-seventh annual general meeting of members was held at Edinburgh on October 2nd, Mr T. J. Carlyle Gifford, chairman of the company, presiding.

Undernoted are the chairman's remarks:

Since the close of the accounts for the year 1950-51 the issued capital of the company has been increased to £135,900 by the capitalisation of £45,300 of the Reserve Fund and the issue of 453,000 shares being one share for each two shares previously held. The issued capital is thus brought somewhat more into line with the capital value of the estates, though still well below it.

The sharp rise which took place in 1950 in the price of rubber has naturally resulted in a great increase in the company's profits. The average price realised was just under 3s. per lb compared with a little over 1s. per lb. in the previous year. Much credit must be given to the management in the East for the fact that the f.o.b. cost of production rose no more than from 7.56d. per lb. to 8.29d. per lb. The previous year's figure included export duty of ½d. per lb. Export duty which for the past year was 2½d. per lb. is not included in the figure of 8.29d. per lb. as it is an expenditure which is not within the control of our staff in the East. For the current year there is certain to be a substantial increase in the cost of production but, to quote the remarks of the general manager, I am certain that the company can hold its own as a low cost producer with the majority of estates.

The trading profit for the year was £258,813 and we also received £8,736 in respect of war risks insurance. Taxation absorbed £161,300. We have thought it wise to place £10,300 to capital reserve fund so that the total amount expended on the estates out of capital may be practically covered by the issued capital and the capital reserve fund. £40,000 has been placed to the credit of provision for replacements. This is necessary against the cost of replanting the old estates with pedigree rubber, a task which is being undertaken as fast as local conditions, and particularly shortage of labour will permit. We have then been able to recommend a dividend for the year of 75 per cent. on the capital as it stands today, and to add a small sum to the carry forward.

Fortunately, this dividend was announced before the intimation of dividend restriction and is not itself struck at. For the current year the dividend will be limited to about 45 per cent. As this company was among the first to venture capital in the development of the then highly speculative industry of rubber planting in Malaya, and as for the seven years prior to 1950 only one small dividend, in 1948, could be paid on its stock it will be quite iniquitous if dividend limitation is applied to it now that it is again experiencing one of its periods of prosperity—one which may easily prove, as have others in the past, to be comparatively short-lived. To companies like this which took the risks fifty years ago is due the enormous contribution which rubber makes to the sterling balance of payments, and directly to the British Exchequer.

The financial results of the past year have been impressive, but I am much more impressed by the courage, steadfastness and loyalty of all who work for the company. The strain upon our European staff has been great. Fortunately, our coast estates are in what is as yet a quiet area but Kapar Bahru, where we have 1,600 acres, is in one of the worst districts in Selangor. Many attacks were made on the bungalow and the factory and the labourers and contractors were exposed to unpleasant threats from the Communists. Only the powerful influence of our European managers and their admirable relations with the labourers kept things going, and they gladly recognise the assistance they obtained from our loyal and courageous Asiatic staff. Apart from the Communist danger, our workers live in conditions not easily to be improved upon anywhere in Asia, and apart from the good wages paid which are at rates in the fixing of which the employer is only one party and is far from holding an autocratic position, the workers are in receipt of many benefits which cost the company many thousand dollars a year. Housing is of a high standard and fortunately much was done to improve and rebuild the lines in the earlier years after the war when building costs were lower than they are today. We can look with pride upon the relationship between the company and its employees on its coast estates which have been established and consolidated over the past fifty years and upon the steady growth of the same tradition on our much younger and in recent years more dangerous estate of Kapar Bahru.

I wish it were possible yet to take an optimistic view of the bandit activity, but as yet there is no lessening in Selangor. One can but admire the steadiness with which in such conditions work is carried on and acknowledge the company's debt to those who work for it in Malaya.

Were it not for this anxiety it would be possible to say that everything goes well with the company. The visiting agent, Mr Mackenzie, speaks highly of the condition of the estates and of the quality of their management. Steady progress is being made with replanting of old rubber, crop is well maintained, and the low cost of production is impressive.

The report and accounts were unanimously adopted.

BRITISH OVERSEAS STORES LIMITED

The thirtieth annual general meeting of British Overseas Stores Limited, was held on October 2, in London, Mr R. J. Blackadder, M.C., C.A. (the chairman) presiding.

The following is an extract from his circulated statement:—

From the formation of the company up to about 1937 difficult trading conditions and currency depreciation in some of those countries in which we are interested led to disappointing results. Thereafter up to the end of World War No. 2, despite the shortage of supplies, we earned reasonable profits.

During the last period we have seen the devaluation of the pound and the consequent rise in prices up to a point at which it seemed there must be a break in the market, but the outbreak of the Korean war, the fear of a third world war, and stockpiling, caused a further up-swing in prices.

After the lapse of six years, payment of dividends was resumed in 1938, when a dividend of 5 per cent. was paid, rising to 10 per cent. in 1947, at which rate it has been maintained.

At the moment all our subsidiary companies are doing well. We have acquired the entire share capital of Bickley & Bell, Limited. For many years it has been the policy of your board to establish a buying house in London under its own auspices. With the acquisition of Bickley & Bell, we are in a position to achieve this ambition.

While not making any forecast of the results of the current year, the encouraging reports from our overseas interests make me hopeful that the consolidated results this year will once more show an improvement.

The report was adopted.

INTERNATIONAL DIATOMITE

CONTINUED PROGRESS

The sixteenth annual general meeting of International Diatomite Company Limited was held on October 3, 1951, at Winchester House, E.C.2, the Chairman, Mr E. W. D. Tennant, O.B.E., presiding.

The Secretary (Mr Jesse Wood) read the notice convening the meeting, and the report of the auditors was read by Mr H. J. Binder.

The following is the Chairman's statement which was circulated with the accounts for the year ended June 30, 1951:—

In each of my statements circulated to shareholders with the annual accounts since 1947, I have referred to the steadily improving position of this company, and I have pleasure once again to be able to report continued progress.

Your operating subsidiary company, Moler Products Limited, has achieved improved results during the twelve months under review. In my statement last year I referred to a new production unit being brought into operation, and the works, including the new unit, have maintained full output which has proved 20 per cent. greater than that of the previous year.

Orders continue to come in freely, and with a good order book in hand, I am able to forecast another satisfactory year subject to the international situation. An encouraging start has already been made in the current year, and the directors have authorised the management to proceed with the construction of a further production unit.

Our Danish sub-subsidiary company, a/s Fur Moler Kompagni, has made a profit during the period; it has also supplied all the Danish Moler which Moler Products Limited required for its own consumption. The quarries are in good condition, and the company is in good heart.

I feel sure that the shareholders will join the directors in expressing their sincere appreciation of the satisfactory results to your managing director, Mr Robert Wood, and to all the officials and employees of the company.

The report and accounts were unanimously adopted, and a final dividend of 14½ per cent., making 24½ per cent. for the year, was approved.

The retiring director, Mr R. W. Young, F.C.A., was re-elected.

Messrs Binder, Hamlyn & Company continue in office as auditors.

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The successful candidate will be required to undertake research into the relationship between design of buildings of all types and the requirements of their occupants. The work will include a consideration of the effect on design requirements of the provision of communal services and to some extent the planning of neighbourhoods. Studies of the needs of special groups of people will form an important part of the research. Field surveys and experiments are envisaged.

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Further particulars and application forms from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S4084/51. Completed application forms must be returned by November 8, 1951.

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A Stand for Suez

THE British and American answers to the Egyptian challenge have come more promptly and firmly than many expected. If it was events at Abadan that emboldened Nahas Pasha to abrogate the 1936 treaty with this country, they may also have determined Mr Acheson to insist on "proper respect for international obligations." If Nahas has at last made the Americans see that appeasement is not enough in the Middle East, he will have done Britain a very good turn indeed. A firm position has been taken up and there must now be plans to defend it. There is probably a long struggle of skill and will ahead, and every move must be carefully and consistently planned—if possible with allies, if not, by the British alone.

For the moment what matters most is that the old prime minister's motives should be correctly assessed. He acted as he did on Monday because he knew he would receive on Wednesday—from the American, British, French and Turkish Ambassadors—an offer of partnership with, but not in, the North Atlantic Treaty Organisation. They were to propose an international command for the Middle East—not, be it noted, a new treaty organisation—in which Egypt would be an equal with Great Powers. It was to be suggested that only those British troops would stay in the Canal Zone whose presence would be deemed necessary by this command. The substitute for the 1936 treaty on which Mr Morrison has rightly insisted would have been found; Cairo could get peace with honour. But this spelt trouble for the Prime Minister, his Wafd party, and its rich, powerful and unscrupulous secretary-general, Fouad Sevag el Din. They know that there is deep social and economic discontent in the people and that their party's fortunes are on the ebb. A discreet substitution of international protection for the British presence would deprive them of their main appeal to the crowd. Cairo must first have its triumph and London its snub. It was last Monday or never.

The nationalist fires will be stoked up during the few weeks that are left before the Egyptian Parliament passes the decrees of abrogation. If they are not to disorganise the Anglo-American front four things are necessary. First, British opinion should be given a clear lead by politicians of both parties, and Mr Morrison and the Conservatives should be in close consultation. Second, since the Egyptian politicians have committed themselves to getting all foreign troops out of the country, the Americans and the French should realise that the proposals for an international force in the Canal Zone are dead before they are presented. Third, it should be repeatedly said that British pledges about the Sudan make it unthinkable that the results of honest and enlightened administration should be handed over to the corrupt régime tolerated by King Farouk. Fourthly, the Commander in the Zone should know exactly what support he can expect from London in the face of "incidents" designed to discredit the British. These things can be done if the Government puts and faces squarely one question: Is the defence of the bridge between Russia and Africa, the seaway from Europe to the Commonwealth, to be guaranteed by treaty or not?

The Real Issues—I

THE immediate task of the government elected on October 25th is plain. It will be to prevent inflation and to remove the deficit in overseas payments which is, in the present state of world trade, largely a symptom of inflation at home. The parties will not say how they propose to perform this task. They will not say because both are, for different reasons, afraid to face the five main issues that an effective policy against inflation must settle. Those five issues were set out in the *Economist* last week. In summary form they are:

1. *Subsidies:* Whether the government should subsidise personal spending on food, housing and clothes.

2. *State spending and taxation:* The proper distribution of the national income between money the consumer spends for himself and money the state takes in taxes to spend for him.

3. *Equality* v. *Incentive:* The proper distribution of whatever personal income is left over from state activity, and of private property, between individuals and classes.

4. *Controls:* The extent and method of state intervention in economic affairs.

5. *Employment:* The negotiation of wages and the meaning of full employment.

The present article is concerned with the first two questions. The other three will be discussed in a second article.

Inflation is an excess of demand over supply, and the only possible short-term cure for inflation is to reduce some of the components of demand. Of these, consumption is by far the largest, and the only one where cuts can be made large enough to have any effect. This is not to say that there should be no economies in capital expenditures; but after twelve years of capital cuts and controls, it is unlikely that there are many unessential items in the capital programme. Broadly speaking, a policy to prevent inflation is a policy to cut consumption. The politicians get as far as this when they talk of the need for all-round sacrifices, though they still shy away from it when it is phrased more bluntly as the need for a reduction in the standard of consumption.

If this is the paramount need, it is surely lunacy for the state to go on deliberately encouraging consumption. This it does by its various forms of subsidy. There are two main categories of subsidy. First there are the food subsidies, which enable people to get their basic foods for £410 million a year less than cost price. Secondly, there are the rent subsidies. New houses are being built and let to their favoured occupants at about half, or even less than half, of their economic cost. The operation of the Rent Restriction Acts ensures that the occupants of prewar houses are provided with a subsidy at the expense of their landlords, who react, so far as they are able, by failing to keep them in repair. The net effect is that rent, rates and water charges, which absorbed 11.3 per cent of all personal expenditure in 1938, now absorb only 6.7 per cent.

If the real cost of food and housing were less, relatively to wages, than before the war, one could only rejoice at the demonstration that the British public could meet its needs at the cost of less effort. But, as everybody knows, this is not so; when the cost of the taxation needed to support the subsidies is reckoned in food and houses are relatively dearer than they used to be, not cheaper. What purpose is served by pretending that they are cheaper? It does not, in general, lead to more food and house room being consumed, since supplies of these things are limited. Subsidies make people try to consume more of these things without succeeding in doing so; they create artificial shortages. They do indeed stimulate consumption, but of the frills and luxuries of life, on to which the spare purchasing power spills over.

The subsidies do not fulfil their object of increasing the welfare of the people. They create much actual misery. Because basic foods and rents are artificially cheap many people use house-room wastefully. Parents whose children have left home stay on in relatively large rent-controlled houses, with some rooms unused, when if they had to pay an economic rent they would take in a lodger or prefer to move to a smaller house. On the other side, many younger families would be happier if they could pay a higher rent for the house thus freed and give up the visits to the cinema and the pub forced on them by the present necessity of sharing a house with another family. The prolonged housing shortage is proving to be for young married couples almost as desperate a social cancer as prolonged unemployment was for the previous generation. The subsidies do not result in a single additional house being built—indeed, the Rent Restriction Acts definitely reduce the supply of houses—while the artificial lowness of rents results in an uneconomic utilisation of existing houses.

The whole matter can be summed up by saying that if the subsidy policy were abandoned and the cost of it remitted in taxation, food could be unrationed and the housing problem would be discovered to be well on the way to complete solution.

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Why, then, do the parties not advocate this policy? Partly because the British nation is so far gone in the economics of wonderland that it is genuinely difficult to make people see sense; but that is merely a reflection of the fact that the latter-day parties seem to be incapable of any sustained economic argument, as their fathers were in the days of the protectionist controversy. Perhaps the reason lies in the belief that the subsidies are a means of transferring income from the rich to the poor, and that their removal would therefore be a piece of social injustice. But that is an illusion. The mass of the people pay in taxes for their own subsidies—or at least the abandonment of the subsidies could be coupled with a remission of the "poor man's taxes" to the same amount. Fifteen million people nowadays pay income tax, and the main indirect taxes—the duties on tobacco and alcoholic drinks and the purchase tax—yield a total of £1,275 million. To cancel the subsidies and hand their cost back to the people in reduced taxes would not be to rob the poor for the benefit of the rich, it would simply be to let the working people of the country spend that much more of their incomes as they wished instead of as "the gentleman in Whitehall" thinks best. It would not raise the real cost of living by a single point or make wage-earners as a whole worse off or justify any claims for wage increases. It is true that there is still a small minority of people—mostly old-age pensioners and very large families—who are so poor as to spend very little indeed on tobacco or alcohol or goods subject to purchase tax. But the way to help the most needy is to do it directly by national assistance payments and bigger family allowances, not by subsidising everyone's food.

Another reason for hesitating to remove the subsidies is the belief that it would be inflationary to do so. Would it not send up prices? This is the old misunderstanding about the nature of inflation. Inflation consists in an excess of demand over supply; so far from its being synonymous with rising prices, rising prices are often the only possible way of choking off the extra demand and restoring equilibrium. The purpose of removing the subsidies and handing the money back to the people would be to get rid of the distortions that now bedevil the economy and breed inflation.

*

Moreover, the abandonment of the subsidies would make a large cut in taxation possible, which would be a powerful indirect blow against inflation. This is the second of the five great economic issues. One of the economic propositions that would command most nearly universal assent is that there is a point beyond which a nation cannot tax itself without making inflation inevitable. Just where this point is cannot be determined by *a priori* methods, and many people would put it higher than the 25 per cent of the British national product that was taken in government revenue in 1938. But it is certainly lower than the present 42 per cent. Such a high level of taxation is not only morally debilitating, it is also inevitably inflationary, even though there is a Budget surplus, with government expenditure smaller than the revenue from taxes. It discourages hard work and risk-taking, and therefore reduces the supply of goods available—reduces the supply a little immediately and inhibits its increase in the longer run. And, on the other side of the inflationary equation, it increases demand because the money the government spends comes in considerable measure from money that private people would save, not spend, if taxation were lower.

Yet, important as these effects are, it is unrealistic to maintain that the main services provided by central and local government—defence, education, the health service—should be greatly reduced in order that people may spend more as private individuals. Worthwhile savings are possible, both in these main services and in various minor services and in administration generally. But they are of the order of two or three per cent of the national income, not of five or ten per cent. If, therefore, the burden of state activity is to be reduced, and even if it is to be prevented from increasing as the defence programme expands, cuts must be made in the government's transfer expenditure—in the money that it takes in taxes not in order itself to provide services for the community as a whole but in order to hand the money on to other people. The wasteful and undesirable part of this transfer is not the money the state pays out to needy groups like pensioners and large families but the money it gives to everyone equally through subsidies.

Some day the subsidies will have to come off and the public will have to pay for their food and houses at cost. Some day the burden of taxation will have to be drastically reduced if Britain's economic health is not to be ruined. Stated so vaguely, these propositions would probably be agreed to by nearly everybody. But if anybody suggests that some day should be now, he will be told that it is not practical politics. The Conservative manifesto did indeed recognise the existence of the problem, but postponed it to happier days.

The politicians must remain the judges of what is practical politics. But the economist has a right to tell them that any party programme that does not promise to tackle these related problems drastically and at once is not practical economics and makes no contact with the realities of the desperately serious economic position in which the British people find themselves. So far from being an inappropriate time for beginning to talk economic realities, this is, above all, the time when it is crucially urgent. The danger of rapid inflation has never been so great. The balance of payments has never more urgently needed reinforcement. As for the Budget, the menacing shadow of rearmament expenditure makes it more important than ever to liberate some area of taxable capacity. The politicians are ensuring their own failure and ultimate defeat if they try to get into office by shirking these issues.

(To be continued)

Atomic Diplomacy

STALIN was giving nothing away last weekend when he furnished *Pravda* with answers to questions about atomic bombs, doubtless set by himself. For the Americans had already detected a recent explosion in the Soviet Union—the first since the summer of 1949—and had promptly told the world. He perhaps felt it necessary to tell his own people that their government had not been left standing in the race for supremacy in scientific weapons, and his purpose seemed rather to reassure them than to impress foreigners. Through almost sealed lips he spoke of further tests of "atom bombs of different calibres." More frankly he referred to a plan of defence against attack by "the Anglo-American aggressive bloc" which would be met by the Soviet Union "fully prepared." He threw in, too, a suggestion—a guarded hint to the Americans—that "advocates of the atomic bomb" might agree to its prohibition if they were convinced they had no monopoly of atomic weapons. This, at least, will help to save the face of those who have declared that the Russians use atomic energy merely for moving mountains and diverting rivers. The statement, in short, was neither momentous nor revealing.

Indeed, there is a rather old-fashioned ring to Stalin's words; and his advisers must realise this unless their reading has fallen behind the *New York Times*, to say nothing of the New York periodicals. For recent comment in the United States has made three things clear. First, that this second Russian explosion will be used to support American arguments for a sharp increase in the

proportion of atomic to conventional weapons ; second, that the press is allowed to surmise that the American stockpile of "big bombs" is now running into four figures (with a probable lead over the Russians of at least five to one) ; thirdly, that lack of the "tactical" atomic weapon is taking the attention of thoughtful officers and laymen away from the sky to the battlefront, away from the transcontinental strategic bomber to the atomic shell that guns would use against ground troops and to the little atom bomb that would be used by tactical aircraft against both troops and communications. This is no Wellsian fantasy of ebullient military commentators ; it is a sober picture of coming strategic and tactical changes, the thought of which is already influencing General Eisenhower's planning of the European army and its American support. We may soon be hearing, as we heard in the middle 'thirties, that the arts of defence are about to outdate and outwit the arts of offence; and that the free peoples of the west can call on new weapons to redress the balance of the old.

For the time being the layman will be wise to treat these assurances with caution. The problem of ensuring that Europe is not overrun by masses of Communist soldiery will have to be met for some time to come by "conventional" weapons, even though General Mark Clark has recently said that "new and unconventional weapons will be flowing to the troops before long." The period of greatest risk lies immediately ahead, when the most that can be hoped for is a trickle. And the allies of America need to know more about their role in the use of such weapons, about their cost, and about their military effects before they pin their faith—as the Germans did in the winter of 1944—to wonder weapons that arrive too late.

*

It is clear, none the less, that something of critical importance is happening. If peace is preserved—as it can be by a combination of strength in arms and skill in diplomacy—statesmen may confront in two or three years' time a completely new situation. For five years now the balance of military strength between the Communist world and the free world has been kept even by poising the threat of the atomic bomber against the threat of the Communist land armies. It has always been clear that, in time, the Russians would become able to drop atom bombs on the cities of the west, and that, by that time, the west must also be ready to neutraiise the Russian advantage on the ground by building up armies, not indeed as large as Russia's, but large enough to put up a successful defence. In short, as the west's offensive superiority in the air declines, its defensive inferiority on land is to be made good. The significance of the most recent atomic developments is that they promise greatly to increase the power of the ground defence: a defending army will be able to saturate the ground in front of it with radioactivity. This will make the west's task in neutralising Russia's present advantage much easier, and the balance of military advantage can be given a favourable tilt. To this there is, however, a most important proviso. The new weapons favour the side that has the tactical defensive, and in each of the two world wars the free nations have failed in the defensive ; forced back by the first onslaught of the aggressors, they have had to spend many years fighting their way back. If this were to be the pattern of a third war, then the new weapons would be an enormous disadvantage. They can be used to good account only if there is, from the start, a defensive force large enough to use them. So far from removing the need for rearmament and remobilisation, they make it more than ever necessary ; for they make it more than ever certain that it will be too late to arm and mobilise after the war begins, as was done with success in 1914 and in 1939, and as the western world is therefore tempted to rely on doing once again.

But if the new atomic developments make rearmament more necessary than ever, they also hold out the hope that rearmament may succeed in its task of preventing war more quickly than was originally foreseen. The moment when the initiative will be safely in western hands may be closer than anybody has hitherto supposed, and it is not too soon to begin preparing policy and public opinion for it. Without special preparations, several dangerous things might happen. There might be a sinister and subtle atomic dialogue between Washington and Moscow, with London and Paris putting in no more than a word here and there. Washington might, at a dangerous juncture, not know what it wanted to say and might well fail to understand what Moscow was trying to say. Those who have for five years watched sharply for every sign of Stalin's moving forward might easily fail to detect the signs of his moving slightly backward. And the western statesmen who do not want to negotiate until they are stronger could easily forget that eastern statesmen might wish to negotiate before they get weaker. It is at the point, where the Americans get confident and the Russians frightened, that the opportunity for skilful diplomacy and piecemeal peacemaking will appear. And that point, too, may be much closer than is realised.

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As Mr Acheson plans his first cautious steps along the path of atomic diplomacy his chief thought must be to take his allies along with him ; for the condition of using American atomic power is that allied bases are available. He must see to it that his allies do not take fright and scatter ; and it is the prime aim of Russian policy to make them do just that. In other words, the path to be taken should be thoroughly discussed and surveyed in advance by the Secretary of State with his colleagues. They agreed at Ottawa to do something of the kind, but there are two good reasons for scepticism about this agreement. The ministers of Nato can speak with one voice only if they have begun to think ahead and with one mind on matters of the highest importance ; but they cannot think with one mind until their advisers are working together on what the Americans call policy planning—an activity that exists only precariously in the British Foreign Office. As things now are, the allies consult at the executive and not at the formative stage, in or just before the emergency, not well in advance. There is a great need for joint study of future possibilities by men free of daily desk work ; for again and again London, Paris and Washington have been caught napping by an event that could have been foreseen, if not in detail at least in broad outline, and as one of several possibilities.

The present disjointed methods are not good enough for the period ahead. If they negotiate from strength, the allies should begin considering now what they will have to offer and demand, how they will assess together their information from behind the iron curtain, how they will respond if Moscow puts out a feeler, who is to talk if there is to be talking in secret. Such consultation is necessary not only for efficiency but also for morale. Unless there is evidence of such common thought and action, it will be impossible to persuade many men and women on this side of the Atlantic that a strong American policy is their policy, and that power will be used on their behalf with wisdom and restraint.

Americans remember that Mr Attlee flew suddenly last December to Washington to discuss with President Truman the use of the bomb in Korea ; but they may forget that Mr Morgan Phillips, Secretary of the Labour party, was prompted to claim in August that the Labour Prime Minister had averted a third world war. This is a reminder, if any is needed, that there is in every allied country a powerful group that talks distrustfully of American power, not because it wants to play the Russian game or break the American alliance, but because it believes that such talk pays in votes. So long as that talk persists, the Russians will go on believing that their obstinacy can divide the Western alliance and that concessions to it are unnecesary—in other words, there will be no basis for negotiation and understanding. And, as Mr Baruch has again pointed out, without that understanding there can be no hope at all of international agreement on the control of atomic energy. Atomic diplomacy will go on.

Electoral Arithmetic

WITH two weeks of the election campaign still to run, it would be foolish to assume that the political barometer is already set steady. Even the numbers of candidates are uncertain until the nomination lists are closed next Monday. But election forecasting has become such an established pastime that its fascinations are likely to be already occupying the spare time of a great many people. This article sets out some of the electoral facts which may serve as a useful yardstick for predictions and indicates what results may be expected under certain reasonable assumptions.

One method of forecasting is to interpret the results of surveys of the nation's polling intentions according to a simple theory. An article in this journal last year drew attention to an almost forgotten empirical formula, put forward over forty years ago, stating that in contests mainly between two parties, the ratio between the seats won by the parties is the cube of the ratio between the votes cast for them. This cube law—for so it is dignified—has since received much attention. It fits very closely the election results of 1931, 1935 and 1945, but not those of 1950. The divergence last year can be explained by a bias—the Labour votes "wasted" in piling up huge majorities in areas like Durham—in the present electoral system, and rough corrections for the bias can be devised. But the reliability of the formula depends upon the pattern of voting remaining faithful to certain statistical provisions and, while it is quite conceivable that it will do so, there can be no certainty about it. The simplicity of the "law" is itself suspicious. Why exactly the power of 3 ; why not of 2.8 or 3.2 ? At the last election, the "cube law" was the simplest means of translating an assumed or predicted distribution of the total vote into seats, because the many alterations in the boundaries of constituencies made any more detailed method difficult. But this is not so in the present election ; the constituencies are unchanged and there are figures of actual voting in each of them less than two years ago which provide the obvious basis for any attempt at estimation. The "cube law" requires an estimate of the shift in the popular vote ; and if such an estimate can be made, it is much more accurate to apply it constituency by constituency. This is the method adopted here.

The broad results of the 1950 general election are recalled in Table I. Although the two major parties between them received nearly 90 per cent of the vote, more than one-third of the candidates came from Liberal and other parties. But, of these, only the Liberals made a sizeable indent into the poll. Labour won 76 seats on a minority vote and in all except eight of these seats the intervention of a Liberal was the sole or main cause. In a further 75 Labour seats, the winning votes formed between 50 and 55 per cent of total votes in the constituency. It is from these two groups that Conservatives will hope to make most of their gains.

The results of the study are presented in Table II, which deserves a few words of interpretation. The figures of each constituency in 1950 have been examined, and it has been found that, if 1 per cent of the total poll were transferred from Labour to Conservative, 17 Labour seats would be lost. If 2 per cent of the total were turned over, 35 seats would shift their party allegiance, and so forth. In addition to these direct shifts between the two major parties, there is the possibility of the Conservatives gaining some of the votes cast last year for the 475 Liberal candidates. What matters here is, of course, the net gain. Of last year's Liberal voters, 40 per cent may this year abstain (or vote Liberal, if they can), 40 per cent vote Conservative and 20 per cent vote Labour. Or the figures may be 30, 45 and 25 per cent ; or 10, 55 and 35 per cent. In each of these three instances, what affects the result of the poll is that the Conservatives, relatively to Labour, make a net gain of 20 per cent of the Liberal vote. The effect of such shifts is shown in the table. Thus if there is a 1 per cent direct shift from Labour to Conservative and in addition the Conservatives make a net gain of 10 per cent of the Liberal vote, the result is a gain of 25 seats.

*

It should be emphasised that this table is purely "neutral." It makes no predictions ; it simply shows the result of certain arithmetical calculations. If the only contingencies considered are various degrees of Conservative gain, that is only because, on this occasion, nobody is predicting that Labour will improve its position ; but a similar table could easily be constructed to cover that possibility if it were thought to be relevent. The estimates are based on the assumption that any shift in public opinion is reflected equally in all constituencies. Though there are always the exceptional results that swim against the tide, past experience has shown that the great majority of results are strikingly uniform.

The real difficulty is not in compiling this table but in using it. What assumptions is it reasonable to make

about the direct swing from Labour to Conservative and about the transfer of the ex-Liberal vote ? One possible source of guidance lies in comparing the results of the 16 by-elections with the voting at the general election in the same constituencies. The accompanying chart shows that, if account is taken only of the changes in the relative proportions of votes cast for the two main parties (the two by-elections where there was no Labour candidate are ignored), there was a swing in each case away from Labour. The figures as they stand, however, can be very misleading. The swing averaged 2.8 per cent in the constituencies held by Labour and 6.3 per cent in those held by Conservatives, a reminder that in by-elections opposition supporters tend to be the more enthusiastic. The biggest swing, for instance, was in West Bristol, a safe Conservative seat where the poll dropped from 82 per cent at the general election to 54 per cent at the by-election ; it is evident that very many Labour supporters did not bother to vote a second time. Only two constituencies, West Dunbartonshire and Brighouse and Spenborough, were marginal Labour seats ; both these by-elections occurred within three months of the general election and can hardly be taken as evidence of opinion today.

The other evidence about changes in political feeling is provided by the public opinion polls. Two newspapers, the *Daily Express* and the *News Chronicle*, publish the results of such surveys. The latter, which is the one carried out by the British Institute of Public Opinion, has been the more frequent and has earned some considerable degree of confidence. It is true that Dr Gallup (whose methods the BIPO follows) signally failed to predict Mr Truman's re-election in the United States in November, 1948. But in this country the Gallup Polls have been very accurate ; and there are a number of technical reasons (of which the fluctuating size of the total poll in the United States is the chief) why more accuracy should be expected here than in America. At the time of writing the Institute's latest figures give the Conservatives 49.5 per cent of the poll, Labour 43 per cent, the Liberals 7 per cent and others 0.5 per cent. These proportions are reached after allocating the doubtful replies according to such evidence as can be obtained. Compared with the results of the last general election (see Table I), the Conservative proportion is up by 6 per cent and the Labour proportion is down by 3 per cent. It makes some difference to the result how much of these changes is due to a direct shift of votes between the two large parties and how much to the re-distribution of the Liberal vote. Moreover, when the survey was taken, replies from intending Liberal voters must have been somewhat confused in certain constituencies by doubt whether or not there would be a Liberal candidate to vote for. There may therefore still be some more Liberal votes to reallocate. If the Conservatives' net gain of Liberal votes were put at 20 per cent (for which there is some evidence), then it would appear that the "direct swing" from Labour to Conservative would be between 3 and 4 per cent. From the table the result can be read off—Conservative gains of 64 or 85 seats. A more realistic assumption would be that the Conservatives will make a net gain of 10 per cent of the 1950 Liberal vote where there will again be a Liberal candidate, and of 30 per cent where there will not. On this surmise, and on the basis of the incomplete information about Liberal candidates available at the time of writing, a 3 per cent direct swing would transfer 67 Labour seats to the Conservatives and a 4 per cent swing 93 seats. Since the recent

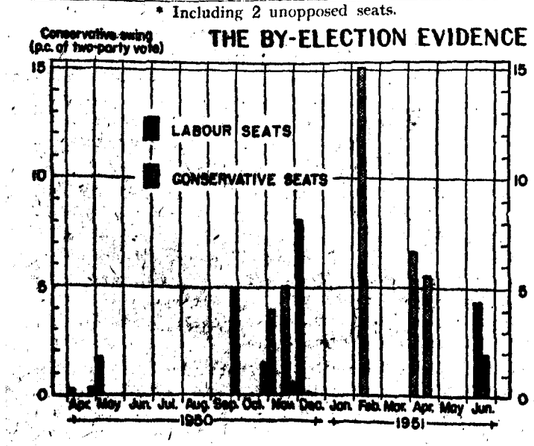
I—1950 General Election Results

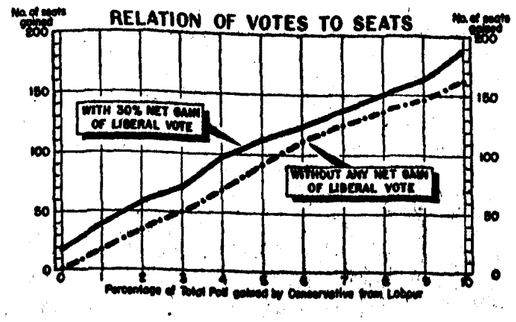
	Number of Candidates	Votes Cast		Seats Gained
		Thousands	% of Poll	
Labour	617	13,266	46·1	315
Conservative	620	12,493	43·4	297*
Liberal	475	2,621	9·1	9
Others	156	390	1·4	4
	1,868	28,770	100·0	625

* Including 2 unopposed seats.

II—Seats Gained by Conservatives with Varying Shifts in Voting

% of Total Poll Gained by Conservatives from Labour	Conservative Net Gain of Liberal Vote			
	0%	10%	20%	30%
Nil	...	5	12	17
Up to 1	17	25	33	39
„ 2	35	42	50	57
„ 3	50	59	64	71
„ 4	70	78	85	97
„ 5	91	100	108	113
„ 6	112	116	119	124
„ 7	125	129	132	137
„ 8	136	140	145	150
„ 9	145	152	155	163
„ 10	163	169	175	179





Parliament contained 18 more Labour members than Conservative members, the result would be to give the Conservatives a majority of between 116 and 168 seats over Labour assuming that Liberal representation is unchanged.

These calculations are intended to show how it is possible to derive a forecast from the results of the last election and the current public opinion polls. The precariousness of any forecast is too obvious to need elaboration, but there comes a stage when the forecaster feels that he has got as much confidence in his results as he can hope for. These estimates have been made before that stage has been reached. Guesses about the allocation of the Liberal vote can be refined when the nominations are complete. At the same time, consideration can be given to the vote for "others" ; small though it was in total in 1950, in a few constituencies it was significant. Above all, by the time this article is read, a further public opinion poll will be available to work on. In so far as these things provide new material, the estimates will be amended in the next issue of *The Economist*.

Grapes from Thistles

(By a Correspondent)

IT begins to look as if Mr Attlee has set a new pattern for British elections—the early announcement, the fortnight of silent preparation, the recall and dissolution of Parliament and then the three weeks' intensive campaign. In this respect at least 1951 repeats the rhythm of 1950. Indeed the stage of intensive campaigning has been postponed even later this time than last. The application of an expenses maximum still fixed on 1948 price levels obliges the well-to-do constituency to concentrate its efforts within a shorter period ; the poorer constituency, only half recovered from the cost of the 1950 campaign, has to exercise care to avoid bankruptcy itself. It is tempting to speculate what the long-range effect of cheaper and cheaper elections in a context of rising costs will be. It is surely bound to mean greater emphasis on national campaigning and central office direction, because they alone have access to the two great channels which are outside the operation of the expenses law—broadcasting and the national press. The candidate who is seeking to make a distinctively constituency appeal has less and less scope.

Nevertheless, this week may fairly be said to have seen the start of the fight. The signs are unmistakable. The BBC is censoring comedians, the *Daily Herald* has started front page editorials, the quiet hum of adoption meetings is swelling into the roar of rallies and whispering campaigns.

Already certain clear departures from the practice of 1950 have manifested themselves. It was inevitable that the process of the Second Heave (or, from Labour's point of view, the Last Hand-Hold) would result in a sharpening of acrimony on both sides. The expectation that the second election would be dirtier than the first has not been falsified, but it is a relief to find that one of the results of the eighteen months' delay is the introduction of at any rate some fresh issues into the stale diet of platitudes that was fed to the electorate last time. Of course the disposition to be always fighting the previous war is ineradicable in politicians and the press. The *Daily Graphic's* two-page spread on "Germany Today" ("Unrationed, they live with Zest") probably deserves the prize for unimaginative evocation of a theme that had fallen flat before February, 1950, was a week old. But other old friends are here as well. If the Jarrow Marchers have not yet begun their pictorial tramp across the hoardings and election addresses, their statistical counterparts, the unemployment figures for the years of Tory misrule, are poised for action in the appendices to Labour's Campaign Handbook. None the less, it is now pretty clear that this will not be a Full Employment election ; it looks very much more like being a War Mongering one instead, and if this theme is more distasteful than the other, it is at least capable of more interesting variations.

From the first it was obviously Labour's intention to present itself as the party that kept the country out of war. Perhaps, from the moment of the Bevanite split, no other appeal could have rallied the party. But Dr Mossadegh and Nahas Pasha have climbed on this bandwagon in such enthusiastic haste as almost to wreck the original conception. First of all we were presented with the proposition, "of course the Tories do not want war, but. . . ." Then came Abadan and Mr Morrison advanced his prize question, "Would you have gone to war ?"

To this the Conservative counterpoint has been, "Rearmament is no longer an issue ; it is a fact. Vote for the party that believes in it and can use it to preserve peace." The events in Persia and Egypt have opened the way for the obvious rider, that pusillanimity increases the risk of war. But this is only the beginning of the ingenious embroidery. Mr Bevan is now demonstrating that it is the trauma left on Stalin's psyche by Mr Churchill's actions in 1918 which has made the USSR a menace in 1951. The *Daily Mirror* has had front-page doubts about whether Mr Churchill might not prove insufficiently aggressive—when faced with the warmongering zealots of the Pentagon. Mr Churchill has made the obvious rejoinder that much of our Middle Eastern troubles could have been avoided by better liaison with the United States. And so it goes on. There was nothing in 1950 comparable to this developing argument—an argument which owes little or nothing to the platitudes of the election manifestoes and derives its propulsion from the dynamic of events themselves. No doubt its origins in the "warmonger" scare are highly discreditable, but this may be a case where grapes are being gathered from thistles. It is after all a real argument, in the way in which broadside exchanges of recriminations about the Government's record or Tory misrule are not. Furthermore, it is related to the pressing problems of the hour in a way that enables the electorate to see the behaviour of its rival captains under the strain of real, not imaginary, conflicts. It is the first election since 1931 to be fought, so to speak, with live ammunition. Of course there are casualties, and perhaps the conduct for the next fortnight of our foreign relations

is itself one of them. But from an election point of view the gain is clear; we are transported out of the dull and cosy dugouts of trench warfare on to the draughty plains that offer some scope for generalship.

"At least so it seems, as one reads the newspapers. But signs are not wanting to suggest that perhaps the political stage managers, who planned it all months ago, may have the last word yet. Down at the constituency level, in the questions after meetings, canvassing on the doorstep, sloganeering from loud speakers and posters, one seems to hear the underlying persistence of the "Who gets what, when and how" politics of the social welfare state. Mr Churchill's "Talks with Stalin" suggestion in 1950 was a concrete proposition, likely to result in specific action if the Conservatives had won. Yet there is abundant evidence that it stirred hardly any voters; they thought and worried about houses, jobs, wages and prices. Since then, if the issues of peace and war have come nearer home, so too have the problems of domestic economy. And it is interesting to notice how the brave words of the manifestoes—of all parties—about the impossibility of easy times become the first victims of the process of simplification that will continue more and more ruthlessly every day from now to October 25th. The dear old folks and the chubby kiddies of the election posters are not going to have their future clouded over by any qualifications or cautionary parentheses; they are getting their pensions and their orange juice now.

The one exception to the total warfare of the parties has so far been the Liberals. Last time they were the victims of heavy cudgelling from either side. This time, from the Conservatives at least, they are receiving more delicate treatment. There has been no repetition of the tart exchanges between Mr Churchill and Mr Davies over the nomenclature of Tory fellow-travellers. Lord Woolton's wooing, if not more ardent, has at any rate less of the cave-man about it. Liberals all over the country are being given the flattering attention reserved for men who demonstrably possess a casting vote. It begins to look as if the 1950 strategy of fighting on a broad front may not have been so mistaken after all. Having proved their nuisance value by the conclusive argument of figures the Liberals have secured some constituency rights of way which they might otherwise have lost. By a further electoral irony, they are achieving this under the aegis of a programme which is markedly inferior in political content and economic relevance to the "No Easy Way" of 1950. All the same, it is only the most optimistic Liberals who do not expect to lose many votes to the Conservatives.

NOTES OF THE WEEK

Lessons of Abadan

The British appeal to the Security Council against Persia is now seen to have been a serious mistake. The Russians, Jugoslavs and—so it seems—the Indians would have nothing to do with a resolution that would scold the Persians or give the British international authority for economic or other sanctions. And the Americans are so worried by the vision of Persia falling bit by bit to the Russians that they are in a hurry—too much of a hurry—to propose bases of negotiation which make oilmen's hair stand on end. The most likely outcome of the deliberations in New York is that American good offices will be used to get negotiations restarted either in the corridors of Uno, the private suite of Dr Mossadegh's hospital, or Teheran itself. There will be generally more anxiety to get the oil flowing than to show Uno's determination and ability to assert either its own authority or that of the International Court.

It remains to be seen whether Dr Mossadegh will grow or diminish in stature under the television camera. He can be counted on to tell the tale of peasant woe and capitalist greed that always goes down well with mass audiences. But the question that Americans might ask themselves is this: "Would I take a job as a technician or business executive under a government run by this man?" That question is constantly lost sight of in public discussion of the Persian problem; whereas the British Government has constantly to bear in mind that it cannot commit the employees of the Anglo-Iranian Oil Company to work for a new company—whatever its form and whatever the nationality of its manager—unless they want to. And they will not want to unless the new arrangements are carefully defined and guarantees of good treatment given. When there are other jobs going in more orderly countries the motto for oil technicians is "once bitten twice shy." If this is remembered, the British action in ignoring the now famous undated, unsigned Persian *bout de papier* published by the Manchester Guardian appears in a fresh light.

Few have yet faced the fact that great commercial concerns—which means the men in them—will not put their services and livelihood at the mercy of regimes which will not observe written agreements and reasonable standards of behaviour. Nationalism is scaring away capital and the men who can use it most skilfully; and, in the name of internationalism, nothing is being done to stop it. The political slogans of the nineteenth century challenge the institutions of the twentieth; and the lesson of Persia is that wherever there may be a Mossadegh, Point Four plans must wait.

* * *

Baghdad Watches New York

While it formulates any new proposals, Washington would be well advised to recall the sad history of Overseas Consultants Inc. In January, 1951, before the Majlis had finally rejected the oil company's offer of a supplemental agreement, the Persian government sacked this Anglo-American team of technical advisers, whom it had engaged to draw up a plan for the development of the Persian economy. It sacked them mainly because it "could not find the money" to implement their plans. Three months later, the Majlis took steps which could only mean the loss to the Persian exchequer of 55-60 per cent of its revenue. The moral is that the motive power behind the Nationalisation Law was not a genuine, if misguided, attempt to secure the national assets for the country's social benefit, but a politically expedient xenophobia. There is a long way to go before anyone is likely to see a new division of profits between Teheran and the company seriously used by the politicians to improve the standard of living of the Persian masses.

The converse is equally true: that a Teheran government with an enlightened social policy would recognise that it has everything to gain by working out satisfactory arrangements with a foreign oil company. There is an excellent illustration of this point in Iraq; and Dr Mossadegh, if he were a wiser and healthier man, might stop to compare the barren consequences of his own actions with the fruits of Nuri Pasha's statesmanship. Under the new draft agreement between Baghdad and the Iraq Petroleum Company, Iraq's revenue from oil (50 per cent of the company's profits before the deduction of foreign tax) will rise to nearly £60 million by 1955. In the meantime, the Iraqi Parliament has ordained that all oil royalties shall be channelled direct into the economy through the new Development Board. This body, which includes a British secretary-general in the person of Sir Eddington Miller, has not only drawn up a five-year plan to spend £65 million but has already invited tenders and received a loan from the International Bank for the main irrigation project in the Wadi Tharthar.

The draft agreement with Iraq has so far survived the impact of the retreat from Abadan, and it is at present still being given the finishing touches in Baghdad. But reports from Washington suggest that one new approach to Dr Mossadegh might include the offer of a 75 per cent share of the profits on Persian oil. If expropriation by Persia is to be rewarded by terms more favourable than those which prevail in any other oil-producing country in the world, the forces of moderation in Iraq—and, for that matter, in Saudi Arabia and Kuwait—may yet succumb to the forces of unreason. The appetite for oil profits grows with eating.

* * *

Egypt's Claim to the Sudan

Nahas Pasha has not merely proposed the ending of the Anglo-Egyptian condominium in the Sudan; he has also outlined the terms that Egypt would like to impose on the Sudanese. These would give the Egyptian Crown control over the armed forces, foreign relations and currency of the Sudan, the right to appoint and dismiss Sudanese ministers, and the right to veto laws passed by the Sudanese Parliament. In other words, Egypt is not merely proposing that the two halves of the Nile Valley should be nominally united under a single crown; on the contrary, it seeks to make itself master of a Sudan which would enjoy only a restricted autonomy in its internal administration.

It goes without saying that Egypt's claims conflict with Britain's promises that the Sudanese should, on achieving political maturity, choose for themselves either independence or some form of voluntary association with Egypt. But it is important to examine the basis of these claims. They rest primarily on the conquest of the Sudan in 1821 by Mohammed Ali, the Ottoman viceroy of Egypt. The sixty years of subjection which followed brought the Sudan nothing but brutal oppression and a highly organised slave trade run by Egyptian merchants and officials. The Mahdist revolt of 1882 was basically an outburst of resentment against this exploitation, and it was not until 1898 that the Sudan was reconquered by Lord Kitchener's British and Egyptian army. The Anglo-Egyptian Convention of 1899, which created the condominium, made no reference to Ottoman or Egyptian sovereignty, confining itself to administrative arrangements and to the provision that both the British and the Egyptian flags should be flown in the territory. The Treaty of 1936 merely confirmed these arrangements.

Egypt's claim that the Sudan has always been Egyptian territory thus rests on the flimsy foundations of conquest by the Ottoman empire, sixty years of exploitation from Cairo at a time when Egypt itself was a Turkish dependency, reconquest by Anglo-Egyptian forces on British initiative, and the fact that the 1899 Convention did not specifically terminate Ottoman sovereignty. On historical grounds of this kind Portugal could make out a better claim to Brazil, India to Burma, or Turkey to Egypt itself. And if Egypt itself abrogates the Convention of 1899, it will have destroyed the only shreds of a legal case it possesses.

There are two main political parties in Khartoum today. The Umma Party, which demands complete independence for the Sudan, is not, as the Egyptians suggest "the tool of Whitehall," but a powerful political movement led by educated men and supported both by successful traders and cultivators and by many of the pagan tribes in the south who have reason to fear Egyptian domination. The Ashigga Party, which favours Nahas Pasha's proposals for "the unity of the Nile Valley," has long received both money and inspiration from Cairo. Its chief supporters are the effendis who have failed to obtain well paid posts in the administration, which is rapidly being Sudanised. The Ashigga members hope for important posts if the unity of the Nile Valley is achieved. They well know that no Egyptians will wish to live and work in the Sudan.

* * *

Voting on the Middle East

The election campaign began in earnest this week with the formality of adoption meetings in most constituencies and with the regular flow of election broadcasts. The matter for debate has been given definite, though not necessarily final, shape. In the speeches of the party leaders, commanding a national audience, foreign policy has taken pride of place.

Superficially, that is what Mr Morrison intended when he started the line of propaganda that the Tories are, at least inadvertently, warmongers. But it is very doubtful whether Labour in fact has any reason for satisfaction with the campaign. Mr Churchill answered the general charge effectively in his broadcast on Monday. Foreign policy has not achieved prominence because the floating voter shows any particular susceptibility to the charge against the Tories, but because events in the Middle East have forced it on public attention. Undoubtedly the impression is growing that the Government has been guilty of lack of foresight, uncertainty of decision and even simple inattention to business in its dealings with both Persia and Egypt. The remarkable argument used by the *Daily Herald*—that the Tories are to blame because their charges of Government weakness made Egypt think it could take its chance to denounce the treaty—is in its defensiveness and feebleness the clearest possible confession that on this point Labour has lost the initiative; the issue that it injected into the campaign with at least a desperate variety of hopefulness has proved to be a boomerang.

The debate is almost wholly artificial. This election is certainly not going to settle the issues of peace and war, and it is unlikely that many electors will regard themselves as making any decision at all about foreign affairs when they cast their votes on October 25th. Yet the intrusion of the irrelevant issue perhaps has its compensations. Both the major parties remain determined not to discuss the realities of their domestic policies. The voter is in effect asked to judge on character, on which group of men he would prefer to have in office. And the old generalities about nationalisation and national housekeeping have certainly become flat and unprofitable as guides to character. Persia and Egypt are at least something to argue about—and therefore to tell the voter more about the candidates and to distinguish between the basic attitudes of the parties. What they show unfortunately tends to be, outside the principal party leaders, the latent pacifism of Labour and the latent imperialism of the Tories. Neither is reassuring for the floating voter. But at the moment it is undoubtedly Labour that is getting the worst of the argument.

* * *

Holding the Home Forts

While it was inevitable that this week the election speakers should embroider their themes of the Tory drift to war and the Labour drift to disaster, it is still surprising that domestic issues have been pushed so much into the background. Mr Oliver Lyttelton was perhaps exaggerating very little when he said, at Aldershot last week, that many people would understand the dollar crisis only when they saw their

children crying round the breakfast table. One might still have expected more to be heard about the fuel situation, the railways' shortcomings, and the economic problem generally. Housing, even more surprisingly, has figured in few important speeches ; and little has been heard also of the old staple of controversy, bulk buying, and of the level of food supplies. Nor, on the more positive side, has any Conservative speaker developed effectively the emphasis on higher production that Mr David Eccles sought to establish. The cost of living appears as the one substantial domestic issue, and about it both sides are necessarily cautious. On every sector their mutual concern seems to be simply to hold such intellectual forts as they have established. The Tory case remains essentially and simply—and powerfully—that "It is time for a change," while Labour relies primarily on the contrast between present full employment and the thirties.

It is significant that the most interesting recent speech on domestic policy was Mr Churchill's at Woodford on Tuesday, when his main concern was to retreat from the implication that the Conservatives would completely overhaul trade union law, an implication which had been read into the earlier undertaking to do nothing about the unions without a round table conference. He said that the Conservatives had no intention of initiating any legislation on this subject, though he left the question of "contracting out" somewhat vague. This was a matter, he suggested, which might be left to "common sense and the British way of settling things"—which could mean almost anything. Even on the closed shop issue, which was brought sharply into prominence by the Durham dispute, Mr Churchill made no promise of legislative action. "Common sense and public opinion" were once again invoked. This may be astute electioneering, but it certainly does not help to solve the problems the Tories will have to face if they do get into office.

Meanwhile their best ally on the home front, Mr Aneurin Bevan, continues to exhibit his own strange blend of irresponsibility and ambition. He told a Manchester audience that he wants a Labour majority, big enough not, it appears, to solve the country's problems, but to make it possible for the Labour party "to afford the luxury of a quarrel." Such frankness is perhaps the oddest thing of all in what is surely the most diverse of election campaigns.

* * *

When Is a Vote Not a Vote?

If the Liberal party's campaign has so far done little to advance its standard it has at least produced some surprises. Sir Andrew McFadyean, a former president of the Liberal party, has suggested how Liberals can vote for their party even though there is no Liberal candidate in their constituency. They can abstain; and where the percentage of non-voters is higher than the average, one can then assume that Liberal opinion is strong. By counting the non-voters Sir Andrew may be able to calculate that there has been a Liberal landslide, but his suggestion is indeed a counsel of despair. He himself thought that as many as half the Liberals might seek this solution; a Gallup poll last January suggested that two-fifths might do so.

It is not the solution favoured by the other Liberal leaders. The intention is that where no Liberal candidate is standing the local Liberal party should present to the other candidates a questionnaire, the purpose of which is to reveal how liberal they are. The questionnaire character-test is familiar to all readers of the popular press and the glossy weeklies; and the questions asked by the Liberals will be just about as reliable in the results they indicate. Most of them are astonishingly far removed from the pressing problems of to-day. In the light of those problems, would a responsible Liberal allow his vote to be determined by whether the candidate would support electoral reform, or free trade, or co-partnership, or home rule for Wales and Scotland—whether or not these things are in principle desirable? And would a responsible candidate answer such questions out of the context of the circumstances prevailing at the time? The answers are to be discussed at local meetings and published in local papers, but they may well merely confuse the Liberal voter. What is to happen to his faith in the unique contribution of his party if he finds that both Conservative and Labour candidates have scored 100 out of 100 for Liberalism?

Many Liberals seem to have been disconcerted by Mr. Churchill's decision to speak for Lady Violet Bonham-Carter at Colne Valley. This is a natural enough arrangement between two old friends, though it will not necessarily win votes for Lady Violet; it will undoubtedly widen still further the rift between the right and left wings of the Liberal party. Mr Dingle Foot's election broadcast made some new points in Liberal policy. He commended the social services and urged no cuts in public expenditure other than those that could be accounted for by the "waste" in which the Opposition puts such faith; but, like Lord Beaverbrook, he was in favour of slashing the revenue by reducing or abolishing purchase tax on everything except luxuries. He said that the Liberals (he spoke as if they could form a Government) would postpone all new capital projects which do not contribute to greater production. No housing? No schools?

* * *

More Moves in the Contest for Germany

The speeches made last Wednesday by the East German leaders, in the presence of Russian representatives, left no doubt that the purpose of their present campaign for German unity is to block not merely German rearmament but the whole concept of an "Atlantic defence community"—to use the term coined by the western Foreign Ministers in Washington. Herr Grotewohl made it plain that he wanted the Western German representatives to discuss two issues simultaneously; they were asked to talk about all-German elections, together with methods of speeding up a peace treaty and the withdrawal of troops. Moreover, on this occasion he demanded outright that the Adenauer Government should break off its current negotiations with the Allied High Commission. He did not make any startling new concessions about the conditions for free elections, though he indicated that they might be held under international supervision. It is evident that the most important immediate aim for the Soviet German leaders is to bring the Western representatives at all costs to the round table to discuss a peace treaty on lines that would suit Moscow. What they discuss in the way of election conditions is comparatively immaterial, so long as the talks continue endlessly and render it difficult or impossible for negotiations with the Western Powers to proceed.

It was left to the Christian-Democrat Foreign Minister of the eastern republic, Herr Dertinger, to add threats to Herr Grotewohl's arguments and concessions. The Soviet Union's recent Note to France, he mentioned, had declared that German rearmament would not be tolerated. A reference to Stalin's atom bombs reinforced Herr Dertinger's point.

The German contest is now less between rival politicians than rival propagandists. On the Communist side a well-oiled machine is at work free from jarring interference. Dr Adenauer has to contend with Dr Schumacher's championship of all those Germans who are disappointed with the western alternatives to Herr Grotewohl's offers. In these difficult circumstances, he was justified in playing the strongest card that he holds. In his speech last week-end in Berlin the Chancellor pointed out that Herr Grotewohl

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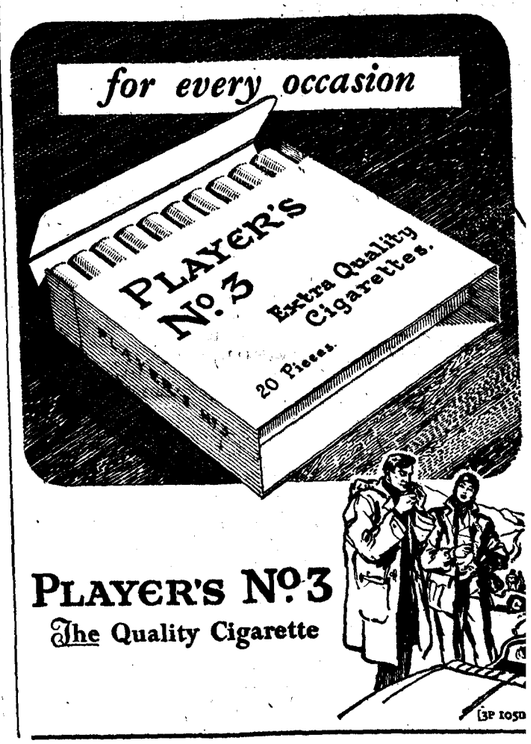

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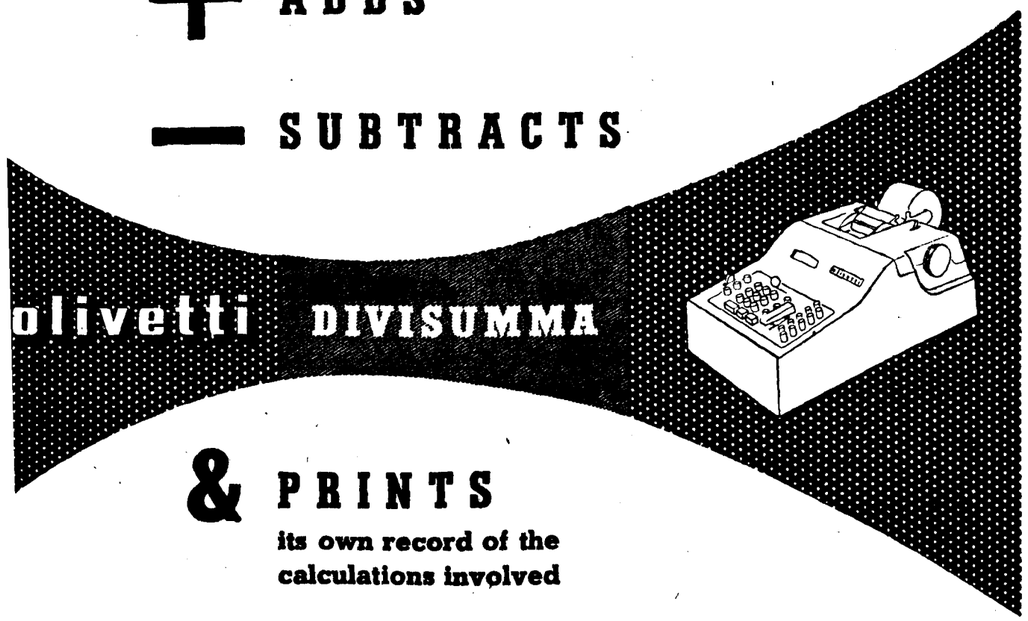

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excluded the lost territories when he preached German unity. He said:

> For us, those lands belong to Germany. . . . The policy of the Federal Government is to use all its strength to achieve unity in peace and freedom with Berlin, the Soviet Zone *and* with Eastern Germany.

From making this speech, Dr Adenauer went straight to the High Commission's conference on abolition of the occupation statute ; and the Allied and German experts have now settled down to draft the terms of the agreement which are to replace it.

* * *

No Elections in Trieste

That the proposed elections in Trieste have been further postponed until next year is a hopeful sign. It means that there is some chance of the Italians and Jugoslavs making an early start on negotiations for a general settlement, and that the western powers are doing what they can to assist matters. Reports from Trieste suggest that one of the chief obstacles likely to be raised by an election in the near future would be that the local parties in favour of the present arrangements would probably gain ground. This would weaken the Italian Government's hand, quite unnecessarily and wrongly at a crucial moment, since their gain would be based on a false assumption. The Anglo-American occupation has certainly done great good, and it is as understandable as it is gratifying that more Triestines should wish for a continuation. In voting for it, however, they would be leaving out of account the wider picture in the background and the fact that the situation is unstable and a source of weakness to the whole community of southern Europe. Of course, if agreement between Italy and Jugoslavia is not achieved, the elections must be held as soon as the breakdown is complete.

In a leading article last week it was stated that Mr Kardelj, the Jugoslav Foreign Minister, made his favourable remarks about a "third solution" in Rome ; he in fact made these remarks, but a visit by him to the Italian capital is still something to be arranged—and very helpful it would be. Again, where it was suggested that the Italians might have some part of the hinterland of Zone B (the Jugoslav zone of Trieste), this should have read "some part of the coastline." It is the hinterland of Istria which is Slovene, while the fringe is Italian. In this connection, it is to be hoped that terms discussed with Marshal Tito by Mr Averell Harriman on his way home from Persia in August may have paved the way towards a solution, whereby, on the strength of American aid, Marshal Tito could in fact agree to let the Italians have most of the shoreline of the Gulf of Trieste.

* * *

Tito's Candid Friends

Last Sunday Marshal Tito complained of the type of radio and other propaganda that was being directed at Jugoslavia from the West. He alleged that it was "poisoning our people" and that it criticised "in an impossible way" measures taken by the state. This is not the first time there have been similar complaints. As far as the BBC is concerned, it seems that Marshal Tito's charges are a distortion of the spirit and content of its occasional commentaries on Jugoslav internal affairs. These are designed to help the present tendencies of the regime, not to frustrate them. If they cause irritation, it may be because of the tone rather than the content ; London can easily sound patronising in Eastern Europe.

The Jugoslav leaders are excessively sensitive to criticism, especially when it comes from the western countries that are helping them. But they cannot expect to have everything their own way. Before next June comes the American, British and French governments have undertaken to pump into the country aid worth £50 million, to say nothing of what is yet to come from the International Bank. Neither to this nor to any previous aid have written conditions been attached ; but neither international nor national economic advisers from outside can be expected to remain silent if they see good money in danger of going down the drain. The planners of Belgrade probably realise that they have a lot to learn from foreign advice and experience, but do not like to be reminded of it.

There is an even more important answer to Marshal Tito's touchiness. He has sought to join, and has been welcomed in, new company ; and the standards of the free nations are not those of the Cominform. They attach the highest importance to individual liberty under the law. They are impressed by the promise of liberalisation in the Jugoslav economy, but remember that the Communist party is still there to hold the reins. They appreciate the genuine, if limited progress that the Jugoslav citizen has made towards free speech but they ask whether his children can be educated in the religion of their parents. Above all, they ask whether it is right or necessary that some of the Marshal's political opponents should continue to languish in gaol. If points like these were not made to Marshal Tito by Mr Aneurin Bevan and Sir Hartley Shawcross on their holiday visits, he can be sure that they were not faithfully reflecting that public opinion in this country which believes in candour among friends.

* * *

Politics of Church Schools

There is nothing like an election—except a new education Bill—for stirring up controversy about church schools. At present both the principal parties are wooing votes by promises to improve the financial arrangements for church schools, and the Archbishop of Canterbury has astutely taken the opportunity to send them a statement of the churches' case for a revision of various sections of the 1944 Education Act. The Archbishop's statement and one published by the Ministry of Education appeared on the same day and covered much the same ground. They are the fruit of many months of joint discussions. The Minister concedes much of what the Archbishop asks ; whether he would have gone so far without an election may perhaps be doubted. The Conservatives, not to be outbid, issued a statement of their own promising that if returned to power they would negotiate sympathetically with the church authorities.

Since 1944 the terms of the settlement for the church schools have deteriorated in two ways. Costs have risen steeply, so that voluntary schools have much greater difficulty in covering their commitments by their endowments, particularly where new building work is involved. Secondly, some local education authorities have exercised their powers over voluntary schools so bureaucratically or with such a weight of indifference that the spirit of the settlement has not been fulfilled. By their very constitution and machinery, local authorities must inevitably incline towards their own schools and it requires a high order of intellectual integrity to keep the balance fair. That local authorities should do so is important not only to the churches but to all who value independence and variety in education. The church schools are valuable quite as much for their individuality as for their religious bias, and as uniformity increases within the state system it is the more important to keep independence, even in this very limited form, alive. If the price of variety is an increase in financial assistance, the price is well worth paying.

* * *

Subversion at Salford

When the Salford dock strike ended last June the port had been paralysed for six weeks and £150,000 of wages had been lost. The Minister of Labour then thought it important to establish what had induced the men to strike

against their union's advice, against their own interests and for a trivial cause. His department, in a report that reads like the plot of a spy film,* answers that question by implying that the strike was deliberately planned by Communists.

After the London dock strike of 1950 the leaders of the Port Workers' Defence Committee visited Manchester and an unofficial port workers' committee was later set up there under the chairmanship of Mr George Norman, a Communist. The expected opportunity presented itself when two men, in defiance of an agreement signed by their union leaders, refused to work overtime and were suspended for three days. Mr Norman then called a meeting, at which it was resolved that if the two men were not paid for the days in which they had been suspended, all overtime and night work should be banned. Having refused to work overtime, the men were not allowed to work by day, and so the strike became general. It was fed with any other grievances, however irrelevant, that the unofficial leaders could find—such as the agitation for the Dockers' Charter and the abolition of Order 1305. Finally it was broken by hardship; and an attempt by the local Communist party to show that the struggle was all part of the fight against rearmament merely hastened the men's return to work. As the report says, it is significant that after the strike was over, the discredited leaders still had enough funds to publish a pamphlet in defence of their case.

The report shows how easy it is for a few extremists to confuse and mislead a moderate majority and to keep a hold on them partly by picketing, but still more by a moral sanction: men fear to oppose those who seem to be acting in their common interest. But if they yield easily to bad leadership, they would be susceptible to good leadership—if it were equally vigorous and seemed as much in touch with their interests. The union leaders behaved correctly; but of what use were their moderate voices at occasional meetings compared with the harangues of Mr Norman twice a week? Of what use was the bureaucratic prose of the Manchester Dock Labour Board compared with "Well, Brothers. Are we going to allow dockers to be *victimised*? Stand by your resolutions"? In the difficult task of reconciling their new responsibilities with their position as representatives of a sectional interest, the unions still have much to learn about the techniques of leadership and persuasion.

* * *

Fishing in Legal Waters

The cases of the two contestants, the United Kingdom and Norway, in the Norwegian fishing dispute have now been laid before the International Court at The Hague. In outline, the dispute could almost be called a geometrical one: should the limits of Norwegian territorial waters in Northern Norway be defined, as the United Kingdom claims that they should be, by a series of curves corresponding to the actual coastline, or should the seaward limit consist as the Norwegian Government argues, of a series of straight lines connecting some forty-eight fixed points along the coast? The coastline is so irregular that the lines drawn by the Norwegians enclose a much larger area of open sea than those drawn when the British argument is followed.

The United Kingdom's argument—it is pressed because of the number of British fishing vessels arrested by the Norwegian authorities—is, shortly, this: The accepted international basis on which the seaward limit of territorial waters is drawn is that the outer line shall in general conform to the low-water mark along the shore, with accepted rules governing those instances where bays, inlets and islands break the uniformity of that line. It is common ground that the Norwegian Government did, in 1935, by royal decree seek to establish the line it now defends; but, according to Sir Frank Soskice's argument, in order to establish that the decree is effective in international law, the Norwegian Government must show that these waters were dealt with in that way before the end of the eighteenth-century and that Norway's claims have never been abandoned since. The Norwegian Government claims that there is no generally accepted principle of the kind alleged by the British Government. It further says that it supported its claims by decrees made in 1869 and 1889 applying the same method of definition to other stretches of its cost. Its third argument is that the need to reinforce these earlier practices by a decree in 1935 only arose because, for some 300 years at least before the present century, foreign fishing vessels had not in fact attempted to fish in these particular waters. A final argument, moral rather than legal, is that the protection given by this wide band of territorial water along these coasts is needed since at least 70 per cent of the inhabitants of Finnmark, on the coast, depend on sea fishing for their livelihood and that unless they have this protection the waters off their coasts will be over-fished by all and sundry.

The importance of the case is not confined to fishing rights. Now that installations for winning oil from below the seabed can be set up well away from the actual coastline, public authorities and private companies all over the world are increasingly interested in how territorial waters should be defined and what the rights of everyone in, and under, them are. The subject has been widely debated by international lawyers, but as yet there has been little opportunity for the International Court to give much guidance on the principles which should be applied. As a result, the decision of the Court in this present case will have a very wide interest and application. It is also likely to be a decision to which, for once, each of the contestant governments will give full effect.

* * *

Assassination in Malaya

The ambush last Sunday of Sir Henry Gurney, High Commissioner for the Federation of Malaya, was one of those tragedies which can deeply affect the events that come after them. When the Communist terrorists lay in wait on the road to Fraser's Hill, they were out to kill a man whose life they had long sworn to take. This was not only because he was the King's representative and head of the administration in Malaya, but because he had performed his job supremely well and in three critical years had left his mark on the country. Sir Henry's great attribute was that, while he completely lived the role of a pro-consul in a time and at a place when it was necessary to do so, he threw his whole personal influence behind the policy of political evolution. In spite of the emergency, this has brought within the present year a measure of "cabinet" responsibility at the centre and has started the use of the electoral principle in local government.

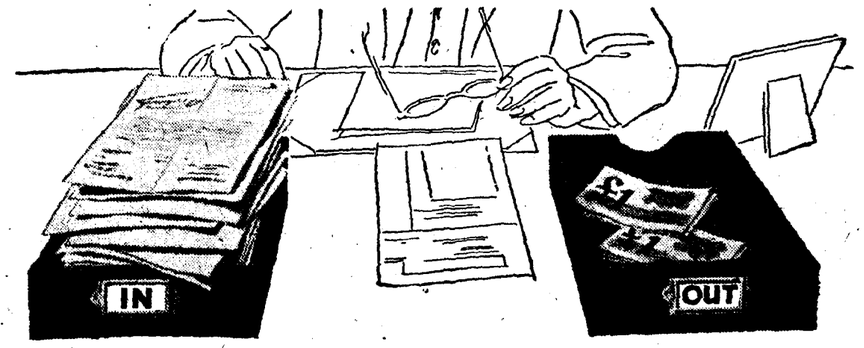
Sir Henry Gurney's death has rightly and inevitably shocked people of every race in the Federation more than anything else could have done. Out of it should come a new resolve to bring the emergency to that early end which the efforts of Sir Henry and his colleagues had just begun to make possible.

* * *

Protecting Buckinghamshire

Buckinghamshire may be regarded, considering its proximity to London, as a well-favoured county. Its northern half is almost wholly agricultural and it has no large towns except for the expanding industrial centres of Slough and High Wycombe. It possesses in the Thames valley and the Chiltern hills two relatively unspoilt areas of consider-

* Report on Certain Aspects of the Manchester (Salford) Dock Strike. Cmd. 8375.



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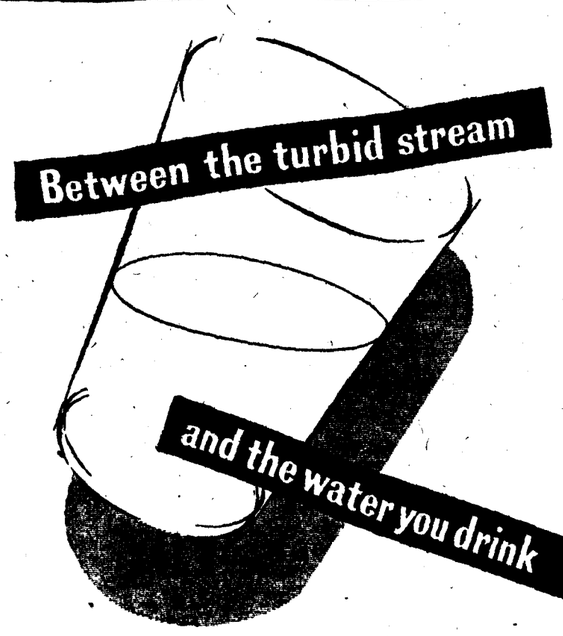

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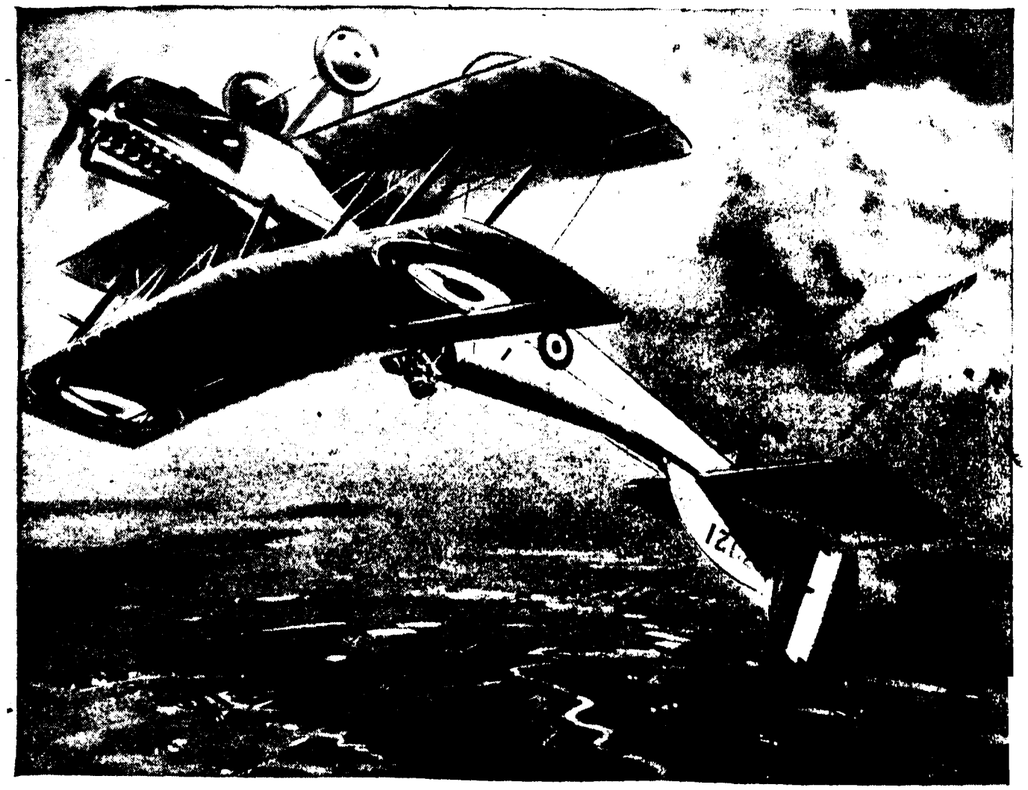

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able rural beauty. The authors of the county development plan, recently published, are rightly anxious to protect these natural advantages. They propose that almost a third of the county shall be subject to close planning control, which would exclude any but small-scale building, either as a metropolitan green belt or as "land of great landscape value." The county council has been very active in making the preservation orders, and a third of the woodland area is already protected. It should also join with the Forestry Commission in making sure that the Chiltern beechwoods, which will otherwise decay, are properly regenerated.

The county council's attitude towards London is, however, excessively selfish. The Greater London plan, as amended, proposes that Buckinghamshire should eventually receive 149,000 of London's surplus population—a quite modest number, in relation both to the scale of the London problem and to the demands made on the other home counties. The development plan now proposes to cut this figure by more than half and to limit migration of all sorts into the county to a smaller rate than the spontaneous influx of the nineteen thirties. This decision is supposedly based, among other reasons, on a calculation of the building labour available locally after the rehousing requirements of the existing residents have been fully satisfied. This is a most ingenuous approach, since it must be known that building labour, from the LCC estates and elsewhere, will be progressively freed for work in areas intended for expansion. The county's attitude is probably shortsighted. Worse could easily befall it than the modest sacrifice asked of it in the Greater London plan.

* * *

The Problem of Bread

Few people outside the baking industry can have realised how complicated is the question whether night-baking should be abolished or not. The many problems raised are carefully and judiciously discussed in the report (Cmd. 8378) of the latest committee on night baking. First of all there are the problems that abolition would cause within the industry itself; the week-end problem; the holiday resort problem; the problem of the roundsmen and clerical workers; the morning roll problem; the "flour confectionery" problem; the problem of the decline in craftsmanship; the earnings problem; the problem of costs; the problem of the Jewish community. Then there are the consumer's problems: whether to have bread delivered later in the day or to buy bread baked the day before; whether to buy fewer cakes and accept stale rolls. There are even national problems. Would the abolition of night baking increase the cost of bread, increase the baking labour force, increase the daytime consumption of fuel? Even the problem of the morning roll spills over into the national context, for both the Caterers' Association and one of the bakers' organisations asserted that unless industrial workers got their morning rolls new, there might be a fall in productivity.

The committee discounts many of these problems. Others it considers have enough substance for it to turn down abolition of night baking in favour of limitation by alternating shifts—a system that in one form has been in force in Scotland since the war. Two problems would, however, still be unsolved. At present, workers are paid an additional 10 per cent for night work. In evidence, the bakers' unions said that smaller earnings would be willingly accepted as the price of abolition. The committee is not so sure. Nor will anyone be, and a demand for higher wages can be expected if limitation, which is bound to make some reduction in earnings, is enforced.

The other unsolved problem is the decline in craftsmanship and its effect on cakes. For the night shift to be fully interchangeable with the day shift, all workers must be able to make cakes, which are baked by day in cooling ovens. At present many bakers could not become cakemakers because increased mechanisation has turned them into factory hands. This problem only affects England and Wales, where hitherto there has been no apprenticeship scheme. Now that Scotland's example of apprenticeship is to be followed for English and Welsh bakers, even the problem of craftsmanship is on the way to being solved. In the meantime, the committee suggests that, before limitation of night work is enforced, two years' grace should be given for employees to learn how to make cakes.

* * *

Socialist Chic

The benefits of Labour rule have not been confined to Britain. In her election broadcast Miss Margaret Herbison claimed that it has shown those dowdy Parisians how to be smart. "The ordinary French women," she said, "had to buy low quality clothes with no cut and no line. Then suddenly they discovered British utility dresses and they are selling like mad—and in Paris." Let Paris tremble for its reputation. How will it compete with the inconspicuous good taste of *la Maison Attlee*, with the strong Persian influence evident in *les dessins Morrison*, or with the bold cleavage and leftward bias featured by that arch-designer Bevan?

The basis of Miss Herbison's remarks is that at least one of our leading clothing manufacturers has indeed succeeded in selling some ready-made clothes in this stronghold of the "clever little dressmaker." It will be an unexpected honour for them to have been given a place in Labour's election propaganda. But one must hope, for the sake of the Anglo-French alliance, that the broadcast was not heard in Paris.

Universal Protection?

It is scarcely worth while to add, after what Mr Disraeli said at Aylesbury, that at Slough he repeated his declaration against Protection. "I think," he said, "that there is one point on which we must all agree, and that is, that protection to a particular class, irrespective of all other classes, is quite out of the question." But protection to all classes is equivalent to protection to none. To make it equal, in the sense of securing similar pecuniary advantages to different interests, while society is continually expanding irregularly—now manufactures taking a stride, anon commerce going ahead, and again agriculture overtaking them, while soils are of different productive powers and arts are continually improved—would probably surpass the versatile power of Mr Disraeli. Equal protection for every class of producers to be established by law, seems to us about the most difficult problem human ingenuity ever attempted to solve. Compared to it to pick Bramah's lock, though as yet only one man has been found to do it, is the merest trifle that ever engaged attention. Protection for a single class—in other words, a law to enrich one class at the expense of other classes—is too barefaced a violation of all that men talk of as sacred to be any longer advocated; but protection for all classes—each class taking something from every other, and having something taken in turn—has in it some of the plausibility of fairness. Particular dishonesty disappears in a general plunder. But this scheme of general protection, however delightful to those whose power and wealth might be confirmed by it, is happily for future generations more thoroughly impracticable than even generally dishonest.

The Economist
October 11, 1851

Letters to the Editor

Germany and the West

Sir,—I deeply regret that you published the letter signed Peter Lambertus. I can understand his feelings, but his way of expressing his ideas will, I fear, only create resentment on your side. What we want is mutual understanding and not mutual reproaches.

An historian 50 years hence will conclude that this century was dominated by the struggle of Europe—an overcrowded but highly civilised peninsula of the big Asiatic continent—against the primitive forces of Asia proper. Europe could only be overwhelmed by Asia as long as there was no unity among its different nations.

Does anyone in England realise that both world wars had their origin in the struggle of Germans against the advancing forces of the young Slav nations backed by Russia? The cause of the first world war was the defence of Austria against Russia. The second war was, in the first place, the struggle of Germany against the same forces. It was a mistake of the western powers to accept Poland as a part of Western Europe and a welcome rival to Germany. There was only a very small upper-class in Poland representing Western ideas; the masses were always part of the Eastern world.

Bolshevik Russia boasts that it represents Communism against western capitalism. In reality it is the manifestation of the Asiatic conception of power, a new form of the Czarism of Ivan the Terrible. After two world wars this Asiatic power has established its western frontier far beyond that line which for 700 years has been the boundary of western civilisation.

It is true that the Germans' lack of political sense has been the principal cause of this development and that it culminated in a negation of all true western ideas under the maniac leaders of the Hitler regime. But one must not overlook that France and England share this responsibility: by making alliances with Russia before the first war and even more by their attitude between the two wars, when far-sighted politicians should have realised the imminent danger of the new Russian power. If these fundamental facts are understood by all European nations the basis will exist for forgetting the hatred and ill-feeling of the last twenty years. Only then will the real co-operation be possible that is necessary for organising the defence of European civilisation against Asiatic barbarism in the form of Stalin's empire.

The present situation is very complicated for the Germans. The *Bundesrepublik* is no national conception. Dr. Adenauer's fight for equality of rights for this Western German Republic makes no sense for the average German. We want a united Germany. As long as we cannot get it, we are merely an occupied territory.—Yours faithfully,

Hamburg MERCATOR

Agin the Government

Sir,—The election has set me thinking about one of the basic assumptions of the whole process, and I have come to the conclusion that it is false. We all talk, and you, Sir, write, as if the British electorate on October 25th was going to vote for one or the other party. Technically, within the mechanics of the election, that is correct. But when you start ruminating about the motives that lead the elector, individually and in the mass, to cast his vote, I think you must, if you are honest, come to the conclusion that nearly all votes are cast, not for the man who receives them, but against his opponents. What did the British people mean to say in July, 1945—that they liked the Labour Party and wanted it to do the things it said it was going to do? Heavens, no; they wanted to turn the Tories out even at the price of the Labour programme. When the Tories win on the 25th, will that mean that the country has positive confidence in them? Of course not; it will mean that they are so tired of Attlee and Co. that they will even stand Churchill and Co.

This explains, incidentally, the otherwise puzzling fact (of which Australia has given the most recent example) that the same electors will put a party in office in an election and vote against its proposals in a referendum (it happens regularly in Switzerland). The electorate is not being fickle, but consistent. The Australians didn't vote for Mr Menzies because they liked his ideas, but because they didn't want to have Dr Evatt back in office.

I think the perfect electoral system would reflect this profound truth. Every voter should have a number of votes one less than the number of candidates in his constituency. He could scatter his votes or concentrate them on one man. But every vote would count against the candidate for whom it was cast, and the man with the least votes would win. That would be much more realistic, and it would have the advantage of deflating the politicians.—Yours faithfully,

PRO BONO PUBLICO

Laying the Party Lines

Sir,—In your issue of September 29th you state that the Communist Party's general election policy shows that it wishes for a Tory victory. I cannot conceive of any process of reasoning which would lead to this conclusion, and therefore can only assume that your allegation is based not on reason but on prejudice.

In 1950 the Communist Party put one hundred candidates in the field. On the day after the 1951 general election date was announced we published the names of twenty-five candidates who would stand this year. Later, an extended Executive Committee meeting of the Party decided to make a further reduction in the number of our candidates, so that now only 10 will be standing.

This drastic reduction has been carried out precisely because we believe that a Tory victory will be a disaster. It is a contribution to the development of a united fight against the Tories and for a genuine peace policy.

You claim that the fact that the majority of the constituencies we are contesting are held by Labour shows that we are not "on Labour's side." However, if we contested entirely in constituencies held by Tories it would have been argued that we did this to prevent Labour winning those seats from the Tories.

We have no doubt that the only course we could adopt which would recommend itself to you would be to abandon the fight for Communist Party representatives altogether. This we do not propose to do, and in spite of the obstacle of a completely undemocratic electoral system weighted heavily against minority parties, we shall fight for the return of Communist MPs to Parliament. At the same time, our members in more than 600 other constituencies will give practical proof of our determination to prevent a Tory victory by the work they do for the Labour candidates, and by the spirit of confidence and enthusiasm they bring to the election campaign in contrast to the pessimism and defeatism of the leadership of the Labour party.—Yours faithfully,

HARRY POLLITT,
General Secretary

Communist Party,
London, W.C.2

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The Welfare World

Sir,—Your correspondent, in his "Agenda for the Age of Inflation," makes the interesting statement that "we have passed from the Welfare State to the Welfare World. We do not equalise incomes within, but also between, nations. . . ."

There are great dangers in the application of the economic policy and fiscal apparatus of the welfare state to the welfare world. It will be disastrous in more ways than one if the peoples of the United States and Western Europe are encouraged by false analogies to develop a guilty conscience about their standard of living, which is the product of centuries of endeavour and enterprise. It is not "unearned." The poverty of the East, the Middle East and great parts of Africa, however appalling to the modern social conscience of the West, has existed throughout the history of western industrial civilisation. Its extremity is great only because of the striking contrast of western achievement.

In the East, as in the West, there has always been an inevitable approximation for the vast masses of mankind between contribution and reward, whatever their standard of life. The higher reward of the Western European is the result of the immensely greater productivity of his economic system and technical apparatus. This may give him a surplus of wealth, should he desire to restrict his standard of life, but it certainly does not give the impoverished areas of the world an *automatic* claim either upon this wealth or upon any subsequent increases in productivity made possible by effort and ingenuity. The admission of such a claim would permit no increase in the standard of life of the Americas and Western Europe for centuries.

If, however, the Christian ethic is to dominate the international economic policy of the West, both as a reflection of individual conscience and as an answer to the pure materialism of Communism, it is obvious that financial and technical aid must be given to those impoverished countries which seem most likely to profit therefrom. But it would be ludicrous to provide a flow of resources to backward countries which is greater than their economic and administrative systems can absorb and control.

It is easy for Communists and irresponsible governments to fan the flames of a futile and irrational international egalitarianism on the part of those who cannot be expected to understand the processes of wealth creation. The disintegration of the barriers of ignorance and prejudice behind which these forces are organised should be the prime aim of the West and the conditional responsibility of all supplicant governments and authorities. The emotions aroused by poverty must be harnessed to the eradication of poverty and not to the destructive limitation of the standard of life of those who have in large measure effectively harnessed science and nature in the service of mankind.—Yours faithfully,

I. S. LLOYD

Johannesburg

The Trial of the Polish Generals

Sir,—At the foot of his article "The Trial of the Polish Generals" your correspondent states that the Polish regime in 1945-46 pressed on Polish servicemen to return to Poland. This statement presents only half the story. An equally hard pressure to go back to Communist Poland was exercised by the British authorities.

In September, 1946, I was serving in a Polish cruiser. While in Plymouth we received specific orders from the British Admiralty. All hands were mustered and our British Naval Liaison Officer and his staff handed us leaflets signed by Ernest Bevin, then Foreign Secretary. Written in bad Polish the leaflet began. . . . "The British Government has often stated that in respect of the Polish Armed Forces at present under British command, its policy lies in the return to Poland of the maximum number of those Forces. . . ."

Further, the British Advisory Staff handling the Polish Resettlement Corps, by their orders, publications and posters, kept reminding us as late as in 1948 that the best solution would be to go back and—apparently—to supply the satellite forces with specialists trained in the West. Apart from the official pressure, equally strong propaganda was carried "privately" by the BAS. Friendly and personal talks in the mess were quite common, private letters from those who went back were given to us to read and similar means used to induce us to take advantage of an "amnesty" resulting from negotiations of the two governments concerned.—Yours faithfully,

KONSTANTY REYNERT

Books and Publications

A Traveller's Self Portrait

Beyond Euphrates. Autobiography 1928-33. By Freya Stark. *John Murray.* 341 pages. 25s.

The English owe some very good books to their passion for travel in the Levant and Arabia. Years ago, a book by Miss Stark won a place among these. By the title of her new book, she seems to wish it, too, to rank as a work of travel. But its real merit lies not in its traveller's tales, but in the art with which it presents the cross currents, excitements and doubts that mark the outset and determine the shape of any career.

This is the second volume of her autobiography. The first, which covered her childhood, was naturally preoccupied with the shadows cast by adults. It contained some brilliant portraits, but they were of other people. Now the narrative dwindles to the strand of one life. Some people may prefer the family album. But others will prize a chance to share the thoughts of another human being, and a highly diverting one. For these, the second volume is considerably the better of the two. It is stamped throughout with Miss Stark's special brand of discernment—a mixture spiced with humour and a pinch of malice. Taken as a whole, it is her best book so far.

Quite half its excellence lies in its method of presentation. Each chapter begins by summarising, from the pinnacle of afterthought, the events of a year or so. But the bulk of each consists of letters written at the time, and therefore capable of recapturing the impressions and thoughts that most people can only by chance recall. "I don't know why having tea at the Embassy should make me feel shy, but it does." "I looked quite right, and I do notice what a difference it makes." For those who prefer more enduring judgments, there is also plenty of meat.

> A mistake to assume that other nations are the same [as the British] don't you think? I am sure that the Italians prefer good operas to good laws, and these people [the Arabs] who suffer dreadfully from an inferiority complex, would much rather do without police and roads and bridges, and not have constantly to admit themselves inferior by being brought up against us.

Her analysis of the troubles that inhibit the British in the Middle East is distributed over a series of letters written from Baghdad in 1930, but equally apt today.

Many men, and all women who reach Miss Stark's present eminence, the eminence of best sellers, prize medals, and lectures to the Royal Geographical Society, share an experience which proves the unimaginativeness of the human race. The people who greet them, always admiring, often envious, seem to suppose that they sprang into

being fully armed either by inborn talent or good fortune, or some other lucky stroke. This book is proof of the ridiculousness of this fallacy. It is full of illnesses and cold trips in cheap buses, "Editor regrets . . ." slips, infuriating delays, hard work and the tedium of learning languages in foreign households. Nothing short of mixed experiences goes to make the person Miss Stark has become. Her book's prime lesson is that most of the excitements of life are wrought by enterprise, and that the man or woman who is ready to take no risks need expect no fun.

A Mediator's Testament

To Jerusalem. By Count Folke Bernadotte. Translated by Joan Bulman. *Hodder and Stoughton.* 280 pages. 20s.

The epic of United Nations action in Korea has eclipsed memories of its earlier failures. Count Bernadotte's posthumous book on Palestine restores them with a jolt. For four months in 1948 he was the Assembly's servant, charged by it with inducing Jew and Arab to accept a compromise of a kind that they had refused to entertain for fifteen years. His day-to-day record of the attempt is that of a man too decent to be daunted by the job but sufficiently a realist to awaken, slowly, to the United Nations shortcomings as a master. His book is, by implication, a tremendous indictment of the nations' capacity for taking refuge in votes which they have not the will to carry out.

As a contribution to history it is not important. It tells the old tale of abortive meetings with Jew or Arab—never with both—and of implacable reiteration of irreconcilable views. But as a study in human nature, it is much more interesting than its first hundred pages of naïve comment and discovery would lead us to suppose. Count Bernadotte was rich, royal, tolerant and neutral, blest with leisure and idealism and faith in human nature. He was also generously ready to spend these assets in the service of mankind. He scarcely hesitated when the summons to Palestine came: "There ought to be some chance of bringing about a better situation." He achieves a truce, and, for two months, his optimism flourishes. But as the real pattern of disagreement and obduracy, subterfuge and violence repeats itself again and again, even his spirit faints. He sees that the United Nations is a mockery unless it forges tools with an edge to them.

> They seemed to imagine, at Lake Success, that once the resolution had been adopted, all would be well.
>
> I had asked time and again that the 40 armed police who were needed should be sent . . . they had not yet come . . . and now the pumping station was blown up . . . the consequences were incalculable.
>
> I was now convinced . . . that the UN Assembly must come to a decision . . . or else the question would be solved by force.

By September, the month in which he was murdered, he was working for that decision with far more clear sight and drive than in the salad days of his idealism. The interest of the book lies not in its tale of a vain mission, but in its portrait of a man growing in stature to meet unsuspected problems. His last thoughts are a monument to the need for an international police force as a factor in peace.

False Idols

Hollywood: The Dream Factory. By Hortense Powdermaker. *Secker and Warburg.* 342 pages. 18s.

Readers of this book will experience the horrid fascination of examining unpleasant forms of life beneath a stone. Dr Powdermaker depicts an utterly corrupt society in which, in varying ways, almost everyone is prostituting himself or herself. She points to the absurdities that result from the obsession with box office returns; the search for success formulas; the reliance on crude opinion polls to find the sort of plot people like; and above all, the Code—the censorship that the industry applies to itself. This is designed at all costs to avert a censorship imposed by the separate states, and is therefore the lowest common multiple of American moral standards. Its operation has produced some curious results, such as the inclusion of scenes simply for the censor to cut out, so that others essential to the plot may be retained.

Dr Powdermaker has scarcely a good word to say for those who work in Hollywood. The big executives are tyrants, producers for the most part mediocrities with a dangerous power to interfere anywhere. Writers are either frustrated or without artistic integrity; stars are exhibitionists who accept slave conditions for the sake of the money and usually end by believing the publicity about themselves. Everyone detests everyone else and no group is so cordially despised as the stars; but extravagant displays of affection are the rule and everyone is manœuvring to be seen in the right company. Success is looked upon as a "break," not as the reward of talent.

Dr Powdermaker's account is so uniformly derogatory that one may wonder whether, as much of her material is based on hearsay, it is coloured by the prevailing hostility. But it is offered very seriously—too seriously—as an anthropological study. A faith in the reader's sense of humour would have allowed the points to be made briefly and tellingly; as it is they are laboured and often repeated. The style is readable, but the form loose and sprawling. The sketches of individuals suggest a penetrating knowledge of character; if only the author could give us real names instead of tiresome pseudonyms such as Miss Manifest Destiny and Mr Big Shot, what delightful gossip they would be. But in this atmosphere the anthropological observations seem out of place and of no great validity. All her readers, however, will share Dr Powdermaker's anxiety about the values of a community that possesses such power to influence the world's ideas.

Politics and Finance

The Growth of a Central Bank. The Development of the Commonwealth Bank of Australia, 1924-1945. By L. F. Giblin. *Melbourne University Press.* 363 pages. 30s.

For an eminent Empire central bank, the Commonwealth Bank of Australia had a most unrespectable parentage. It was born in 1911 when a Labour Government decided to set up a competitor with the "money power" of the ordinary banks and to grant it freedom from taxation. Once the new bank was formed, however, the first Governor very wisely directed its feet toward development into a central bank instead of into a competing commercial bank, and in 1924 it received some legislative encouragement to travel farther down this road. From 1924 to 1931 its main object in life seems to have been to qualify as a central bank in the eyes of the Bank of England. It is not surprising, therefore, that when the Australian Government made excessive anti-deflationary demands upon it in 1931, it excessively resisted them. It is also not surprising that it thereby became a butt of criticism from the Labour party and the subject of a long inquiry in the middle thirties. When war broke out, Australia was on the verge of introducing new banking legislation. During the war the Commonwealth Bank secured the powerful anti-inflationary weapon of being able to order the commercial banks to sterilise large amounts of their deposits in "special accounts." This power has been continued into the postwar period,

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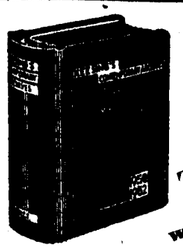

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when Australian banking has again become a shuttlecock between opposing political parties.

The late Professor L. F. Giblin, who is the author of this book, was a principal economic adviser to successive Australian governments and a former director of the Commonwealth Bank. In his later years he had the reputation of being a lovable eccentric. The honest liberal must admit that some passages in his book suggest that he was the wrong sort of adviser—for example, he does not seem to recognise that a disinflationary monetary policy and pegged low interest rates cannot ride together. But his lively history, which avoids whitewash without carping, is much more entertaining and instructive than the majority of histories dredged up from bank records.

Soviet National Income

Soviet National Income and Product in 1937. By A. Bergson. Reprint from Quarterly Journal of Economics. 66 pages.

The compilation of national income statistics is generally a difficult task. It is particularly so for the Soviet Union, where data are scarce and require very careful handling. Mr Bergson's painstaking and shrewd study is therefore particularly welcome. He attempts to adapt, as far as possible, the available Soviet data to the pattern used by the United States Department of Commerce in its study of American national income. Thus, he compiles separate tables for the income and outlays of Soviet households on the one hand, and of the government and other economic organisations on the other. He then calculates the size of the gross national product and how it is used, and draws up a table of the net national product in various economic sectors.

True, he concentrates on a single prewar year, 1937, a relatively prosperous year for which data are ample by Soviet standards. What is important, however, is the method, while many of the findings are broadly applicable to the postwar period. To quote but a few of the more interesting features: in 1937 agriculture still accounted for 29 per cent of the Soviet net national product (compared with less than 10 per cent in the United States); the Soviet budget revenue was just over one-third of the gross national product; gross investment accounted for one-fourth, and together with defence for over one-third of the gross national income, while the propensity to save was only about half what it is in America. This fantastic discrepancy between investment and "voluntary" saving (for which Russian figures are always inflated, since part of voluntary saving is also compulsory) does more to explain the Stalinist regime than scores of fashionable books about Russia.

There is, it is true, a considerable margin of doubt. In Mr Bergson's calculation the share of investment in the national income is somewhat higher than in comparable studies by Clark and Wyler. A question of method is involved. Both Clark and Wyler forsake the rouble and calculate Soviet national income in terms of foreign prices. Mr Bergson sticks to current roubles in the first part and devotes the second part to an adjustment of rouble values to "real" values, chiefly through the elimination of discrepancies caused by the turnover tax (the Soviet purchase tax). The choice between the adjusted rouble method and the foreign currency method will always be somewhat arbitrary, but since one is dealing with Russian prices much can be said in favour of a cautious use of the rouble.

This analysis must have required a great deal of work, not only because of difficulties in finding data but also because of the peculiarities of the Soviet economic structure. It is to be hoped that it will mark a beginning and will be followed by similar studies on Soviet national income in more recent years.

Battered but Unbowed

Hobbes and His Critics. A Study in Seventeenth Century Constitutionalism. By John Bowle. *Jonathan Cape.* 215 pages. 10s. 6d.

Mr Bowle's purpose is to fill the gap between Hobbes and Locke which exists in most people's education, and he does this by disinterring the attacks which were made on Hobbes by his contemporaries. There were two principal counts in the indictment against Hobbes. The first, and in those days the more important, was that Hobbes left God out of his account of the beginnings of society and that he fell into the Manichean pit and other heretical sloughs. The second was his contempt for the orthodox view of the Commonwealth as a thing superior to established rules and current sanctions. In this, as Mr Bowle rightly insists, Hobbes was running counter to the medieval traditions behind him as well as to the developing trends of the future. He was a revolutionary who denied the past but was not acclaimed by the future—at least in his own country, which has continued to regard law as something which limits power rather than something which is created by and for power.

Hobbes was also attacked on the grounds that his picture of primitive society was historically quite untrue. Far more damaging was the criticism of experienced men of the world, like Lord Clarendon and Archbishop Bramhall of Armagh, that Hobbes's system simply would not work and that his polity would in fact destroy itself.

In view of the heavy body of adverse criticism presented by Mr Bowle it may seem strange that Hobbes should still, after 300 years, be counted among the principal English political economists, but the fact is that, though neither his contemporaries nor his successors have liked the answers which he gave, they have never been able to get away from some of the awkward questions which he put. Mr Bowle's book, though a book for the specialist, is therefore something more than an excursion into a little frequented by-way. He succeeds in treating his subject lightly and clearly without raising any doubts in the reader's mind about the depths of his erudition.

AMERICAN SURVEY

Doubts about Washington

Washington, D.C.

AMERICANS working in Washington during the war often assured visitors, with a fond grin, that Washington was a madhouse, it being legitimate then to take pride in the chaos which had newly enveloped a once quiet and decorous capital. But that was in the days when the objective in Washington was clear and uncomplicated, when everyone understood that the big idea was to win a war. Nobody believed that the war was going to be lost because Washington was a madhouse; on the contrary, the confusion of Washington, which was well known to be an outward manifestation of energy and drive, was taken to be an assurance of victory.

A lot of things have changed since then. The objective is no longer clear and uncomplicated. Difficulties never dreamed of, relationships never contemplated, responsibilities never remotely considered before, are now part of life as it is lived in the capital from one day to another.

Among the new discoveries has been the value which a nation wracked by the worries of leadership must place upon its allies. The Americans who are closest to the daily anxieties of leadership do not need to be told that acceptance of the United States as leader, even within countries which owe their free lives to the initiative of the United States, cannot be taken for granted. They have read a good many documents lately that have underlined the doubts, reservations and uneasiness about American leadership which have arisen in allied nations, and they are aware that when Washington goes off the rails, or is suspected of doing so, it causes a dangerous state of alarm and despondency abroad.

Yet most of these officials, turning their gaze to the immediate foreground, are haunted by events in Washington for which madness sometimes does not seem to be too strong a word. Last week, in an article in the *Saturday Evening Post* on some of the reasons why British confidence in America has been on the wane, Mr Joseph Alsop wrote: "A year and a half of drunken spree, followed by six months of a bad case of the shakes, was the approximate pattern of American policy-making in 1949 and 1950." That, most officials in Washington would probably say, is overstating the case; it has not been as bad as that. But few of them would be likely to deny that there have been times when behaviour in Washington has been of a kind that could be expected to disillusion and repel the allies whose willing co-operation the United States needs and should be able to rely on. And some of them are conceding that this present moment is one of those times.

*

What are the allies of the United States to make of the effort to discredit, as a man with Communist sympathies, Dr Philip Jessup, Ambassador-at-Large, and to prevent his confirmation by the Senate as a member of the United States delegation to the United Nations? They see a sub-committee of the Senate Foreign Relations Committee listening to statements of Senator McCarthy of Wisconsin that Dr Jessup was once associated with six Communist-controlled organisations and once followed the Communist Party line. They see this public official, whose distinguished record as a skilled negotiator they well know, denouncing the so-called proofs which Senator McCarthy has brought as "barefaced falsehoods, distortions and misrepresentations"; and trying to vindicate himself by producing documentary evidence that he was a convinced and consistent isolationist before and during a good part of the war, having an affinity not with the Communists, but with Colonel McCormick of the *Chicago Tribune.* The harrying of the State Department has reached such a pitch that one of its high officials is driven to cite his record as an isolationist as a reason why he should continue to play an important role in the administration of American policy, which has turned its back on isolationism.

Furthermore, America's allies see Mr Harold Stassen, long described as one of the foremost liberal Republicans, joining Senator McCarthy before another sub-committee, one on internal security, in the effort to discredit Dr Jessup and Mr Dean Acheson, the Secretary of State under whom he has worked. Mr Stassen produces, after a curious delay, allegations that at a "round-table discussion" in the State Department in October, 1949, policies favouring the Chinese Communists over the Chinese Nationalists were advanced and had been "implemented" up to the time of the Korean war, and that, at a White House meeting in 1949, both Dr Jessup and Mr Acheson had wanted to deny arms to the Chinese Nationalists.

On the record itself the policies "implemented" by the State Department could hardly be called pro-Communist. Moreover, though the State Department conceded that such a meeting at the White House took place (but in February, rather than late 1949, as Mr Stassen suggested), it now appears from Senator Vandenberg's diaries that the proposal to cut off aid to China, which was rejected, came, not from Dr Jessup, who was not present, nor from the Secretary of State, but from the President's military advisers. But the allies of America must have been less interested in the rival versions of what happened at these meetings than in the continuing assumption, made on both sides, that everyone who was for General Chiang Kai-shek and the Nationalists was a prescient and enlightened statesman and that everyone who showed less than complete confidence in him was a tool of the Communists.

A retired general, a former intelligence officer on General MacArthur's staff, said that Dr Jessup once told him the United States was going to recognise Communist China. It was not enough for anyone to point out that no such event ever took place. Dr Jessup felt impelled to declare that the State Department "has never considered the recognition of

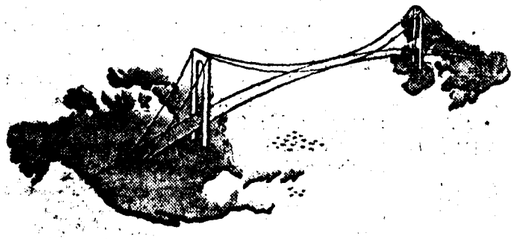
"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Communist China." The allies of America might have wondered what virtue there could be in the public assertion that an alternative which it was manifestly the duty of the State Department to examine with the greatest care, even though it was to be turned down, was never considered. But this point has not attracted attention in Washington.

The raking over of the Administration's policy on China at a time when it is not what has gone, but what is to come, that matters, and the repeated attempts to extract partisan advantage from these inquests, lost their novelty long ago. But the assumptions that lie behind them—from the assumption that the United States could ever have prevented the Communist conquest of China without sending troops no Americans in any party wanted to send, to the assumption that it is a just and intelligent thing to judge yesterday's thought and action by the different standards of today—may well seem to America's allies to grow more and not less dangerous as from week to week they go unchallenged and unregretted.

Washington is absorbed in the gains and losses of the partisan struggle, and almost nobody steps back long enough to marvel that it should be Republicans, who have opposed very nearly every one of the Administration policies which alone have kept Communism from engulfing the world, who are now accusing principal officials of this same Administration of being pro-Communist.

There is no disposition among officials who hear the reactions of America's allies to deny that what may look and sound like madness elsewhere has become political commonplace in Washington. Nor do these officials automatically claim that it is only the Congress and not their own branch of the government which provokes all the doubts abroad. At a press conference last week, anxious to turn aside hysterical attacks on an extension of the security regulations, President Truman declared that American newspapers and magazines have been giving away 95 per cent of the information which the United States Government should have kept secret. The effect on America's allies of the President's intimation that the nation which is undertaking to lead them in difficult and dangerous times has been functioning under a system which has handed over 9.5 of every 10 secrets to the potential enemy is not easy to estimate.



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Meat Goes to Market

[FROM A CORRESPONDENT IN IOWA]

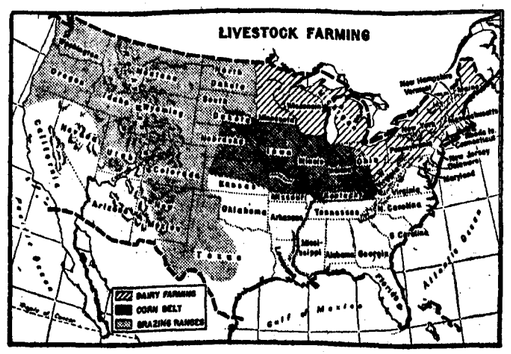
The great American meat industry has since the beginning of the century almost unfailingly provided from 130 to 160 pounds a year of meat (beef, pork, and mutton) for each member of the rapidly growing population, and 20 to 35 pounds of poultry as well. But today the industry is being pulled out of shape by the tug-of-war between the government price controllers, trying to hold down retail beef prices, which are already at record levels, and the livestock farmers and meat packers, determined to get their own way whatever the cost to the consumer.

Three months ago Congress took away the government's authority to fix quotas limiting the number of animals that slaughterers might kill. The Senate is now having second thoughts about this, as a result of the price controllers' insistence, supported by numerous examples of violations, that regulations cannot be enforced unless slaughterers can be penalised by the withdrawal of their quotas. The meat industry on its side argues that price controls invariably cause a scarcity of meat and this argument is supported by the present shortage of beef. There is little doubt that this has been deliberately engineered to some extent by the industry, but it is also certain that the complications and uncertainties arising out of the price control system, and out of Congressional interference with it, have distorted the normal pattern of an industry that is nowadays much more complex than it used to be, particularly when it comes to marketing the meat animals.

This is still done at the big public markets, with huge packing plants attached where the meat and its by-products are processed for sale, either fresh or tinned. But the motor lorry has destroyed the dependence of the livestock farmer upon railways, commission agents and the big meat packers. Though the "big four" remain by far the largest firms in the packing industry, they are no longer monsters isolated in railway centres such as Chicago and Kansas City. Today they have dozens of plants and hundreds of buyers scattered about the country; independent packing stations and local auction barns and dealers are also numerous. Altogether there are more than 3,000 plants slaughtering over 300,000 head of cattle each a year, and thousands of smaller ones. Moreover, many of the refrigerated locker plants in small towns slaughter and process meat animals for all comers. There is now in the aggregate more storage space in these locker plants and in home "deep freezes" than there is for meat in commercial cold storage houses, and more than half of this private refrigerated space is used for meat, much of it by farmers.

The beef cattle (Herefords, Aberdeen Angus or Shorthorns) and some sheep are raised on the dry ranges from western Nebraska and Texas to the Pacific, mostly on ranch-produced grass, hay, silage and sugar-beet tops, with bought maize or oil cake as a supplement. Raising beef cattle takes more acres to produce a given income than any other kind of livestock farming, but with good management, and a few years of decent prices and decent weather, cattlemen can have their Cadillacs and private aeroplanes. Some animals are sold directly from the ranges for slaughtering, but one-third, about two million head a year, go as calves or yearlings to farmers with greener pastures or home-grown concentrates for feed. Cattle fattening has been spreading lately to the west and south as the Pacific States gain population and the southern ones become richer. But the most important "feeding" areas are still in the Corn Belt amongst farmers who make this a speciality. From their "feed-lot" meat factories come the finished steers that produce America's most delectable food, well-marbled beefsteak.

The Corn Belt, from mid-Ohio well into Nebraska, is "corn-hog" country; beef and dairy farmers, and those who sell grain for cash, nearly all raise some hogs, and for many farmers they are the main enterprise, to be expanded or contracted according to whether more money is to be made out of maize by feeding it to hogs or by selling it direct. In this area half the land on a farm is devoted each year to growing grain, chiefly maize and oats, to feed livestock; hogs and cattle are also fed protein supplements such as soyabean, cottonseed or linseed oil cakes, all domestic products and all except the cottonseed grown locally.



In the triangle from Minnesota to New England and West Virginia dairy cows are the rule (Friesians, Jerseys, Guernseys or Ayrshires) with artificial insemination from top quality bulls spreading rapidly. There are more dairy farms scattered about the "milk sheds" around urban centres. All dairy cattle become beef eventually, or rather sausages, and calves of dairy cows bred to beef bulls make excellent eating. Farmers generally grow their own hay, and what maize and oats they can. Sheep harvest places along the fence rows and rougher pastures which the cattle miss, but even in the west sheep are a speciality and a declining one.

Poultry are raised everywhere in the United States as a sideline on most farms and in egg and bird factories near the big city markets. Baby chicks are generally bought from a commercial hatchery and only seven per cent are hatched by hens. Chicken, like pork, is less of a luxury than beef and output is steadily rising. Production of commercial broilers (birds up to 2½ pounds dressed) has increased almost sevenfold in the last ten years, mainly on specialised farms.

The Department of Agriculture and the experimental stations at the state agricultural colleges do a tremendous amount of research into livestock breeding and feeding, and the Department of Agriculture, through its market reporting and forecasting services, helped by the wireless and the telephone, enables farmers to know in advance when and where they are liable to get the best deal. Meat packers do their own research, spending $15 million a year, much of it in the hunt for new outlets for by-products. It was never quite true that the packers used everything about a hog except his squeal, and it requires a constant effort to keep it even approximately true. For example, synthetic detergents are taking the place of the soap which is made from animal fats, but thanks to research detergents can now themselves be made from inedible animal fats, as can a great variety of other chemical products. And the new drugs, cortisone and ACTH, started out as costly by-products of packing plants.

This great industry is based on natural and human resources which could not be marketed nearly so profitably in any other form. The grass and hay of the dry ranges of the western plains and mountains, and the stony upland pastures and cut-over forests of the eastern and Great Lakes States, can hardly be harvested at all except by livestock; in spite of the American fondness for corn bread and cornflakes only about one-tenth of the 3 to 3½ billion bushels of maize grown each year manages to get sold or given away for human consumption, either at home or abroad. The location of these natural resources still determines the main patterns of livestock farming and it is the location of underemployed human resources that has set the direction of one of today's chief developments in the industry, the southward movement. For in the south much of the time of farmers and farm labourers has been going to waste, as it would do elsewhere were it not for livestock farming, which is planned to dovetail into the seasonal needs of other crops, so that the year-round demand for labour is comparatively steady.

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American Notes

The Air Force Tips the Balance

It is understood that the Joint Chiefs of Staff have recommended, in the proposals which they have now submitted to the civilian authorities for next year's defence budget, that the Air Force's sights should be raised to about 140 groups of aircraft, to be achieved by 1954, instead of the 95 groups which are its present target and which will be reached before long. A substantial number of the new groups will be tactical, to give support to ground troops; the Army has been begging for this, but the Air Force refused to spare more than a few crumbs from the strategic bombers' table as long as it was limited to 95 groups. Naval aviation is also apparently to get rather richer fare next year.

These titbits have made it easier for the other two services to swallow a recommendation which tips the theory of balanced strength decisively in the Air Force's favour and which a few weeks ago seemed likely to revive 1949's inter-service brawl. What in fact seems to have happened is that, under pressure from Mr Lovett, the new Secretary of Defence, the Joint Chiefs have at last agreed, in practice as well as in principle, that the real meaning of the theory is not that the three services must balance each other, at least as far as appropriations are concerned, but that together, and with the help of America's allies, they must balance the military strength of all potential enemies.

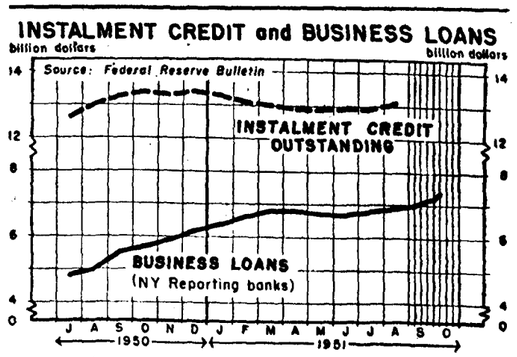
It is now for the Bureau of the Budget and the President to decide whether the country can afford to satisfy the Joint Chiefs' requirements for next year. But whatever is decided Congress will almost certainly give the Air Force what it wants. It is true that the defence appropriations for the current fiscal year, finally agreed at just under $57 billion, contain only $1 billion, instead of the $5 billion proposed by the Senate, for emergency Air Force expansion, but this is only because plans for spending the extra money are not yet ready. Congress promised that more would be there for the asking whenever it was wanted. The big Air Force men seem to be on the point of winning their long fight in Congress, but the big atom men are already moving into their places, with demands for quintupling the present expenditure of $1 billion a year on atomic development. They argue that this would before long enable substantial savings to be made on armaments as a whole. This is an argument that has much popular appeal, especially now that the public has been told by the chairman of the Atomic Energy Commission that no moral opprobrium need be attached to the use of small atomic weapons against troops in the field.

* * *

Queue for Credit

The first real test of the brakes placed on the expansion of bank credit last spring seems to be approaching. In the week ending October 3rd business loans of New York City reporting banks, which account for about one-sixth of the national total, expanded by $117 million, the sharpest rise since February. They are now $547 million higher than they were at the end of June, though in the comparable months last year they rose by nearly twice as much. From all over the country comes the same story of the seasonal upswing in loans, as crops move to market, being added to heavy demands for defence credits. Many bankers feel that interest rates must move up again.

The precipitous rise in bank loans, set off by scare-buying after the invasion of Korea, began to level off in April when the Federal Reserve System ceased pegging government bond prices, bankers set up a voluntary screening system for loans, and the public began to realise that the shortages it feared were still far away. But now the FRB, which last spring won from a grudging Treasury relief from its obligation to hold government securities at a given price level, may have to beat a partial retreat. At the beginning of this month the FRB had to buy, in one week, $565 million of government securities to rescue a Treasury issue which the banks, in view of the demand for loans, could not take up. Among the purchases were the first long-term bonds it has bought since early July. The Treasury must not only find about $3 billion of new money before January 1st to cover the *deficit in the government* accounts, but also, during 1952, must reckon with refunding, which may reach a total of $42 billion. The issues which mature or are callable next year are, in the main, war bonds floated at 2 per cent, only a shade more than the Treasury is now paying for 11-month money. Washington also fears that, with the queue for credit lengthening, even essential borrowers may be turned away



empty-handed; for political purposes, at least, home-buyers cannot be dismissed as non-essential. Thus the FRB will be under heavy pressure, not, certainly, to go back to the bad old system of pegging government bond prices, but to increase the bond resources of the banks and help the Treasury by re-entering the bond market.

The Secretary of the Treasury hopes that increased saving, and an enthusiastic response to the savings bond drive now going on, the biggest since the war, will hold off the renewed inflationary assault which he fears is just around the corner and which will be strengthened if there is a deliberate easing of money. But how unwise it might be to count on continued consumer resistance is shown by the $155 million rise in instalment credit at the end of August, the largest since last September. The public has not been slow to take advantage of Congressional insistence that hire-purchase terms be made easier.

* * *

Truman's Top Secrets

His press conference once more proved a trap for the President when he tried to justify a very mild extension of the regulations relating to official secrets. This new order, issued last month, directs the heads of all federal agencies and departments, some sixty or more, to adopt for secret papers the security classifications used by the Departments of State and Defence: top secret, secret, confidential and restricted. (It is rumoured that beyond "top secret" lies a realm labelled "cosmic.") Handling of papers so stamped is prescribed; some must be kept in safes, others must not be discussed on the telephone. With the rearmament drive, civilians and civilian agencies have had to be given access to military plans; the Department of Defence, which sends its documents under armed guard and permits only "classified" caretakers to burn "classified trash," has been haunted by the thought that in less security-conscious agencies these same papers might be left lying unguarded. Editors and publishers, consulted at an early stage, had rejected

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the idea, and the order, consequently, was carefully phrased to make it clear that it applied only to information of military value and that it would not be used to restrict the flow of legitimate news.

The thunder and lightning from the outraged press was not long in coming, but it was so palpably disproportionate to what was involved, and certain newspapers have so notorious a reputation for publishing whatever they can get hold of, that the storm might have blown itself out. Mr Truman, however, justifiably indignant at the outcry, made the mistake of offering examples of stories which should not have been printed, and the incredible blunder of choosing three cases in which the information had, in fact, been released by the Department of Defence, the Atomic Energy Commission, and the civilian defence authorities. In the last case, publication of certain maps had actually been requested, in order to induce volunteers for the civilian defence services to come forward. But the President insisted that the newspapers should have used their own judgment and refused to co-operate. It was on this occasion that he made the hair-raising statement that 95 per cent of all secret information in the hands of the government had been published—a declaration which might also be taken to show how widely the intelligence agencies would like to cast their net. The clarifying order which followed swiftly clarified away most of what the President had said on the spur of the moment; editors need not look gift horses from "responsible" officials in the mouth, though they must decide who is responsible.

The problem of safeguarding military secrets without permitting officials to abuse this power is an old one, and never satisfactorily solved. The new order falls far short of assuring perfect security; it does not touch Congressmen, one of whom it was who shouted the secret of the hydrogen bomb over the air, nor does it prevent newspapers from publishing anything they learn. On the other hand, the critics, if they would recognise that a problem exists, have a strong case for pointing out that no effective machinery is created for "declassifying" secret information; nor is there any real way of appealing from the decision of a civil servant who may be covering up inefficiency, or, more probably, be swayed by timidity.

* * *

Exploring the South

To Senator Karl Mundt, a Republican from South Dakota, the political country below the Mason-Dixon line seems well worth prospecting for the votes needed to give the Republicans victory in next year's presidential election. He has been making preliminary surveys for some time and has come to the conclusion that the South can best be exploited by an alliance between conservatives of both parties. Recently he announced that a "committee to explore political realignment" had been formed to prepare the ground for such a coalition; its membership and support were kept secret, but this was perhaps only suitable for a body that is going to wage political warfare. It also resembles democratic propaganda agencies in its purpose, "to stop the encroachment of the all-inclusive centralised super-state," which is said to be preparing the way for Communism in America.

Like all good propagandists, Senator Mundt is offering rewards to Democrats who come over to his side. He proposes that the Republican presidential candidate should be someone pleasing to the Southern Democrats and that, if the vice-presidential candidate is not a Southern Democrat, several of them should be promised posts in the Cabinet. More important, he would guarantee that Southern Democrats in Congress who join the alliance should keep their patronage rights and seniority, which means their committee chairmanships. And finally, Mr Mundt would draft a Republican platform that would be acceptable to the South; he would get round the question of civil rights for Negroes, which has hitherto been the irreconcilable difference between Republicans and Southern Democrats, by leaving it to individual state governments.

Senator Mundt's dream is a very old one, but its chances of fulfilment seem better than ever before. Conservatives of both parties have been working together in Congress for years and today they control both houses. In the last election a group of Southern Democrats openly revolted, under the name of States' Righters, and managed to carry four states. Next year, if President Truman stands again, the rebels are expected to be stronger and to include such famous champions as Senators Byrd of Virginia and Russell of Georgia, and Governor Byrnes of South Carolina, all of whom held aloof last time.

But so far these leaders have shown no open interest in Mr Mundt's approach, nor is there any evidence that it would find favour with his own party. There the machine politicians would be unlikely to make the very substantial concessions he suggests unless they could see no other chance of avoiding a Republican disaster. And to liberal Republicans his civil rights scheme seems a betrayal of the party's birthright and one that would ensure its defeat in the important industrial states of the North, which are more essential to victory than are the southern states. Finally, while Senator Mundt's slogan of "think alike, vote alike" may seem logical, it is in fact a contradiction of the American political tradition, when applied to party alignments.

* * *

Rainmaking Comes to Stay

It was Nature, not Dr Irving Krick of the Water Resources Development Corporation, that brought heavy rains to the parched Pacific north-west last week and eased the shortage of hydro-electric power that has been holding up aluminium output. But Dr Krick, whose rainmaking activities are still regarded with the utmost suspicion by the Weather Bureau, the federal agency most intimately concerned with them, got official recognition as a result of the drought from another federal agency, the Bonneville Power Administration, in the form of a $59,000 contract. The Water Resources Corporation has, however, been asked to postpone its activities until the effectiveness of Nature's intervention can be judged, to the satisfaction of farmers who want to get their wheat harvests in.

Neighbouring wheat farmers earlier this year employed the firm to supply the moisture their crops need at the beginning of the summer. Its success infuriated fruit growers whose cherries were ruined by the two inches of rain which Dr Krick's men made to the wheat farmers' order. His operators seed clouds with silver iodide crystals to make them drop their water, but rainfall can be prevented by excessive seeding. The cherry growers are reported to have started a rival organisation, Sunshine Unlimited, which will follow after Dr Krick's men and frustrate their operations by overseeding the clouds.

Nowadays any western farmer who has trouble with the elements can put the blame on Dr Krick; snowfalls engineered by him, to increase water supplies in the valleys, have blocked mountain roads and, although he claims he has never been responsible for a hail-storm, he is frequently threatened with damage suits for the crops spoiled and the chickens killed by them. Last summer he was even accused in Congress of having been responsible for the Kansas floods, a suggestion that is not as fantastic as it sounds, for his operations are on a scale almost large enough to justify it. In 1950 he was so successful in relieving the drought which threatened the south-west with a new dust bowl that this year the Water Resources Development Corporation, which employs 120 people, has had forty contracts to seed clouds over 330 million acres west of the Missouri river, an area ten times bigger than New York State. Rainfall in districts where clouds have been seeded seems to have been consistently heavier than in unseeded districts nearby. Dr Krick's firm is by no means the only one in the business and, controversial as it is, rainmaking seems to have come to stay.

* * *

Still Hope for the Seaway

On September 28th the President announced that, unless Congress assured an early start on the St. Lawrence Seaway and Power Project, he would support independent Canadian action as a "second best," though he had a strong preference for joint development by the two countries. He also reached an agreement with the Canadian Prime Minister that, if Canada went ahead on the seaway alone, the two countries would try to make arrangements for simultaneous joint development of a $400 million hydro-electric plant. In either event, this will presumably be built on Barnhart Island in the International Rapids section of the river, opposite Massena, New York, by agreement between the Province of Ontario on the one side and either the Federal Government or New York State Power Authority on the other, to share the cost and the resulting power.

If Canada were to construct the seaway alone it would lie on the Canadian side of the river, and so, presumably, Canada would control the freight rates on shipping—which is predominantly American. Whoever builds the seaway, the American public would therefore pay the major share of the expense in the form of toll charges and power costs. There is thus new pressure on Congress to approve a project which has been before it periodically for over ten years and which, when it came up again last February, was thought to have a better chance of passage than ever before. This was because the project has recently found new support among the steel interests, alarmed at the rapid depletion of iron ore in the Middle West and eager for direct access to the great deposits of Canadian ore in Labrador. Nevertheless, on July 28th the House Committee on Public Works pigeonholed the Seaway Bill by a vote of 15 to 12.

Now, however, there is fresh cause for optimism. On October 1st Representative Blatnik, a Democrat from Minnesota, introduced a new Bill authorising the construction both of the seaway and of the power project. It was hoped that this Bill would meet earlier objections by including provisions for complete advance information on costs (provisionally estimated at about $818 million), for determining toll rates, and for the submission of final plans for Canadian approval. But the objections are coming in just as usual, from the spokesmen of such ailing industries as coal mining and railways, who fear the competition of hydro-electric power and water transport.

Whether the seaway is built by Canada alone, or by the two countries, one other controversy remains: who is to develop the power project on Barnhart Island—the Federal Government, through a public authority, or New York State, distributing the power over private lines?

Shorter Notes

As expected, President Truman, on signing this year's foreign aid Bill, promptly appointed Mr Averell Harriman to be Mutual Security Director. This is a new post created in the new Act: Mr Harriman will be directly responsible to the President for co-ordinating not only economic and military assistance to foreign countries, but also technical assistance under Point Four. He will also be nominal head of the new Mutual Security Agency which is shortly to replace the Economic Co-operation Administration; like its predecessor, it will deal only with economic aid, and Mr Harriman is expected to appoint a deputy to handle its day-to-day operations.

*

With most unusual willingness Congress has given the Export-Import Bank an additional $1 billion, raising its total lending authority to $4.5 billion. A Senate report said this generosity was explained by the growing demand for loans to finance the production abroad of strategic metals and other essential supplies, but Congress was certainly encouraged by the fact that the bank was making loans to help countries, such as India, to buy American cotton.

*

South Dakota, swimming against the national tide, has cut taxation by $8,000,000 a year, abolishing taxes on liquor and cigarettes and reducing the sales and automobile taxes. The state has thus kept, to most people's surprise, a promise made when these taxes were imposed after the war to finance a special ex-servicemen's bonus by bonds which have now been paid off.

*

After every census the United States centre of population is calculated by an intricate process which, ignoring Columbus, regards the country as a flat platter balanced on a pin-point which moves with changes in the distribution of the population on the surface of the platter. The pivotal point has been moving steadily west since the first census in 1790, but for the last sixty years it has been in Indiana. Now it has left the "Hoosier" State for Illinois, forty-two miles further west in ten years, the biggest movement since 1890; even more significantly, it has begun to move south as well.

*

Maryland is at last being freed of its civil war debts. Before long the Federal Government proposes to pay interest, amounting to $171,000 which it owes to the city of Baltimore on money spent to build fortifications in order to protect Washington from the Confederate armies in 1863. And the Mayor of Frederick, Barbara Frietchie's town, has just paid the local banks the final instalment of a loan incurred a year later, when the town was obliged to pay another Confederate general $200,000 to save itself from being burnt.

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THE WORLD OVERSEAS

Iron Curtain Harvest

IN eastern Europe the harvest is completed and most of the farmers have turned to the task of fulfilling their autumn ploughing and sowing targets on time. By all accounts the harvest has been a bumper one, and no effort has been spared to gather it all safely in. The authorities in the satellite states have not been content with merely material rewards and penalties; they have used every propaganda device to catch the peasants' imagination and to spur them on to ever greater enthusiasm for the speedy collection of what, in a gesture of solidarity with the Soviet peace campaign, has been commonly called the "peace harvest." Loud-speaker vans have toured the harvest fields bringing musical greetings from nearby urban workers; the portraits of especially hard-working peasants have been prominently displayed; "cultural brigades" have entertained the peasants during their lunch hours; and, above all, they have been exhorted and encouraged in every possible way to emulate the example and achievements of their Soviet brothers.

From the evidence available it seems that the Communists have been justified in their boasts of a bumper harvest. A preliminary estimate gives the total crop of bread and coarse grains in all the satellite countries, including the Soviet zone of Germany, as over 39.5 million metric tons. This is slightly better than last year when the harvests were generally excellent. In Poland the total grain harvest is estimated at over 12.5 metric tons; in Czechoslovakia at nearly 5 million; in Hungary at over 6 million; in Bulgaria at nearly 3.5 million; in Rumania at over 7 million; and in the Soviet zone at nearly 5 million tons. But, however good the yields may have been, the crucial point for the east European governments now is the extent to which the peasants are fulfilling their compulsory delivery quotas. If the state granaries are not full to overflowing, jubilation over the bountiful harvest will be very much modified.

Resistance to Compulsory Deliveries

Here again it is impossible to form anything but the vaguest picture of what is going on; in any case the final position cannot be known until the final delivery dates have been reached. In the meantime it is difficult to strike a balance between the glowing accounts of peasants who have fulfilled and over-fulfilled their delivery targets and the disapproving reports about those who have either failed to meet their obligations or have handed in inferior grain. On the whole, it seems fair to say that the authorities are often experiencing considerable difficulty in getting the peasants to disgorge the requisite amounts of grain. Throughout the area, they seem to have had recourse to a greater display of force than last year in getting in the deliveries. In Poland and Bulgaria, especially the former, deliveries appear to be up to, and even ahead of, schedule. But in Hungary the situation seems to be less satisfactory; there are complaints of deliberate sabotage and of stupid peasants who do not understand the need for more grain; and rewards in the shape of vouchers for the purchase of consumer goods are being used to lure the farmers into producing their grain. And in Czechoslovakia the government has not tried to hide the fact that deliveries are lagging behind, although at the beginning of this month it was announced that specially good deliveries in some regions had made up for shortages in other areas. The authorities put the blame for these on the kulaks, who have not only hidden away their own grain, but have encouraged the smaller peasants to go slow.

In blaming the richer peasants for their difficulties in the countryside, the Czech Communists are probably not far wrong. Refusal to meet the State's demands on his grain is perhaps the most effective protest against collectivisation open to the farmer. Indeed, wherever the Communist authorities throughout eastern Europe have trouble in securing for themselves the first-fruits of the harvest, they must know that the fault lies largely in the hostility aroused by their own policy of pushing ahead with collectivisation. Wherever deliveries are behindhand, it is principally the private farmers who are to blame. One recent report, for instance, from a district in Czechoslovakia, said that whereas the co-operatives had delivered 102.2 per cent of their quotas the private farmers had only delivered 31 per cent.

No Halt to Collectivisation

Yet opposition to collectivisation is having no effect on the Communists' policy of multiplying collective farms by all means short of actual coercion. In Hungary there has been something of a major drive for collectivisation in recent months. In spite of the pause during the summer months, the Hungarian Minister of Agriculture was able to announce recently that the number of families in collectives (which a year ago amounted to 105,000) has now risen to 230,000. All the same the proportion of arable land belonging to the collective and state farms does not amount to much more than 20 per cent of the total; and it is typical of the extreme caution with which collectivisation is being tackled throughout eastern Europe, that the Hungarian Premier said last week that the government was now concentrating, not on setting up new collectives, but on consolidating existing ones.

Elsewhere, less publicity has been given to collectivisation and it is clear that progress has been slow and opposition great. Bulgaria has made most progress; Mr Chervenkov recently claimed that 50 per cent of the arable land was now cultivated by collectives. But this represents only an increase of about 6 per cent during 1951—a much slower rate of increase than during the previous year. In Czechoslovakia about 18 per cent of the arable land is in the collective and state farms; in Poland, not much more than 13.5 per cent; and in Rumania, little more than 8 per cent.

Confronted with this slow progress, the Communist authorities have been quick to turn the bountiful 1951 harvest to the best possible propaganda use. It has been turned into a gigantic advertisement for collectivisation and no opportunity has been lost to point out what much better results it produces than the old-fashioned methods ever did. In Rumania, for instance, a recent government decree has claimed that the average yield obtained by the collective farms has been 25 per cent greater than that registered by individual farms. Again, in Bulgaria, Mr Chervenkov has triumphantly announced that

> All peasants can now see in practice what the land can yield when it is worked by co-operatives and by machines according to modern scientific principles.

Such statements are, in fact, the purest propaganda. The ineradicable dislike of the peasants for collectivisation has always acted as a deadweight on the productivity of collectives. The Communist leaders must know this; nevertheless—ideological considerations apart—the urgent need for more manpower to carry out their ambitious industrial plans, forces them to push on with collectivisation.

Egypt and the Canal Zone

[BY A CORRESPONDENT]

FEW of the Egyptians who this week toured the cities of Cairo and Alexandria shouting "The British Army must go" have in fact seen a British soldier since the last British company left the Kasr el Nil Barracks, Cairo, at the end of March, 1947. After that date Alexandria, the whole of the Nile delta and Cairo have been visited only by small parties of British officers and other ranks on leave and wearing civilian clothes.

The Army and Royal Air Force installations and camps are entirely concentrated in a narrow zone which runs parallel with the Suez Canal and the Great Bitter Lake from Ismailia to Kabrit, a few miles to the north of Suez. Egyptians dislike living in the Canal Zone because it is so far away from Cairo and the delta towns.

The journey from Cairo to Fayid, on the Great Bitter Lake, where the general headquarters of Middle East land forces is situated, is accomplished in twenty minutes by air. By the straight Suez Desert road the seventy-odd miles can be covered swiftly by car, though in the summer months the more pleasant route is through Heliopolis and along the banks of the Sweet Water Canal through Tel el Kabir to Ismailia. On both these roads some thirty miles from the Suez Canal there is a road block and a wooden hut manned by four or five bored Egyptian policemen. When Anglo-Egyptian relations are cordial the barriers are removed and the policemen sleep in their huts or wave their hands and smile at cars as they pass. When relations are strained the barriers are lowered, each car leaving the Canal Zone must stop and all the British passengers must produce their passports duly stamped with a visa for Egypt before they are allowed to travel to Cairo. No military vehicles pass these control points without special authority, and all the British service personnel wear civilian clothes whether on leave or duty outside the Canal Zone.

Inside the Zone the British forces enjoy many facilities which were granted by the present Prime Minister, Nahas Pasha, when he and his colleagues signed the Treaty of Alliance in 1936. British soldiers or airmen can enter and leave the Canal Zone base without passport formalities. If they have an accident when driving or commit any crime or misdemeanour they are tried by a British court-martial, and, although it is not specifically mentioned in the Treaty the men serving in the Canal Zone use the Army Post Office and their mail is not subject to the delays of the Egyptian censor. The soldier receives his newspapers from London far more quickly than the civilian in Cairo and these, too, are uncensored, though the military authorities cut matter which might offend the Egyptian government or the royal family.

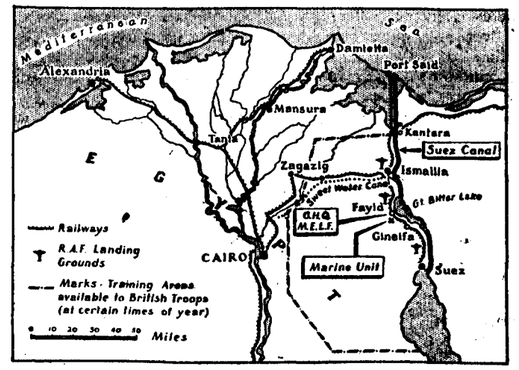
The Training Areas

The Egyptians agreed in the Treaty to allow large desert areas around the Canal to be used for military exercises and training. The Army and the RAF bases have excellent port facilities at Port Said and Suez and use the railways and roads in the immediate hinterland. No other area of the vast region now known as the Middle East has these advantages as well as an unlimited pool of semi-skilled manpower. Egyptian contractors have built bungalows and villas by the Great Bitter Lake which they furnish and let to British officers for high rents. Elsewhere the troops are housed in large camps and in Butlin-type dwellings for families of all ranks below that of colonel. The British authorities have never attempted to disguise the fact that the figure of 10,000 land troops and 400 pilots together with the necessary personnel for administrative and technical duties mentioned in the annex to the Treaty has been exceeded. Strangely enough the Egyptians do not appear to mind this. "If foreign troops are stationed on Egyptian soil it does not matter whether there are hundreds or thousands, it is the fact that there are troops at all we deplore," the Egyptian says.

It is typical of the violent nationalist fever that has spread over the Middle East that men who are earning good wages in the Zone from the British Army joined the recent demonstrations to demand the immediate evacuation of all British forces from Egypt, well knowing that if the British did leave they would be left unemployed. The tradesman who sells vegetables to the canteens or curios to individual soldiers knows he would be ruined if the army were evacuated; but he, too, is swayed by the majority; he believes the oft-repeated statements of politicians and journalists that the wealth of the country has been "stolen" by British imperialists and that when they leave Egypt everyone will be comfortable. Nor does the average Egyptian newspaper reader realise that many rich Pashas have used the "imperialist" bogy to divert the attention of the fellah from the prosperity of the Egyptian upper classes.

Away from the hysterical crowds of demonstrators, thoughtful Egyptians have been amazed at Persia's success in its quarrel with Britain. They, too, believe the government of Nahas Pasha is wise to abrogate the 1936 Treaty. This view is to some extent due to a fear in the minds of many intelligent Egyptians that as long as Whitehall administers the Sudan the Nile water may at some time be diverted there, with appalling effects on the economy of the lower Nile valley, which depends on irrigation. However, the most serious bitterness towards Britain has arisen from Whitehall's refusal to supply the Egyptians with arms and ammunition at a time when they believe that they were engaged in a life-and death struggle with the Jews. The Egyptian feels that Britain, if still a great power, should in some way have prevented the establishment of the state of Israel, whose economic and territorial expansion is feared. Owing to the omissions of the Arabic press even the intelligent Egyptian believes that Britain has done nothing to meet Egyptian demands and its "national aspirations"; and he is resentful of this. Only a handful of brave men will dare to voice their disapproval of the Wafdist bill to abrogate the Treaty.

MAP TO ILLUSTRATE THE TREATY OF ALLIANCE WITH EGYPT, 1936.



The demonstrations of this week may well be followed by outbursts of terrorism. Terrorist gangs are already well organised in the Canal Zone where, during the past few years, they have made almost nightly raids on British ordnance dumps. The stolen arms and ammunition could now be used against the British soldier as he moves about the zone. Roads may be mined and military equipment sabotaged, and the Egyptian police would be powerless to arrest the guerrillas even if they wished to do so. There

is little likelihood of deliberate attacks on British women and children. The terrorists would more probably devote themselves to harassing the smallest outposts and to seeking to destroy the material resources of the Canal zone. Their efforts are, in any case, likely to prevent a less serious problem than would the total withdrawal of Egyptian labour and supplies. To adjust itself to the latter possibility the garrison of the zone will have to reorganise much of its present way of life.

Japan's New Mainland Trade

ON September 20th the Japanese Trade Ministry announced new and more liberal regulations under which trade with Communist China could be carried on. These relaxations had been made possible by the recent removal of American controls over Japanese textile exports to China. Their most important effect is that Japanese businessmen may now offer textiles in exchange for imports of Chinese coal, iron ore, salt, soya beans, tung oil and other basic commodities. This may prove a much more significant advance towards the revival of Sino-Japanese trade than at first appears, for the exchange of textiles against Chinese coal and iron ore has in the past been one of the great staples of Japan's foreign trade.

Before the war Japan imported 3,500,000 tons of coal a year from the mainland, and as recently as last year 65 per cent of all its coal imports came from Communist China. Japan's steel industry is particularly interested, because the coalfields of Japan itself produce little coal suitable for steel-making, and China is the only source of coking coal within a reasonable distance. The embargo on trade with China imposed after that country entered the Korean war forced the Japanese to buy coking coal for their steelworks in America and even more distant countries, at nearly double the Chinese price and with a serious aggravation of their shipping shortage.

There is little doubt that the Peking Government, which has been grappling with an acute shortage of cotton this summer, will welcome the new development. Japanese business men have, of course, expressed great enthusiasm, and are talking about a possible Chinese demand for 100 million yards of cotton goods a year, at least half of which they feel sure they can meet. It is reported in Tokyo that exporters have already requested permission to ship over 10 million yards of cloth to China. And in addition to the exchange of cotton textiles for coal, Japanese firms are negotiating the sale of rayon and other chemical textiles to China against payment in sterling.

Tokyo officials are still cautious about the extent to which Japan can recover its formerly vast trade with the mainland while it is limited to offering the Chinese textiles and consumer goods; but the Trade Ministry hopes to obtain 300,000 tons of coal and 100,000 tons of iron ore from China during the current financial year, and permission has already been granted for an import of 38,500 tons of coal. These figures are, of course, small in comparison with those of prewar years, when a quarter of all Japan's trade was done with China and Manchuria. They are small, too, in relation to Japan's immediate needs; it is estimated that in the second half of this financial year the country will be short of coal to the tune of 1,630,000 tons. The Sino-Japanese trade door is by no means wide open. But the new concessions, coupled with the recent exemption of Japan from the American ban on economic aid for countries which supply strategic goods to the Communist world, have enabled the Japanese to wedge a solid wooden sandal into the opening.

China Effervescent

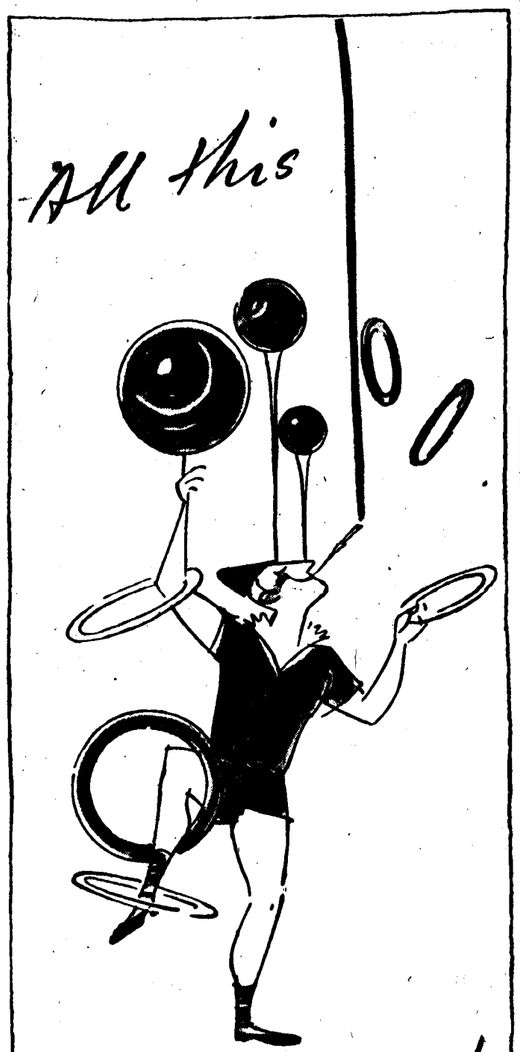
PEKING has just been celebrating the second anniversary of the foundation of the Chinese People's Republic with military parades, loud boasting and a crescendo of abuse of the "imperialist" nations. The organisation of political propaganda in China by the present regime differs not merely in degree, but in kind, from anything which has been attempted in that country before. There is a systematic effort on a grand scale to speak directly to the vast uneducated masses and to instil into their minds without the possibility of dissent or criticism just the opinions, sentiments, and versions of news which the Government thinks it proper for them to have. Hatred and contempt for the West are being inculcated in a manner which makes all earlier "anti-foreignism" in China seem mere child's play. The character of the new publicity organisation may be appreciated from a study of the instructions recently issued in a joint resolution of the News Administration of the Central Government and the All-China Federation of Labour. It has been laid down that in factories, mines and enterprises with over 300 workers which do not already possess wireless sets, trade unions must have them installed at public expense; sets are also to be installed in workers' dormitories and "workers and their dependents should be organised to listen in during their leisure hours." This organised listening-in should be regarded as a main task of the unions and "should be regularly inspected and directed"; it should be used "in promoting production, organising studies of current affairs, carrying out political education and developing cultural and educational activities." Parallel with this approach a great political drive is being organised through the China Educational Workers' Union, said to be 490,000 strong, for intensifying the "Resist-America-Aid-Korea" campaign and collecting donations for the purchase of arms.

America's Weakness Stressed

The Chinese people has certainly never before been subjected to such pressure to convert it to active support of its government's policies, and it must find cause for strong emotions in the version of events unanimously presented to it through all permitted channels of publicity. The Chinese are taught that they are directly menaced by the Americans and by America's 47 puppet states which signed the San Francisco treaty, but that nevertheless, in alliance with the Soviet Union, they are more powerful than their adversaries. According to a widely broadcast editorial of the *Jenmin Jih Pao*, the American Government is

> in every respect similar to Japanese imperialism of six years ago. It is the deadly enemy of the Chinese people, of the peoples of Asia, and of the peoples of the world. However, one should not look only at the extremely evil countenance of US imperialism and fail to see why it is actually heading towards collapse. The plans of US imperialism to conquer Asia and enslave the Asian peoples are dangerous, but at the same time flimsy.

It is held that the American Government, "which represents only a handful of multi-millionaires such as Morgan, Rockefeller, Du Pont and Mellon," has failed to learn the lesson of the defeat of Japan by the Chinese and Russian peoples—America's Pacific campaign naturally gets no mention in this context—or to appreciate the "irresistible strength of the Asian peoples in fighting for independence." The self-restraint of the American and other United Nations Governments in keeping the war confined to Korea despite the Chinese intervention is inevitably misrepresented by Chinese Communist publicity as proof that the Americans and their puppets have been defeated in Korea. The Kaesong armistice negotiations have in this respect served the purposes of the myth most admirably. They were initiated on behalf of China at a time when the Communist forces had been so roughly handled that there was a possibility of a military collapse which could not have been concealed. The



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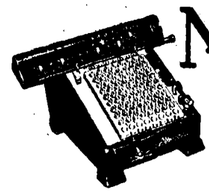

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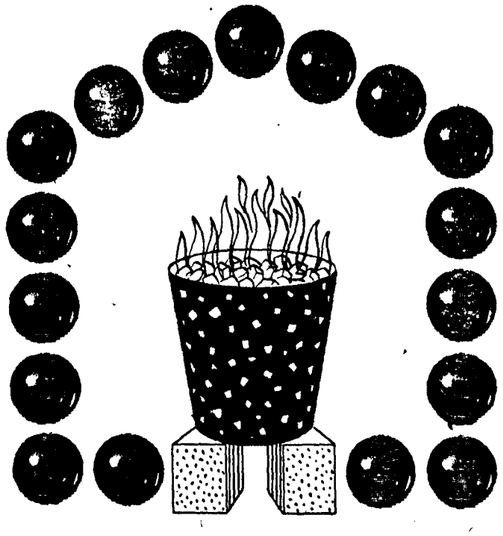

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Kaesong talks averted this danger, while at the same time the fact that no armistice has resulted and that active hostilities have continued has enabled Peking to claim not only that the Americans "have been creating one provocative incident after another to torpedo the armistice talks," but also that they have launched a major offensive which has been repelled by the North Koreans and Chinese "volunteers." Peking radio quotes with satisfaction the Australian Communist Burchett, who is a war correspondent on the Communist side of the Korean front:

> the planes under Ridgway's command dare not tangle with Korean air force MIGs . . . the latest British aircraft have been pulled out of front-line duties and relegated to ground support because they are completely outmatched by MIGs and downed with ease. . . . Van Fleet, with the racial arrogance of his military caste, croaks that there are Caucasian specialists at the front ; he cannot bear to think that his crack troops have been hurled back from the "iron triangle" by Asians.

New Arrogance

The Chinese have now apparently completely recovered their nerve, which had been temporarily shaken by the military reverses in the spring. The Communist leadership indeed deserves the utmost admiration for the skill with which it has utilised armistice negotiations to paralyse the United Nations Command while avoiding an armistice. The extreme arrogance and boastfulness of tone which were characteristic of Chinese Communist utterances at the beginning of the year have now returned. Speaking of the alleged American use of Japanese manpower and resources for intervention in Korea, the *Kwangming Daily* declares:

> This is something which cannot be tolerated by the Asian peoples—including the Japanese people—and particularly the peoples of China and the USSR who are chiefly responsible for safeguarding peace in the Far East. This bloodthirsty and aggressive alliance, aimed at promoting war, undermining peace and endangering the interests of the Asian peoples, will surely be smashed by the invincible and matchless forces of the Asian peoples, first and foremost the forces of China and the USSR.

Just how, when and where these invincible and matchless forces are to be brought to bear is not explained, but the endless reiteration of such language, combined with the impression made by China's seemingly successful intervention in Korea and immunity from counter-attack, are preparing the Chinese mind for further adventures in which there will be no doubt of victory.

Stalin's Atom Story

LAST week Marshal Stalin informed readers of *Pravda* that "it is known that the Soviet Union has several times demanded the prohibition of the atomic weapon, but each time it has been refused by the Atlantic *bloc* of powers." The bland assertion that the USSR has always sought to save the world from atomic war, while the West has always blocked its efforts, is one of the mainstays of Communist propaganda. By constant repetition, such claims have been made to assume the appearance of fact in the minds of many people who have no time to study the record in detail. But the record itself tells a very different story.

At the very first meeting of the United Nations Atomic Energy Commission (AEC), on June 14, 1946, the United States, which at that time was alone in possessing atomic weapons and the secrets of their manufacture, offered to transfer the whole of its resources in this field to an international Atomic Development Authority, in which it claimed no privileged position. The American proposals, known as the "Baruch plan," were based on "renunciation of the bomb as a weapon," disposal of existing bombs, and a great co-operative effort to use atomic energy for peaceful purposes. "The peoples," said Mr Baruch, "want a programme not composed merely of pious thoughts, but of enforceable sanctions—an international law with teeth." His government therefore held that, if there was to be any real security against the atomic threat, "there must be no veto to protect those who violate their solemn agreements not to use atomic energy for destructive purposes." The Baruch plan was discussed at length, and endorsed, after amendment, by every member of the AEC except the Soviet Union and Poland. The only concrete counter-proposal tabled by Mr Gromyko called for the signing of a convention by which all nations would solemnly promise not to make or use atom bombs, and to destroy any bombs they had ; this convention was to make no mention of enforcement, or even of international inspection. Only the faithful Polish delegate supported this proposal, which to most AEC members seemed a classic example of "pious thoughts."

Mr Gromyko did, however, admit that some sort of control system should in due course be created. Accordingly the AEC set up a committee of scientists to examine the technical possibility of effective control. In September, 1946, these scientists (including Soviet and Polish specialists) unanimously reported that, as far as available information went, control was technically possible. They also agreed that "clandestine manufacture of atomic weapons would be extremely difficult to discover, because it could be carried out in relatively small, easily concealed installations." A second technical committee went into the control question even more carefully and reported that any really effective control system must include actual management of some stages of atomic energy development by an international authority. This committee also found that the international authority would need to have the power to make area and ground surveys ; but it recommended that powers of this kind should be carefully defined to prevent abuse. All members of the AEC, except the Soviet Union and Poland, approved these findings.

Insistence on Veto Power

On June 11, 1947, the USSR made its first proposals regarding inspection and control. In their first form these were vague on many points ; but, under questioning, Mr Gromyko revealed that the USSR still rejected any idea of international management, intended inspections to be only "periodical," forbade aerial surveys, and insisted that decisions even on minor sanctions could only be made by the Security Council—with its veto rule. In August, 1947, all members of the AEC, except the USSR and Poland, regretfully stated that the Soviet proposals were inadequate as a basis for effective control. The AEC, which had for over a year refrained from committing itself to a precise formula while it was still possible that the USSR might abandon its opposition, now formally adopted a report endorsing the need for effective international control on the lines of the Baruch plan. The USSR opposed the report and Poland abstained.

No progress was made during the next eight months, and in May, 1948, the AEC adopted (all members concurring except the USSR and the Ukraine) a motion suspending its meetings until the General Assembly should think fit to revive them. On November 4th the Assembly asked the AEC to resume meetings, and by 40 votes to six (the six being the Soviet *bloc*) endorsed the view of the majority in the AEC. The Assembly rejected, by the same large majority, a Soviet resolution repeating Mr Gromyko's proposals of June, 1946, and June, 1947. Undaunted, Mr Gromyko served up similar proposals to the AEC in February, 1949 ; they met the same fate. In July, 1949, the AEC again

suspended its meetings, but in accordance with the Assembly's wishes private talks were then begun between Britain, Canada, China, France, the USA and the USSR. In January, 1950, Mr Malik ended these talks by walking out.

Meanwhile the Assembly had in November, 1949, rejected yet another Soviet proposal, on the now familiar lines, and had adopted instead by 53 votes to 5 the "Essentials of Peace" resolution, which called for the "joint exercise" of sovereignty in achieving atomic control. The same thing happened at the 1950 Assembly, which by the usual large majority rejected Mr Vyshinsky's proposals and voted 49 to 5 for the "Peace Through Deeds" resolution calling for atomic control on the basis already approved.

If the USSR has been consistent in blocking agreement on any effective control system which would impose a real ban on atomic weapons, its record has been less logical in other respects. In 1946 Mr Gromyko held that the importance of international inspection had been grossly exaggerated; but in 1948 he claimed that the USA was paying less attention to it than the USSR, which, he said, treated it as one of the most effective methods of control. Throughout the debates the USSR has championed the cause of unfettered national sovereignty, alleging that international control would enable the USA to interfere in the affairs of smaller countries; and the fact that every small country in the UN (except the Communist states) voted for joint exercise of sovereignty in 1949 has in no way altered the Soviet attitude. Most striking of all these contradictions was Marshal Stalin's admission last week, after years of assertion that the USSR was only using atomic energy for peaceful purposes, that it was producing several types of atomic bombs. Perhaps it is forgotten in Moscow that in 1948 Mr Gromyko defined atomic bombs as "weapons of aggression, designed to exterminate peaceful populations" and derided any suggestion that they could be weapons of defence.

The Plight of Italy's Heavy Industries

[BY A CORRESPONDENT]

REGGIO EMILIA, a market and industrial town of 120,000 inhabitants, lies at the centre of the Emilian plain, otherwise known as the "red belt" of Northern Italy. It contains the Reggiane Mechanical Industries works, which until last Monday had for over a year been forcibly occupied by those of its former employees who obeyed the orders of the Communist trade unions. The recent history of the Reggiane is an acute example of the ills that have afflicted Italian heavy industries in the postwar period.

The main business of the Reggiane was, in normal times, the building and repair of railway rolling-stock, though it also made a variety of industrial and agricultural machinery. During the war, however, the firm rapidly expanded and diversified its activities; by 1941 it was making fighter 'planes and employing 11,000 men. Then, in 1944, 70 per cent of the plant was destroyed by bombing; by the end of the war the labour force was down to 2,500. The firm entered the postwar period burdened with the cost of reconstruction, estimated at 1,800 million lire (about £1,000,000). But this was not all. Like other heavy industries of the same type, it was obliged by law not only to keep on or reinstate part of its inflated wartime labour force, but to take on—for "social" reasons—others whose claim to employment was their status as ex-servicemen, ex-partisans, and so forth.

As a result, the total labour force at the Reggiane shot up to 5,800. It remained at this figure for several years, since until 1948 it was legally impossible to dismiss anybody; and even after that date any attempt at dismissing redundant

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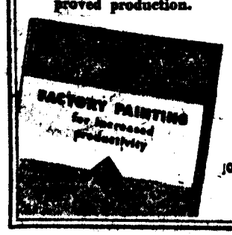

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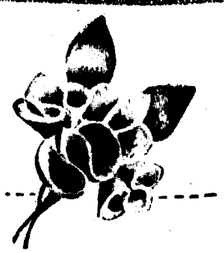

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workers inevitably ran into strong opposition from the trade unions—chief among them the Communist-dominated Chamber of Labour—whose first tenet, naturally enough in a country ridden with chronic unemployment, is the prescriptive right of a man once employed to be always employed. As there was never enough work to go round, the firm—and its case was anything but unique—was in fact paying, through an inflated wages bill, a disguised dole to several hundred, if not several thousand, of its employees. Of course it did not do the state this service for nothing. Formerly financed wholly by private capital, the Reggiane received, from 1945 to 1950, a total subsidy of 4,240 million lire (about £2,500,000), mostly in the shape of loans from the FIM (Mechanical Industries Fund), the government agency whose task it is to shore up such troubled concerns. Though the FIM also came to hold part of the issued capital, it does not seem to have taken part—as it has elsewhere—in the actual management of the firm.

It is an open question whether the Reggiane, any more than its fellow-patients in the FIM infirmary—Breda, Caproni, Isotta Fraschini, Ducati and the rest—could have overcome the handicaps of permanent over-expansion, leading to artificially high wage-costs and overheads, and of a system of hand-to-mouth government finance scarcely designed to encourage initiative. The charges levelled at the Reggiane management by the trade unions are very similar to those recently made against such sister industries as Breda and Savigliano by economists whose political motives are not suspect: excessive reliance on old markets (the Reggiane in fact went back to doing 75 per cent of their work for the State Railways) and lack of initiative in working out, and retooling for, new individual lines of production, and in seeking new markets. At all events the Reggiane's position worsened steadily as orders from the State Railways tapered off after the initial period of reconstruction, and new orders failed to come in: by the time the crisis came in 1950 the deficit had risen from 754 million lire in 1948 and 514.5 million lire in 1949 to a rate of 4 million lire (£2,350) per day.

Labour Takes Over

In May, 1950, the management, which in 1949 had managed to dismiss 800 employees by paying them a special bonus, attempted to dismiss 2,200 more. All three trade unions—Communist, Catholic and Social-Democratic—joined in fighting the move. Attempts at a compromise solution came to nothing; in October the dispute culminated in the occupation of the plant by the Chamber of Labour, this time alone. For a few months its members kept the plant running after a fashion; early this year the electricity was cut off, and since then about 3,000 men have merely checked in and out every day. Finally, in May of this year, the government decided to write off the Reggiane as a dead loss and place it in official receivership; eventually a new society was to be installed and the plant gradually brought back into operation on a very reduced scale. The Chamber of Labour, however, refused to evacuate the plant unless the dismissed workers were paid a special bonus over and above the normal one: the estimated cost to the Italian Treasury is about 1,000 million lire, which the government last Monday agreed to pay.

The Reggiane dispute became a national affair. The Italian Confederation of Labour (CGIL), besides launching a nation-wide campaign to "save the Reggiane," used its case to support the programme of higher capital investment and "productivist" policy which it—in common with the ECA mission and the left wing of the Christian Democratic party—has been urging on the government. For the Communists the matter was largely one of prestige. Reggio was the birthplace last winter of the Cucchi-Magnani breakaway movement: there even less than elsewhere could the party afford to let its campaign against retrenchment in industry appear a failure. So little, indeed, was this a local matter that *Unità* recently published a message of encouragement to the women of Reggio from the mother of a celebrated Soviet war heroine.

Though the new concession will be claimed by the Communists as a victory for their leadership, the government has in fact clearly decided that it cannot afford to leave Reggio and the surrounding province in a state of economic depression and political ferment. It is trying to salvage what it can of the Reggiane, as it has come to the rescue of other over-expanded and tottering industries. The great Breda works near Milan, for instance, after eating up 27,000 million lire (about £16 million) in FIM subsidies, is now being reorganised on a smaller scale by a government commissioner. The Marchetti aviation works in Lombardy, which went bankrupt early in September, and the Savigliano and Nebiolo works at Turin, which are in much the same position as the Reggiane was in last year, are other candidates for government help. It remains to be seen whether these industries, whose troubles have chiefly been due to war and its consequences, can be helped back on to their feet by the Nato rearmament programme.

No Change in Israel

ISRAEL'S long Cabinet crisis is at last over. Mr Ben Gurion's Socialist Mapai party has formed another coalition with the religious bloc. Over two months of negotiation have led to a solution which must astonish all who remember the bitterness of the Mapai's quarrels with the religious bloc last winter, as much as it must depress all who hoped that the elections on July 30th would lead to a more stable and strongly-based government for Israel.

The Socialist Mapai emerged from the elections with 45 out of the 120 seats—more than any of its rivals, but not nearly enough to be able to dispense with coalition partners. The two next largest groups are the General Zionists with 20 seats, and the very left-wing Mapam with 15. Alliance with the latter, which is pro-Russian except where Russia is anti-Zionist, would have jeopardised the dollar flow on which Israel depends. The former have a strong claim to be included in the new Cabinet since they increased their representation from 7 to 20 seats, but negotiations with them broke down over Mr Ben Gurion's refusal to allow the General Zionists to appoint a trade minister with authority over rationing and controls. Mr Ben Gurion was moved not so much by reluctance to put aside some of his socialist doctrines, as because he feared that the backbone of Mapai—the trade union vote—would be alienated if he struck a bargain with the big business opponents of recent strikes and wage-claims. Hence his efforts at one stage to include Mapam as well as the General Zionists in his team. Hence also his less ambitious but apparently equally abortive effort to wean the moderates from the extremists inside Mapam and thereby to split their party.

In the event Mr Ben Gurion has dismally failed to gain the object—of securing a more stable majority—for which he went to the polls. Indeed he will be worse off, since his majority in the *Knesset* has shrunk from 28 to 10. Moreover, in order to secure the adherence of the religious bloc, Mr Ben Gurion has had to agree to shelve for the time being the question of religious education in the immigrant camps, over which the coalition broke apart in the Spring. This concession to the religious zealots is bound to create friction within the Mapai, since many of its members have strong anti-religious views. Altogether, a long life seems unlikely for such a weak coalition, which fails to take account of the trend of public opinion as revealed at the polls. It is certainly the sort of government which a country in dire economic straits can ill afford.

THE BUSINESS WORLD

The British Motor Industry—I

Markets for Motors

THE re-shipment from Canada of several thousand British cars as "unsaleable" is not the happiest of portents for this year's Motor Show. This year, for the first time, the car export curve that rose so consistently between 1946 and 1950 has turned downward; in the eight months to the end of August, 240,811 cars and chassis valued at £74,735,808 were sent overseas, compared with 269,792 worth £78,376,002 in the same period of 1950. The decline can be attributed almost entirely to transitory, local, and even fortuitous circumstances. Reduced allocations of sheet steel and non-ferrous metals have cut car production this year by 8 per cent; exports have fallen by 11 per cent. Cars are being sent back from Canada as a result of drastic restrictions on hire-purchase. Exports to Australia and New Zealand, the British car industry's largest markets, were hampered in the early summer by the dock strikes. Exports of commercial vehicles rose by value and increased shipments of tractors and automotive spares have raised the total export earnings of the motor industries to a record rate of some £300 million a year, the biggest return for any British exporting effort. Britain is probably exporting more cars than any other country but even without this year's reminder that market conditions can change quickly, the progress of British car exports since the war would have brought in its train inevitable questions. To what extent has success been due to conditions that may not be permanent such as shortage of dollars? In an expanding and more competitive world could the British lead be maintained? What are the rewards of success, and how can it be promoted?

There are three main types of cars that compete—or under normal conditions might be expected to compete—in the world market. First, the great bulk of American sales are of standard six-seater cars, with an unladen weight of 29-32 cwt.; secondly, British models are mainly in the 20-24 cwt. range, with a proportion of cars of 15-16 cwt.; thirdly, sales by continental makers fall chiefly between 12-14 cwt. with a proportion between 20-24 cwt. The post-war pattern of the world car trade might be crudely summarised thus. About half the exports of British cars go to countries where the average purchaser has scarcely any opportunity to buy an American car and little to buy a Continental car. Where the customer has some freedom to choose, American cars are rather more popular—as in Canada and South America where conditions are more akin to those of the United States than to this country. British cars of medium size have so far been able to hold their own with purchasers in middle-income groups abroad, but the lower-priced and more economical small Continental cars such as the Renault, the Fiat, and the Volkswagen are beginning to threaten them. The risk is that the British car industry will have to fight for sales at one end of the scale against the large and cheap American car, and against the small Continental type at the other end. If the industry is to hold its leadership and increase its exports it will, under conditions of more competitive world trade, have to produce attractive vehicles at lower prices.

What characteristics would such a vehicle need? After the war there were some suggestions that British car production should be rationalised with the aim of producing cars closer to American standards. Such cars as the Chevrolet, Ford, and Plymouth, with a wheel-base of 110-115 inches, a weight of up to 30 cwt., an engine developing up to 100 h.p., and with room for six passengers, give the ordinary American family as much "transportation" as it can use. In the course of time, perhaps 90 per cent of American families will own such cars, probably equipped with automatic transmission and improved engine designs, and easier to drive. For many years American manufacturers have been studying the pros and cons of making smaller and cheaper cars that might attract buyers with lower incomes or those who seek a second car. Experience of the marketing of British cars in the United States since the war may tend to reinforce their previous conclusion—that such smaller cars could not be made at a price necessarily determined by the price of a second-hand car of standard size.

No American car producer is likely to build a car designed primarily for the overseas market; on the other hand, any apparent saturation of the American home market—if preoccupations with defence were out of the way—might lead to considerable promotion of standard car exports at sharply competitive prices. In those markets where dollars are available, such cars will always find a certain sale and there is no evidence at all that British manufacturers could produce and sell an American-sized car at a similar price in these neutral markets.

PASSENGER CARS
NUMBERS EXPORTED BY PRINCIPAL PRODUCING COUNTRIES, JANUARY TO MARCH, 1951

From:	Europe	Per cent	America	Per cent	Oceania	Per cent	Africa	Per cent	Asia	Per cent	Total Exports	Per cent	Exports as Proportion of Total Production Per cent
UK	19,390	58·0	19,233	33·9	31,989	89·9	16,181	61·9	6,029	59·3	88,821	44·3	72·5
USA	12,115	17·5	35,138	61·1	210	0·6	3,612	14·9	3,092	22·9	52,167	26·0	3·3
Germany ..	20,996	30·3	3,392	4·1	3	...	1,493	6·1	108	0·8	25,279	12·5	37·6
France	11,288	16·4	2,482	4·2	1,418	4·0	7,434	30·6	1,159	8·7	23,782	11·9	29·0
Italy	5,082	7·4	486	0·8	260	0·7	810	3·5	229	0·8	7,248	3·6	22·6
Canada ...	288	0·4	361	0·6	1,699	4·8	979	4·0	291	2·1	5,590	1·8	4·0

There will doubtless be buyers, small in numbers and high in incomes, for the full-size British car of high quality and price. The money value of this trade cannot be considerable, though vehicles of such excellence may enhance the prestige of the British motor industry as a whole. But major growth of the world car market may well rest in future upon an increase in the numbers of people just able to afford a car, at the lowest cost of ownership. If Britain and its non-American competitors can produce vehicles of which total costs of ownership and operation are substantially less than those of American cars, American export sales may be confined to a relatively small part of the total market.

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The most acceptable size of car can only be determined by the trial of the market place. In postwar years, British makers have plumped almost unanimously for the vehicle of 19 cwt. and upwards in weight. The typical vehicle accommodates four people in real comfort, or six at a pinch, has an engine developing 45 or more brake horse power, and a top speed of 70 m.p.h. or more. Such are the Ford Consul and Zephyr, the Austin A.40, the Morris Oxford, the Standard Vanguard, the Vauxhall Velox and Wyvern, the Humber Hawk (a little above this specification) the Hillman Minx (a little below it), and the Jowett Javelin. A rather smaller class of car, pretty tightly filled with four adults, includes the Morris Minor, the Ford Anglia and Prefect, and the Triumph Mayflower. The small Fords are basically of prewar design: the Triumph Mayflower is based upon a "loosed out" version of the old Standard 8 h.p. engine but has a kerb weight of more than 17 cwt.; even the Morris Minor, which has earned high praise from connoisseurs, weighs over 15 cwt. No British car since the war has provided economy motoring for two persons as did the Austin Seven and the Standard Eight before the war, still less in the even more effective way of the small Renault (with a kerb weight of 12 cwt) and the Volkswagen (14 cwt) now. At next week's Motor Show, the Austin Company is expected to exhibit the new Austin Seven; it may come to represent the first British trial of this size of car in world markets.

It may be that the world car market of the future will be mainly divided between two types of vehicle—a 20 cwt. car and a 12½ cwt. car; it is not possible to predict their relative proportions. Broadly, Britain leads the world in the medium weights, and has yet to venture into the lightweight class. Germany with the Volkswagen, France with the small Renault and Italy with the tiny Fiat, have shown that, at that weight, a most serviceable automobile can be built at a cost of ownership very much lower than that of larger cars. If everything were done to reduce costs, the smaller car might well be the winner, at least among industrial workers and city dwellers. In Europe, for example, and conceivably in Britain, the cheaper car might succeed largely by attracting new owners; the broadening of the market might promote production economies, reductions in price and a second expansion of the market in a virtuous spiral. Elsewhere in the world, such small cars might find less ready acceptance—in the rural areas of the British Commonwealth, for example, where distances are long and comfort and road-holding are at a premium. But it is necessary to remember that potential car owners in the lower income groups would be able to satisfy their needs by the once normal means of the second-hand car market if the present pressure of demand for cars in Britain and Europe were to abate only moderately.

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If Britain could continue to dominate the bulk car market of the future, either with its present range or with a long-sighted choice of new designs, there is no reason why this country's total automotive exports should not rise further from the present level of £300 million. Exports of commercial vehicles in the larger sizes are largely independent of the trend of car production and exports: but in the export of smaller commercial vehicles and tractors, the success of the car producers can have a considerable influence. The industry now faces the task of keeping the leadership in car exports that it has achieved since the war. This will not be easy; the return of Germany into the world market is only one of several signs of sharpening world competition. In meeting growing competition in the future—so far as it is possible to peer across current defence tasks towards a "normal" competitive period—some internal tightening of efficiency within the British motor industry may well be dictated by events. The success of the industry's export campaign during the postwar period of inflated demand has stilled to some extent suggestions of rationalisation and concentration of output that were made shortly after the war—and the industry has itself carried out a considerable programme of standardisation. These suggestions may have a revival in view of the production problems that now face the industry and the competing claims of defence.

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Economics of Electricity

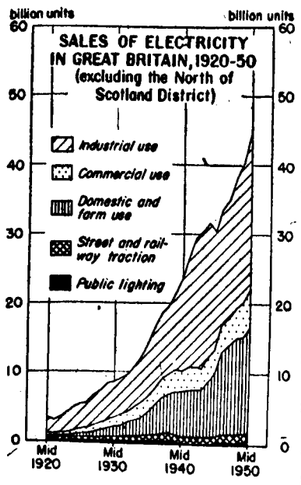
A WEEK ago, in the advertising columns of the national press, the British Electricity Authority ventured a prediction: "If plans for new plant go through smoothly in the coming years, there should be an end of power cuts by 1956." BEA's annual report for 1950-51, published this week, is much less sanguine. If "nothing untoward" affects a forecast made early in 1950 of the quantity of new generating plant that can be installed in coming years, and if the growth in demand accords with expectations, load-shedding by power cuts should be comparatively infrequent by 1954-55 and very exceptional in the three following winters, though reductions in frequency and voltage would still occur. It adds:

> Unless, however, the annual programmes of new generating plant could be speedily increased, as planned, from the 1951 level of 1,000,000 kilowatts (sent out) to at least 1,800,000 in 1956, 1957 and 1958, it would be many years, on current expectations of the growth in demand, before full supplies could be given at all times.

Since this precondition at present conflicts with Government policy (which has set the limit of plant to be installed in any future year at 1,500,000 kW, not 1,800,000 kW), and since the report points out that rearmament is already hindering plant installation and must exceptionally increase industrial demand for power, it seems too early to talk of an end of power cuts. In power planning, moreover, much depends upon "expectations of the growth in demand" that can by definition be little more than guesswork.

By tradition as well as expectation, BEA sets its sights high. Once again, the report expresses its "serious concern" that the Government, in apportioning resources for capital investment, should continue to limit its annual generating quota to 1,500,000 kW. Even in present economic conditions, it argues, the completion of the plant programmes is in the best national interest; limitation would hinder increased mechanisation and use of power in industry, from which the most effective contribution to higher efficiency can flow. What the report does not emphasise is that the limit has not so far affected BEA's plant installation. This year, it still hopes to instal a million kilowatts of new generating plant, but its success depends upon the speed of manufacture and installation, not upon official control of investment. The Government's limit on capacity, upon BEA's most optimistic assumptions, would not begin to affect the commissioning of plant before 1954. Certainly, generation programmes have to be completed and orders placed some years in advance, but ordering has not yet been affected though it might be next year. Last year, indeed, the Authority overspent its investment "allocation" of £102 million by £19 million, which was only partly attributable to rises in wages and prices. For this year, the report sets out proposed investment totalling £133 million, but it records that halfway through the year it had no more to go on than Mr Gaitskell's vague remark that investment in electricity would be "substantially higher." The accompanying report of the Minister of Fuel and Power similarly records only that "it was decided that investment for electrical generating plant should be commensurate with a programme of commissioning of new plant which should reach 1,550,000 kW in 1955; some restriction of new distribution works was unavoidable" and that a programme had been agreed. This does not suggest the tightest of financial curbs upon the generating programe.

Ever-expanding demand exerts great strain upon BEA's physical and technical resources, as is illustrated by the report's account of a typical day's operations on the grid: but on the other side of the penny it makes for buoyant commercial results. During the year ending March 31, 1951, electricity sales reached 46,585 million units, 12 per cent more than in the previous year, a third more than in 1947-48 before nationalisation, and well over double the sales in 1938-39. This energy was sold to more than 13 million customers, at 1.181d. per unit against 1.2d. per unit in the previous year and 1.133d. in the last year before nationalisation. Sales of electricity thus brought in £229 million, or 97 per cent of the total turnover of BEA and the Area Electricity Boards: this reached £237 million, £22.5 million more than in the previous year. It was, however, more than offset by a rise in combined expenditure of £23.4 million to £230.7 million. On the year, therefore, BEA and the Area Boards made a combined surplus of £6.3 million (after paying £20.4 million in interest and setting aside £36.1 million for depreciation); this surplus compared with £7,200,000 in 1949-50 and £4,400,000 in 1948-49. Though the withdrawal of initial allowances next April was announced after the close of BEA's financial year, the Authority decided "forthwith" to make provisions towards offsetting the consequential increase in taxation charges that will arise in future years as the "interest-free loan" comes to be repaid. It has established a taxation reserve with a first contribution of £3,500,000 from the 1950-51 surplus. Last year, Lord Citrine declared that since "we can foresee no period in which we shall cease growing, we do not think the tax question will arise." This year, the report comments sombrely:



> The imminent withdrawal of initial allowances will terminate the virtual exemption from taxation which . . . the Authority were experiencing; and this change of fortune cannot fail to have an impact upon both bulk and retail prices of electricity.

Such a growth in volume of output might be expected to bring down generating costs: but in an industry manufacturing secondary power mainly from coal, fuel prices tend to determine station costs. In 1949-50 this influence brought costs down slightly; in 1950-51, it put them up a little (though the flat 4s. 2d. a ton increase in coal prices of February, 1951, would hardly be felt in the year under review). The high loading of the system at present, through shortage of generating plant, tends to have an adverse effect upon costs, instead of the advantages it would bring in an ideal system with plant of uniformly high efficiency; as the load rises, more units have to be generated by the older, less efficient stations that take more fuel.

Capital charges rose from £52.55 million in 1949-50 to £57.88 million in 1950-51, amounting to nearly 25 per cent of revenue. These charges reflect not only the growing depreciation provisions that must inevitably follow from the huge expansion programme, but also a slight increase in the average rate of interest that BEA pays. This increase followed from the substitution after May, 1950 of stock carrying 3½ per cent interest for temporary advances at lower rates; it is a reminder that the economics of the expansion programme would be vulnerable to any marked rise in interest rates. Some eighteen months ago Sir Henry Self, one of BEA's deputy chairmen, made some imaginative projections of the trend of electricity costs. The rise he then foresaw in charges for interest and depreciation is coming true. It may be that the increases in thermal efficiency he hoped for will accompany the new installations and offset the probable decrease in load factor as the shortage of plant decreases. But some of the other assumptions he had to make—such as unchanged prices for fuel are already unrealistic. The Authority is well aware of the trend of costs; Lord Citrine said frankly this week that tariffs are certain to rise.

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In default of the national fuel policy that Mr Noel-Baker's latest committee is now beginning to study, no real comparison can be made between investment in the different fuel and power industries. But additional capacity should obviously be held to the minimum required to meet unavoidable peak demand. That means the utmost effort to level off peak demand, by economic or technical means. In former years the electricity supply industry has tended to set its face resolutely against anything that smacked of limiting demand; a tradition of competition for new sales and new consumers dominated its thinking. It is fair to say that during the last year BEA has begun, with some reluctance, to give the subject of load control really serious consideration for the first time.

Load-controlling devices may be of various kinds; all have the common purpose of reducing or limiting the peak loads on the systems, thus reducing in the long run the amount of new plant that has to be installed to meet that peak. But, as the report points out, considerable experience of load control would be necessary before its effect could be known sufficiently accurately to influence the plant programmes. In the meantime the devices would serve a secondary, but also useful purpose; they would substitute disconnection of specific "inessential" loads controlled by the limiters for the present indiscriminate load shedding, and might contribute to some easing of the load-spreading arrangements that now prove so costly to industry. Load-limiters or relays controlled from a central station, and thus operating only at time of peak load, have been suggested as the best line of approach to load control: and the BEA, according to the report, would prefer these types. It discusses the merits and demerits of central-controlled switches actuated by frequency (which could not be localised) or by voltage (which may be liable to accidental operation outside peak hours). The Authority is conducting extensive tests of centrally controlled limiting equipment in Merseyside and in South-West Scotland. In the meantime it has suggested to its Area Boards that they may go ahead with the ordering of certain types of load limiting equipment. Though the comparative costs have not been finally assessed, and probably many of the industry's engineers still retain their prejudice against any limitation of demand, there appears to have been a rather rapid, if qualified, conversion to the principle at headquarters.

In discussing load control the report makes its only detailed references to tariff systems. The connection is logical, if only because load limitation is the admission of failure in pricing policy. The account of commercial operations mentions a report upon "principles upon which uniform tariffs for domestic, commercial, farm and industrial supplies" should be based: but, unfortunately, there is no hint of what these principles should be. When it turns to tariff inducements to consumers to accept load control arrangements, it comes closer to a price system for electricity. Since peak load control would mainly affect capital charges, it considers the reduction of fixed assessment in a two-part tariff, or in the high-rate units of a variable block tariff, the best inducement to accept load limitation. The Authority still sets its face against time-of-day tariffs for larger domestic supplies, after a detailed investigation of the system of this kind now operated in Paris. This it considers "unlikely to be effective in securing reduction in peak loads." It may well be that "a tariff incentive reasonably related to the costs of supply is unlikely to be sufficient to offset the value to the consumer of the emergency use of electric space-heating in abnormally cold weather" as the report concludes in discussing one particularly objectionable use of electric power. But before dismissing the potential effects of economic pricing, would it not be as well to try it? The illogicality of

REVENUE FROM SALES OF ELECTRICITY, 1938-39 AND 1947-51, ANALYSED BY TYPES OF CONSUMER

Type of Consumer	Year	Units Sold	Revenue	Revenue Per Unit Sold
		Million	Million £	Pence
Domestic, commercial & small power	*1938-39*	*8,335*	*55·4*	*1·596*
	1948-49	18,299	110·3	1·446
	1949-50	19,146	120·9	1·515
	1950-51	21,703	132·3	1·463
Large power (industrial)	*1938-39*	*10,375*	*28·8*	*0·667*
	1948-49	19,080	73·9	0·930
	1949-50	20,541	79·2	0·925
	1950-51	22,997	89·1	0·930
Public lighting	*1938-39*	*375*	*0·2*	*1·039*
	1948-49	272	1·5	1·330
	1949-50	360	1·8	1·217
	1950-51	415	2·1	1·225
Traction	*1938-39*	*1,241*	*3·0*	*0·587*
	1948-49	1,404	5·4	0·927
	1949-50	1,431	5·5	0·913
	1950-51	1,466	5·7	0·925
Total sales	*1938-39*	*20,325*	*88·9*	*1·050*
	1948-49	39,054	191·1	1·174
	1949-50	41,478	207·3	1·200
	1950-51	46,580	229·2	1·181

Notes.—Winter surcharge (1948-49) and rebate excluded, as are sales between areas.

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the present tariffs—or more accurately the lack of control that they allow over the industry's economic behaviour—is illustrated by the last year's trend of electricity prices. Last year Lord Citrine took credit for the fact that the average price to industry had been brought down, while the average price of supplies to domestic and small power consumers had gone up. This he rightly held to be a desirable trend. This year the exact opposite has happened—industrial prices, related to fuel, have risen while others fell. It would be unfair to assume any reversal of policy by Lord Citrine and the Authority. A more likely explanation, unfortunately, seems that the BEA still retains no real purposive knowledge or control of the effects of its multiplicity of tariff systems.

Business Notes

Winter Rail Planning

Details have been published this week of the steps that the Railway and Road Haulage Executives have taken, in association with the Federation of British Industries, the Association of Chambers of Commerce, and the National Farmers' Union, to prepare for the best handling of traffic in what is bound, even on the best assumptions about weather, to be a difficult winter. The forecasts of traffic have been made; the weak spots at certain key traffic junctions—in London, the Midlands, Manchester, South Wales and the West Riding—are known. The volume of freight traffic this winter is expected to be 5,000,000 tons heavier than last winter, and there are five per cent fewer staff to handle it—at particular centres where staff has been hard to retain and recruit, the losses are much greater than this average figure would suggest. Staff rather than shortage of physical equipment is at the root of the problem. There has been a disappointing response to the appeal to locomotive crews to increase their productive time; local shortages of labour cannot be remedied by increased wages at local points; and the call-up is still drawing men from railway working.

If these troubles can be remedied eventually, little can be done to put them right before the winter. The railways can only plan to handle the traffic that they expect to get with the staff that they now have, hoping at the same time that severe weather conditions, with fog and cold producing their inevitable crop of delays and sickness, will not strike the country. The emergency steps that are being taken are sensible—passenger train curtailment, diversion of freight traffic from congested routes, intensive week-end freight working (by which 450,000 tons of coal have been cleared in recent week-ends), the making up of block trains to avoid sorting of wagons at intermediate centres, cooperation with traders to get prompt loading and unloading of wagons particularly at week-ends, and provision for staff accommodation. The road haulage services will be used to relieve particular pressures on the railways.

Clearly, much will depend on effective local co-operation between the transport services and representatives of the traders. The railways are entitled in the circumstances to expect a determined effort on industry's part to keep traffic moving at week-ends; the spread of the five-day week in industry has increasingly forced transport itself into a five-day operating pattern that is a major impediment to the maintenance of a continuous flow of traffic. The ability of the 51 district committees, consisting of transport operators and users, to keep as many wagons on the move as possible during the worst of the winter is crucial to the success of the emergency exercise. Both sides will have their failures, but equally both have the highest responsibility to do their best.

* * *

Coal Stocks

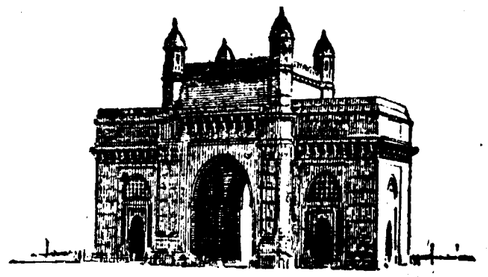
It has been obvious for weeks that distributed coal stocks would not reach the "safety level" of 18 million tons by the beginning of the coal winter next month. Sir Hubert Houldsworth, at a fuel economy conference this week, put the highest level that could be hoped for in a fortnight's time at 17 million tons. There seems some likelihood, however, that this may prove sufficient, assuming that the high production of recent weeks may be counted on to give extra supplies at least until Christmas. In the last two months, the mines have produced 1,600,000 tons more coal than in the same period last year; of this about 650,000 tons came from higher production during the five-day week and 950,000 tons from Saturday working. But Sir Hubert emphasised that "we have just about squeezed the orange of Saturday working dry—we cannot expect much additional tonnage from this source in future."

His remarks on stocks were rather less encouraging. "Although we have managed to get through each winter," as he put it, "we were living on our fat." At the end of the coal winter, in April each year, stocks had fallen from 10½ million tons in 1949 to 9½ million tons this year. Assuming that stocks reach 17 million tons by November, and winter consumption runs as expected, stocks are likely to be 7,000,000 tons at the end of the coming coal winter. This figure may give an illusory impression of security. During any week, just over four million tons of those stocks must be counted as in transit; coal is counted into stocks the moment it leaves the pithead. A total of 7,000,000 tons, therefore, indicates that the country as a whole has merely a week's supply to hand; this will inevitably mean that many consumers have less. At the beginning of the coal summer consumers are naturally less concerned with stocks; yet with the present trends of coal production and consumption, there is a case for as much general stocking as possible during the year—particularly given the difficulties of winter coal transport. The margin between enough fuel and a crisis need not be more than four or five million tons of coal, representing little more than two per cent of the country's total inland consumption. If the saving of this amount were spread throughout the year, it is difficult to feel that it would occasion much hardship or loss in industrial output: but when it is concentrated into a few weeks in late January and February, it can cut supplies sharply enough to bring some works to a standstill.

* * *

Self-Defence by Belgium

Belgium has taken further measures in the last few days to protect itself from the consequences of persistent and substantial creditor status within Europe. As this issue goes to press, it is reported from Brussels that Belgium intends to refuse to accept at parity any EPU currencies, other than Swiss francs—an intention that, if put into effect, would destroy EPU. The latest indications are that Belgium accumulated a further appreciable surplus in the EPU compensations for September and has once again absorbed the whole of the additional credit facilities put at the disposal of EPU when Belgium's original quota had been exhausted. The first step taken to remedy the situation was to block 5 per cent of the proceeds of all Belgian exports to EPU countries. This was designed to divert Belgian exports to hard-currency areas, but the move is not expected to yield sufficiently rapid results and may, in any case, be circum-



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vented. Given the existing dire shortages of many of the essential materials which Belgium has to sell—such as flax and steel—it may be possible for Belgian exporters to add the 5 per cent premium to the export price and thus shift the burden of the blocking to the shoulders of the buyers themselves.

In order to reinforce this general measure, it has been decided to reimpose strict export licensing in Belgium. The export licensing machinery has existed since the end of the war, but has fallen increasingly into disuse. Henceforth, however, applications are to be scrutinised strictly with a view to keeping Belgium's surplus with EPU countries within reasonable bounds. Among the instructions which have been issued to the Belgian licensing authorities are the verification of prices and credit terms. It has been discovered that by over-invoicing exports Belgian traders have to some degree lent themselves to a certain flight of capital into Belgium, the over-payments being held in that country on foreign account. The Belgian Foreign Exchange Control will also endeavour to scrutinise all in-payments so as to ensure that they are the counterpart of *bona fide* commercial transactions. Finally, Belgium has lifted all restrictions on investments of capital in European countries, other than Switzerland. The intention of these various measures is to reduce the surplus which Belgium is now running with its EPU colleagues. But, human nature being so perverse, the effect in the short run is likely to be the very reverse of that intended. Every sign that emphasises the strength of Belgium's position, every opportunity given to Belgian capital to seek employment abroad, forms another invitation for foreign capital to come into the country and seek the security of a manifestly strong currency.

* * *

Gold Premium Sales

Canada has quickly brought its arrangements for sales of gold into line with the new rules proposed last week by the International Monetary Fund. Gold producers in Canada have in the past been compelled to sell their gold at the official price to the Canadian Government. Henceforth they will be allowed to sell the gold in the free market, but subject to three conditions. The first is that they receive US dollars in exchange. The second is that such gold must be sold in sheet of 22-carat or less—that is, in the form in which gold is normally exported for industrial purposes. The third and most important stipulation made by the Canadian authorities is that producers who sell gold at a premium in free markets will not be eligible for assistance under the Emergency Gold Mining Assistance Act. Each mine which receives a subsidy based on its production costs will have to elect in advance whether it will continue to take the subsidy or to sell its output in the free market.

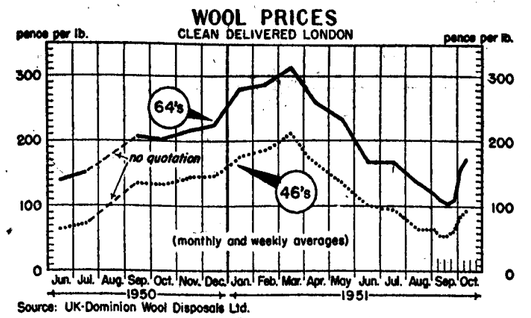
The choice set before Canadian gold producers will in some cases call for very nice calculations. High cost producers will no doubt prefer to hold on to the subsidy though it may be questioned whether the Emergency Gold Mining Assistance Act will be re-enacted in anything like its present form when it expires in two and a half months' time. On the other hand, those producers who elect to sell in the free market must take a view of the future course of the premium on the free market price, a prospect which is by no means easy to discern since the IMF gold arrangements introduce new factors into the situation. It is assumed in Canada that the greater part of the country's gold will in fact be sold in the premium market and, since that output is running at the rate of 4½ million ounces a year, the possible effects of such a volume of sales on the free market price cannot be disregarded.

Australia is still considering what move to make in response to the IMF decision. The Treasurer, Sir Arthur Fadden, told the House of Representatives this week that Australia has in the past pressed strongly for a higher world price for gold and will continue to do so. He added that the interpretation of the new statement, by which the International Monetary Fund leaves to individual countries the framing of their gold sales policy, was a matter of some difficulty. Discussions with representatives of the Australian goldmining industry have been taking place and the new arrangements that will be decided upon as a result of these talks will be announced later. The free market price of gold has, as yet, shown little reaction to the promise of a considerable increase in supplies. This week the quotation is $39-39¼ with no great amount of business passing.

* * *

Feverish Wool Prices

Last week, wool prices experienced the sharpest jump in history—up to 60 per cent in five days, putting completely in the shade the 30 per cent jump on the opening day of last season. At the beginning of this week, prices seemed firmly established on an upward course and there was another 10-15 per cent rise on Monday. But Tuesday brought signs of faltering, and on Wednesday an actual fall of 12½ per cent was recorded, only to be followed by a further fall of 17½ per cent on Thursday. Normally the Australian wool market sets the pace for dealings in the other dominions, but this week the lead came from South Africa where on Monday prices were already some 10-15 per cent down and on Tuesday there was a further fall of 15-20 per cent. The resultant of this see-saw in wool prices is that merinos 64's are now quoted at 145d. a lb against 167d. last week and 103d. at their low point in September. They are slightly above the level of June, 1950, but still quite appreciably lower than at this time last year. Prices for lower count wools have moved in sympathy.



Source: UK-Dominion Wool Disposals Ltd.

Japan led the bidding during the buying spree, with Western Europe and the United States adding to the competition. Bradford bought little or no wool. The Japanese wool textile industry has been expanding rapidly; the number of spindles and looms in operation last June was 50 per cent higher than in January, 1950. Japanese wool consumption this season might easily reach 75 million lb (clean), compared with 51 million lb in 1950, and recent buying on Japanese account suggests that such a rise is being attempted. Perhaps the reason behind the recent jump in wool was no more than psychological. Last March, manufacturers felt that wool prices had gone too far, and they waited only for the least break to cease buying; in September prices may have seemed to be on the low side and it needed only one determined buyer to make the others come in for fear of being left behind. There is certainly no sign of any general recovery in retail sales of textiles. In both the United States and in Europe they are still lagging. In Britain sales reached the lowest point of the year in September, but there are reports of a sudden revival in the first week of October. Perhaps the British public only moves when Dr Dalton shows the green light.

Lower Cotton Cloth Prices

The first of the utility price cuts may give Dr Dalton another talking point but it is in fact very small beer. The Board of Trade has announced that the price of utility cotton cloth will be reduced by about 5 per cent and cotton mixture cloths by half that amount. But two price systems have been in force in the industry. One was based on the peak prices of raw cotton reached in the summer, and it affected most of the cheaper cloths like poplins, ginghams and household textiles, prices of which were raised in July to allow for increases in raw cotton prices. The second price system covered all the more elaborate and better quality cotton fabrics that were only recently brought into the utility range. Here the maximum prices are based on the much lower prices ruling for raw cotton at the beginning of the year. The new order reducing prices does not apply to this second class of fabrics at all; it simply serves to cancel out the price increase granted in July for the cheaper cloths.

These changes will have no immediate effect on retail clothing prices. When the prices of the cheaper cloths were raised in July, the Board of Trade started discussions with manufacturers about the price of clothing made from cloth sold at this higher price. It has just been announced that the prices of such clothing are going up between one and five per cent. There will be a time-lag of several weeks before these prices are again reduced to bring them into line with the new, lower cloth prices. Moreover, the Board of Trade, having brought a wide range of better quality, and much more expensive cloths, into the utility scheme, has had to raise clothing prices in general by a big margin. It has already been announced that the top price for a cotton dress will be four guineas next year, compared with 27s. this summer. The price of underwear is rising by anything between three and thirty per cent depending on the cloth used. It remains to be seen whether consumers will be prepared to pay these prices simply for higher quality. In recent months there have been a growing number of instances where the maximum utility prices have proved to be higher than the market would bear. Whatever the market reaction, the trend seems to be towards higher, rather than lower retail prices. Any downward adjustments that are made may be expected to have, like this present example, an extremely narrow scope.

* * *

Rise in Metals

The tin market has been enjoying another of its minor booms. After a modest fall at the end of last week the price jumped by £44 on Monday to £1,006 a ton, rose to £1,015 on the following day but declined to £1,005 a ton on Wednesday. But although prices have been actively rising, trading has been quiet. A major factor has been the deadlock in the negotiations between the United States and Bolivia. The 30-day contract fixed a price of 112 cents a lb. (£896 a ton) with provision for raising the price for all deliveries from June if a higher price were agreed under a long-term contract. An American mission has been assessing the cost of producing tin in Bolivia, but its conclusions have not been made known. Nor has the United States given any indication of what it considers to be a reasonable price. Bolivia has asked for 150 cents a lb. (£1,200 a ton) and this request has been turned down by the American negotiators as "fabulous." Bolivia admits that 150 cents a lb. is above its average cost of production but maintains that if output is to be stimulated the price must cover the costs of their highest-cost producers. It is possible only to guess the outcome of these negotiations, but £1,000 a ton for tin may not be as unreasonable as it seemed a few weeks ago.

The Tin Study Group at its recent meeting found that divergent views of producing and consuming countries about short-term and long-term international co-operation had remained unchanged. Various topics were discussed including restriction of consumption and prices. Indonesia and the Belgian Congo declared that they would invoke the GATT provisions against discrimination if the United States agreed to pay more than 112 cents a lb. for Bolivian tin. This is the price that the United States pays for Dutch and Belgian tin. The official communique, incidentally, included a denial of any existence of a producers' cartel.

Last week official American prices for zinc and lead were raised by 2 cents a lb.; zinc is now 19½ cents a lb. (£156 a ton) and lead 19 cents a lb. (£152 a ton). British prices are appreciably above these levels—zinc is £190 a ton and lead £175 a ton—so that it is unlikely that they will be raised in sympathy with the new American prices. Nor will British prices to Commonwealth producers be raised unless the increase in the official American prices is more than 2 cents a lb. American price stabilisation policy is having limited effects so far as non-ferrous metals are concerned. Copper rose by 3 cents to 27½ cents a lb. (£220 a ton) after the order came into force, and now prices for zinc and lead have been increased. Free market prices for all three metals are well above their official quotations. The American Government intended to make the official quotations the fixed ceiling prices for imported metals. But since Europe is paying at least 21½ cents a lb. for Mexican lead and 30 cents a lb. for foreign zinc, this leverage has not been successful as it was in the case of tin.

* * *

Sharing of Nickel and Cobalt

Two more commodities are now to be allocated by the International Materials Conference in Washington. This week the IMC announced that 31,153 metric tons of nickel and 2,050 tons of cobalt are to be shared among 32 countries in the fourth quarter of 1951. The United States obtains the largest allocation of both metals—19,690 tons of nickel and 1,212 tons of cobalt—while Britain comes second with 5,088 tons of nickel and 329 tons of cobalt. These quantities represent a sharp cut in supplies for Britain compared with 1950. Last year, total imports of nickel concentrates, unwrought metal and nickel alloys averaged 7,250 tons a quarter, while imports of cobalt averaged 450 tons. The allocations to individual countries represent the amount of metal to be processed or consumed by each country in the fourth quarter whether obtained from home production, imports or both. During the current three months, accordingly, British consumption of nickel will be at a rate 30 per cent lower than in 1950, while consumption of cobalt will be 27 per cent lower. Since rearmament will require increasing quantities of both these metals, supplies for civilian purposes are likely to be reduced more drastically than these figures suggest.

The procedure adopted by the IMC for these two metals was similar to that used in allocating copper and zinc. Defence requirements of the various countries were first met in full, and the remainder was shared out proportionately according to the average consumption, this time in the three years 1948-50. For cobalt a certain amount was earmarked for stockpiling—a surprising step in view of the present scarcity of the metal. The IMC estimated current production of cobalt at 2,075 tons a quarter compared with requirements of over 4,000 tons. The amount of nickel available for allocation for the fourth quarter was estimated at 31,500 tons and requirements of participating countries amounted to 56,800 tons. Since both metals are so scarce, there seems to be a good case for leaving stockpiling until production has been expanded.

The fourth quarter allocation for sulphur has not yet been announced. The United States fought hard to reduce its total export commitments for the previous quarter, but

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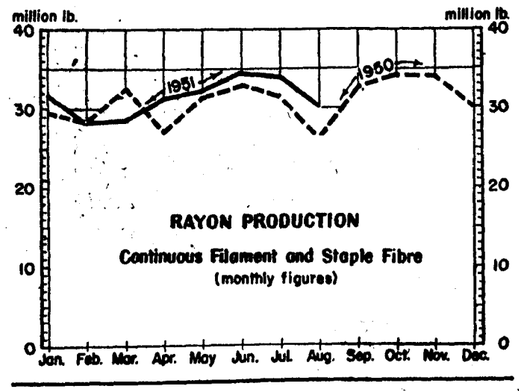
finally gave way to the pressure of other countries. This time, it would seem, a compromise had to be found, and the total allocation has been cut by 10,000 tons to 240,000 tons. Britain's allocation may thus be reduced by 4,000 tons to 86,000 tons. This cut has no major significance, but it might be a dangerous precedent. Hitherto recipient countries have regarded the initial allocations as the minimum they can expect in any future quarter. It is now realised that they can also be the maximum. The United States case for demanding a cut was to emphasise the need to develop alternative sources of sulphur. But the switch to pyrites and anhydrites has already begun, and it is not likely to be accelerated merely by allocating 10,000 tons less of elemental sulphur in the fourth quarter of this year.

* * *

Higher Rayon Output

Rayon output this year has shown a striking ability in overcoming apparently insurmountable difficulties. At the beginning of the year, the industry's allocations of sulphuric acid were cut by 15 per cent. A cut of at least 10 per cent in yarn output seemed inevitable, and for the first quarter of the year the figures were rather lower than in the comparable period of 1950. But since March, output has been consistently above that of 1950; the total for the first eight months of the year has reached 252 million pounds—some 12 million pounds higher than last year.

To increase output in such circumstances of difficulty is a remarkable achievement. In part it has been brought about by buying sulphuric acid and sulphur wherever they could be found, at fancy prices. Compared with an average price of nearly £16 a ton for imported American sulphur, British buyers paid an average of nearly £87 a ton for the odd 544 tons imported from other countries in August. These occasional supplies have served to eke out the sulphur allocation but there is no guarantee that they can be repeated. To a large extent, recovery in output is due to real economies in the use of acid and carbon disulphide, which will be of permanent advantage.



Sales of rayon have been affected by the general setback in the textile trades. It is true that exports for the first eight months of the year reached 167 million square yards of rayon and mixture cloth compared with 137 million square yards in the same period last year; but this year's larger figure was artificially inflated by the wave of panic buying earlier in the year, and in recent months shipments have been falling. At home there are said to be big stocks of unsold summer clothes made from rayon. Home sales are not helped by a curious anomaly in the utility schedules. Utility rayon and cotton fabrics had at one time to be made to detailed specifications. This year, the schemes have, with one exception, been amended so that a utility cloth need only meet a maximum price and a minimum standard of quality. But cloth made from rayon staple (output of which is running at about 15 million pounds a month compared with 18 or 19 million pounds of continuous filament rayon) is not included in the list. It is still controlled by the "detailed constructions" and for this reason is not popular at home and it is not easily sold abroad. Makers of rayon staple cloth thus had a reasonable hope that the regulations governing utility goods might soon be brought into line with the more flexible arrangements that now apply to continuous filament yarn.

These hopes are fading. At the GATT meetings held in Geneva last month, French, Dutch and Canadian delegates commented sharply on the way in which the utility schemes discriminated against imported textiles and claimed that the wider scope of the utility schedules now that they include higher quality goods had increased this discrimination. Sir Hartley Shawcross had to admit that the changes had produced this effect, although he pointed out that the whole system of purchase tax and utility schemes was being reviewed by a committee that was "looking towards a thorough overhaul of its mechanism as well as the problem of discrimination." It seems unlikely that the Board of Trade would be prepared to provide these critics with more ammunition by making any further changes in the scope of the utility schemes until the committee makes its report next year.

* * *

Dearer Meat

New and higher prices for Australian meat were announced by the Ministry of Food last week-end. In order to avoid divulging the actual contract prices, the Ministry contented itself with the statement that prices for first quality lamb would be raised by 17½ per cent, first quality mutton by 15 per cent, other grades by 10 per cent, first grade beef by 3d. a lb, second grade beef by 2½d. a lb, and other grades by 1½d. a lb. Increases expressed in this way have little or no meaning. Mr McEwen, the Australian Minister of Commerce, however, was more forthcoming. He appeared to have gained all his points at the negotiations and described the new arrangements as giving a price incentive for quality production in Australia. He had no qualms in disclosing the contract prices. First grade beef (hind quarters) will now cost A15.31d. a lb compared with 11.56d. a lb last season—an increase of 32 per cent; the increase for the lower grades was less, making an average rise of approximately 23 per cent. First quality lamb (lightweight carcases) are to go up from A13.83d. to 16.25d. a lb, and first quality carcase mutton from A7.27d. to 8.36d. a lb. No revised prices for New Zealand meat have yet been announced and, although the long-term contract stipulates a maximum variation of 7½ per cent, it is inconceivable that New Zealand would be paid a lower price than Australia.

If the total cost of food subsidies is not to be increased these higher prices will have to be passed on to the British public. The Ministry of Food could reduce the subsidy on other foods and increase it on meat. But if no such expedient is followed, retail prices of meat in this country will have to go up by another 3d. a lb to an average of 1s. 11d. a lb. The Ministry of Food is also expected to pay some 10 per cent more for Danish butter, which in turn would mean 10 per cent more for New Zealand and Australian butter and higher prices for cheese, bacon and eggs. If the index of retail prices does not rise by more than five points in consequence of these higher purchase prices, it would be surprising.

The price of meat is certainly approaching the point when rationing by coupon might no longer be necessary. Would the British public be any worse off on that account? At the present time, the Ministry of Food's pricing system ensures that the profit it makes on buying imported meat is

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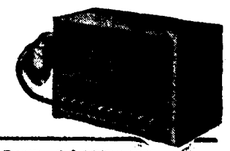

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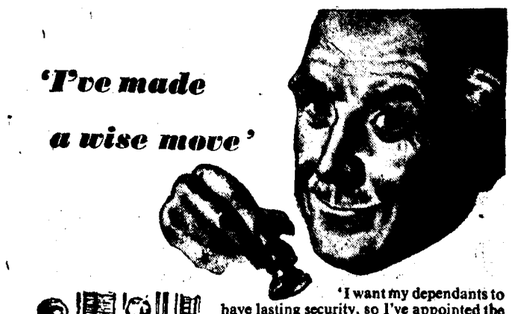

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used to offset part of the loss on home-produced meat. In the absence of equalised prices, prime English or Scotch beef might well rise by 6d. a lb or even more. But in compensation Australian and New Zealand mutton and lamb and Australian and Argentine beef might be 3d. or 4d. a lb cheaper than at present. The British public only enjoys "cheap meat" under rationing in those two periods of the year when home-fed meat provides the bulk of the weekly allocation. For the rest of the year it is paying more than it would under private importation.

* * *

Traffic Control for Comets

At a conference in London last week representatives from Commonwealth countries across which the Comet will operate regular passenger services from early next year discussed the necessary traffic arrangements. This is the first jet airliner, and indeed the first gas turbine airliner, to go into normal commercial operation, and its success will rest to a much larger extent than with a piston-engined aircraft upon the efficiency of ground services along its route. Most important of all is the way in which the Comet's take-off and landing is handled at the airports. The fuel consumption of a gas turbine, unlike that of a piston engine, does not fall with low speeds and it increases at low altitudes. To keep a machine like the Comet from climbing to its cruising altitude as rapidly as possible, or to delay its landing at a crowded airport for long periods, is to place an impossible burden on the operator in terms of the weight of fuel carried and the proportionate reduction in payload.

Five months of flight trials at London Airport have convinced the British authorities that the Comet can be fitted into the normal air control pattern, simply by reducing the wide margin of tolerance that affects existing facilities at most airports and weather stations. The fact that it is possible to delay the landing of piston-engined aircraft for an hour or more without calamitous consequences has led to a practice of "stacking" aircraft at various altitudes above the airport for an hour or more when bad weather makes landing difficult. Elimination of these traffic jams would benefit piston-engine operators: it is vital to those using jets. Experience at London Airport suggests that the one essential requirement is that radar contact should be made with the pilot while he is still 200 miles away and that this contact should be maintained until the plane has safely landed. The same requirement follows for successful take-off. In short, the traffic controller needs at all times to have information on the exact position of every aircraft within a 200-mile radius of his airport. In the London area there are sometimes as many as 70 machines on the radar screen; though some equipment has yet to be delivered, the London traffic controllers can already land aircraft in bad weather at intervals that never exceed five to seven minutes, and this figure is constantly improving.

Airports along the Comet's route have nothing like the traffic density of London, and the same equipment may not be an immediate necessity. But an airliner flying at twice the normal height needs weather forecasts for that altitude and this will entail considerable expenditure on improved meteorological facilities, the cost of which will most probably have to be met by the operators themselves. Weather forecasts for these high altitudes once again will lead to an immediate improvement in forecasting for the lower altitudes at which piston-engined aircraft are operating. As with traffic control, such an improvement is long overdue.

The success achieved in the past few years at London Airport with the Comet will no doubt be watched with interest from the United States. In many districts there traffic control in bad weather is open to improvement and this could become an important factor in the acceptance of gas turbine aircraft on the American airways. On the other hand, it may take the arrival of jet aircraft to spur the American authorities to approve the necessary expenditure on extra equipment.

* * *

Silver See-Saw

The markets for silver have been unusually agitated in past week. The first important movement was the reduction in the New York price towards the end of last week from 90.16 cents to 84.75 cents per ounce. This was immediately and automatically followed by a reduction in the London price for essential silver from 78½d. to 74d. per ounce. This week the New York price recovered to 88 cents and the London price duly followed to 77d. per fine ounce. These gyrations in the silver price are in part due to international transactions in silver based on cheap sterling. Some Dutch operators found it possible with the help of transferable sterling acquired at around $2.45 to the £ to buy exportable silver in London and offer it on the New York market. It was under the weight of this special selling order, supplementing a fair offering of Mexican and Cuban silver, that the New York price suddenly crumbled towards the end of last week. This could be regarded as a perfectly normal adjustment of the dollar price for silver to the sterling equivalent, calculated not at the official rate of $2.80 but at a figure nearer the current market price for transferable sterling of $2.45. This, however, proved a temporary factor in the market. The amount of exportable silver available in London is insufficient to influence the New York market, and given the existing regulations concerning the use of transferable sterling, the supplies of such sterling available to the operators in any particular country must be strictly limited. A fall in the price of silver would run against the basic trend of commodity prices, and the artificiality of last week's sharp collapse has been rapidly revealed.

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ADMINISTERS NATIONAL SAVINGS

Sterling Area Dollar Account

Among the items necessarily omitted from last week's study of the balance of payments White Paper was the important table showing the balance of dollar payments of the main components of the sterling area. The detailed information given in the White Paper is here summarised for the years 1949, 1950 and the first half of 1951:—

DOLLAR PAYMENTS OF THE STERLING AREA
(In Million $)

	1949	1950	1951 First Half
UNITED KINGDOM			
Current transactions	*—1109*	*— 300*	*— 305*
Capital transactions	+ 52	+ 477	+ 97
Total	*—1057*	+ 177	*— 208*
REST OF STERLING AREA			
Surplus or deficit with dollar area:—			
Dependent territories	+ 149	+ 376	+ 314
Other sterling area countries	*— 530*	+ 55	+ 101
Gold sales to UK	+ 234	+ 281	+ 115
Other items	+ 7	*— 8*	+ 2
Total	*— 140*	+ 704	+ 532
WHOLE STERLING AREA			
Dollar payments with non-dollar countries	*— 334*	*— 76*	+ 90
Net Gold and Dollar Surplus or Deficit	*—1531*	+ 805	+ 414

The figures show the traditional pattern—a deficit in direct United Kingdom-dollar area trade being more than made good by the dollar surplus of the rest of the sterling area. The improvement in the dollar deficit of the United Kingdom last year, after devaluation and import cuts, gave way to a serious deterioration in the first half of this year when the dollar deficit reached $305 million compared with $156 million in the corresponding period of last year. This deterioration was attributable wholly to higher dollar imports. Current dollar earnings of the United Kingdom in the six months were in fact higher—$687 million in the first half of 1951 as against $536 million in the corresponding months of 1950.

The dollar surplus of the rest of the sterling area and particularly of the dependent overseas territories in the first half of the year made the expected response to the rise in sterling area prices and to expanded purchases by the dollar countries of sterling area commodities. Unfortunately this agreeable picture changed markedly for the worse in the third quarter. The contribution of gold sales to the United Kingdom by the rest of the sterling area declined somewhat in the first half of this year, as a result of the growing diversion of newly mined gold to the free market. The gold and dollar account will probably lose further support from gold sales as a result of the new Monetary Fund dispensations on premium gold sales.

* * *

Sterling Capital Movements

The net surplus earned by the sterling area (excluding Britain) in its direct dollar trade was in part responsible for the increase in the sterling balances held in the United Kingdom by the rest of the sterling area. Another factor in the growth of the sterling balances from £2,730 million on December 31, 1950, to £3,098 million on June 30, 1951, was the surplus of $90 million secured in gold and dollar transactions between the whole sterling area and non-dollar countries. The main segment of these transactions is that represented by the payments cleared through the European Payments Union which provided the United Kingdom with an appreciable net receipt of gold in the first six months of this year. The major part, if not the whole, of this surplus was, however, earned by exports of sterling area produce to Europe and was therefore accompanied by a further growth of the balances held in London by other sterling area countries. The following table shows the main items in the capital transactions between the United Kingdom and the rest of the sterling area in 1949 and 1950 and the first half of 1951.

UK CAPITAL ACCOUNT WITH STERLING AREA
(In Million £)

	1949	1950	1951 First Half
Grants, etc.	*— 16*	...	...
Rest of sterling area deficit or surplus with dollar area	*— 89*	+ 154	+ 148
Purchase of gold from RSA	+ 68	+ 100	+ 41
Other inter-area transfers	+ 20	+ 208	+ 127
Other overseas investment by UK	+ 279	+ 134	+ 98
Changes in UK sterling liabilities	+ 11	*— 378*	*— 368*
Total of investment and financing	+ 273	+ 218	+ 46

The most striking fact revealed by this table is the extent of "other investments" by the United Kingdom in other sterling area countries over the first half of this year; the total amount of £98 million was at a rate appreciably higher than that maintained in the whole of 1950. The explanatory notes in the balance of payments White Paper dealing with this item point out that it includes a residual figure assumed to be of a capital nature and which has, therefore, been placed in this part of the account. It is impossible to link this figure of £98 million with what is known of the specific investments made in the first half of this year by the United Kingdom in sterling countries. It does, however, include a number of known commercial investments and it goes some way towards correcting the serious increase of £368 million in British liabilities to the sterling area in the first half of this year, following the increase of £378 million last year.

* * *

Profits and Dividends

Profits and dividends recorded by companies whose reports appear in the third quarter of the year are not in every way characteristic of the trends for industry as a whole. The latest figures, however, have particular relevance, first because of the Gaitskell "freeze" proposals, and secondly because of the freedom, not to say licence, of much comment on "high profits." The gross trading profit of 515 third quarter companies rose by fully one-quarter from £171.5 million to £218.6 million. This comparison reflects to the full the combination of rising prices, increased production and active trade that prevailed during the notional financial year to which these results can be attributed—roughly the twelve months ended last March. There have indeed been a few instances of sharp reversal—for example, from a small number of companies in wool and cotton textiles—but broadly speaking the latest figures continue a trend that has become familiar but may be in process of change. It is no accident that the stocks of these companies show a rise from £304.4 million to £343.6 million; evidently, an appreciable element in the latest increase in "profits" consists, as in earlier quarters, of inventory gains.

To those who argue that any increase in dividends is immoral and ought to be made criminal, there will be a talking point in the fact that even in a quarter of which only one month had elapsed when control of dividends by White Paper was introduced, net payments to ordinary shareholders rose by £2,600,000. This enormity sounds less serious when expressed in other ways—for example, the rise in dividends is equal to about one-twentieth of the rise in trading profits and to one-tenth of the rise in income tax and profits tax. The 2,580 companies whose reports have appeared in the past twelve months have increased their total income (again, making no distinction between real and "paper" increases) by nearly £250 million, of which the ordinary shareholder has participated to the extent of less than £20 million after tax—not, evidently, a fund from which any major increase in personal savings is to be expected. The figures in the first table deserve study both by those whose approach to company profits, provisions and dividends is concerned with the problem of maintaining and extending the amount and variety of Britain's productive capital, and by those whose attitude is governed by what passes for "psychology."

Attention is too commonly directed to percentage rates of dividend on issued capital, instead of the rate of return on the capital employed, for which issued shares merely represent a symbol of ownership. The second table brings up to date the usual calculations of the rate of earnings and dividends declared based on net worth. The third-quarter companies reported an increase in earnings from 13.3 per cent to 13.6 per cent based on net worth. This calculation makes allowance for profits tax at the full rate on a full distribution of earnings. The effective rate of dividend based on net worth, which represents the equity shareholder's real stake in industry, has risen from 5.5 per cent to 5.9 per cent.

PROFITS, PROVISIONS AND DEPRECIATION

	Reports Published July-September, 1951		Reports Published Oct., 1950–Sept., 1951	
	515 Companies		2,580 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	*171,520*	218,584	*1,025,218*	1,266,393
Income from investments	*15,088*	17,044	*80,199*	87,360
Other current income	*528*	937	*7,551*	7,182
Non-recurring credits	*8,153*	6,736	*43,508*	39,107
TOTAL INCOME	*196,287*	243,301	*1,156,476*	1,400,042
Repairs and maintenance	*1,440*	1,280	*7,611*	8,273
Depreciation	*25,576*	27,220	*163,115*	178,231
Income tax (excl. profits tax)	*55,802*	77,878	*347,027*	442,524
Profits tax	*21,389*	30,252	*109,910*	141,455
Directors' emoluments	*7,852*	8,765	*39,469*	42,774
Administration charges, etc.	*4,011*	4,654	*31,040*	34,737
Contingencies, provisions, etc.	*15,004*	19,803	*90,386*	108,481
Pensions	*2,242*	2,765	*16,348*	20,538
Minority share in profits	*3,409*	3,521	*16,163*	17,117
Profits retained by subsidiaries	*10,206*	13,443	*76,952*	90,927
Debenture interest	*4,156*	4,634	*23,234*	25,777
Preference dividends	*5,236*	5,259	*32,268*	32,185
Ordinary dividends	*20,860*	23,497	*121,381*	140,195
Revenue reserves	*13,140*	15,182	*76,638*	92,704
Brought in (parent company)	*33,725*	36,709	*200,304*	224,068
Carried forward (parent company)	*36,709*	41,857	*224,068*	248,192

NET WORTH EARNINGS AND DIVIDENDS
515 COMPANIES' REPORTS PUBLISHED JULY–SEPTEMBER, 1951

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	*289·1*	297·9
Real equity or net worth (i.e., net assets after deducting liabilities and prior charges)	*698·6*	760·0
Ordinary earnings*	*47·2*	57·3
Ordinary dividends†	*20·9*	23·5
Earnings rate per cent :—		
On issued capital	*31·9*	34·7
On net worth	*13·3*	13·6
Dividends rate per cent :—		
On issued capital	*13·1*	15·0
On net worth	*5·5*	5·9

* Including amounts retained by subsidiaries and after tax. † After tax.

Shorter Note

The draft scheme prepared by the British Transport Commission some months ago for passenger fares is now under consideration by the Transport Tribunal. The original scheme (which was outlined in *The Economist* of April 21st) contemplated increases in fares which would have the effect of producing an additional £17 million net revenue. On Wednesday, however, Sir Malcolm Trustram Eve, K.C., who is presenting the Commission's case, disclosed that amendments to the original scheme are to be submitted which if approved would produce £4,000,000 more from London and £250,000 more from outside London.

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Company Notes

Thomas W. ward.—The complexity of T. W. Ward's interest in iron and steel, plant, cement, road materials and non-ferrous metals is matched by a complicated set of accounts, but no shareholder will cavil at the year's trading results. Group trading profits have risen from £1,635,611 to £2,017,232. Even more striking is the jump in the separate item "exceptional income" from £85,668 to £539,952. This results from the surplus of £506,567 on the vesting of subsidiaries' shares in the Iron and Steel Corporation; the sum has been transferred to the parent company's capital reserve. A taxation provision of £1,078,721, against £822,641, has cut deeply into profits, but the year's earnings have enabled the company substantially to reinforce its reserves. Apart from retentions by subsidiaries of nearly £200,000, against £234,000, the principal items are a contingencies provision of £200,000, against nil, and the transfer of £200,000 to general reserve as in the previous year. The directors, besides repeating the ordinary dividend of 15 per cent., have made provision for the payment of a further 5 per cent. on the equity capital, the distribution of which depends upon the result of the general election.

	Years to June 30, 1950	1951
Consolidated Earnings :—*	£	£
Trading profit	1,635,611	2,017,232
Total income	1,822,348	2,637,291
Depreciation	209,696	208,087
Taxation	822,641	1,078,721
Group earnings for ordinary stock	*471,076*	*426,548*
Ordinary dividends	90,750	88,000
Ordinary dividends (per cent)	15	15
Retained by subsidiaries (*a*)	184,149	169,006
Dividend reserve	...	(*b*) 42,000
Added to general reserve and carry forward	281,845	161,227
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	2,552,968	2,503,203
Net current assets	2,914,960	4,125,882
Stocks	2,587,888	2,614,595
Cash	429,158	1,105,542
Reserves	3,202,404	4,114,642
Ordinary capital	1,100,000	1,100,000

£1 ordinary stock at 76s. 10½d. yields £3 18s. per cent.
* Excludes profits of two subsidiaries now vested in Iron and Steel Corporation.
(*a*) General reserve and added to carry forward only. (*b*) Including participating rights of employee's shares.

The balance sheet is equally impressive. In particular, it shows a comfortable liquid position. Cash balances have risen from £429,158 to £1,105,542 and a further £250,000 appears as "cash on short term loan." In addition the vesting of the two subsidiary companies is reflected in the increase in investments from £16,219 to £163,326, the greater part consisting of British government securities. The year's results suggest that the company's works have been working to full capacity, and there seems little reason to believe that this happy position will be materially altered in the current financial year. Shareholders may also be wondering whether a Conservative victory might mean the return of Birchley Rolling Mills Ltd. and Wolverhampton Iron and Steel Ltd., now nationalised, to the group.

★

Qualcast.—Total turnover of the group increased by some 24 per cent. in the financial year ended June 30, 1951, and group trading profits advanced from £507,088 to £731,940. In view of these excellent results the directors had decided to recommend a final dividend of 27½ per cent., making a total of 40 per cent. for the year. The White Paper on dividend limitation, however, interfered with this intention and the directors have decided to recommend a final dividend of 18½ per cent. making, together with the interim dividend of 12½ per cent., the "standard" dividend of 31 per cent. A sum of £16,860 net, however, has been reserved so that a further dividend of 9 per cent. can be distributed as and when circumstances permit. Equity shareholders will also recognise the soundness of the chairman's remarks that as reserves now equal 287.6 per cent. on the issued ordinary capital "it is obvious that a further issue of bonus shares is due in order to bring the issued capital of the company more into line with the capital really employed."

	Years to June 30, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	507,088	731,940
Depreciation	54,778	74,480
Taxation	207,766	327,189
Group earnings for ordinary stock	*166,519*	*225,143*
Ordinary dividends	60,746	58,074
Ordinary dividends (per cent)	32½	31
Dividend reserve	...	16,860
Added to general reserve and carry forward	105,773	167,059
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	526,719	599,617
Net current assets	677,854	858,336
Stocks	486,203	479,055
Cash	137,800	280,566
Reserves	789,757	1,026,125
Ordinary capital	339,837	356,829

5s. ordinary stock at 41s. 3d. yields £3 15s. per cent.

A shortage of certain raw materials may largely account for the fall in the value of stocks from £486,203 to £479,055, a somewhat unusual occurrence in a year of rising prices and increased turnover. Shortages have not found their reflection in output, which so far this year is running ahead of schedule; moreover, the company is planning to step up production, for the chairman refers to a reorganisation of the Derby works, which should be completed next Spring and which will cost some £300,000.

★

Ferranti.—The extension of the manufacturing capacity of the Ferranti group of electrical and general engineers has contributed much to the remarkable trading results; output has risen by 30 per cent. and group trading profits have almost doubled from £718,969 to £1,427,467. The company's Canadian subsidiary has also substantially increased its turnover and profits, but a further loss has been made by the American subsidiary despite an increase in output. The flow of orders has been so great that at the end of the year the company had a record order book of £12½ million.

	Years to June 30, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	718,969	1,427,467
Depreciation	134,714	169,140
Taxation	302,895	687,472
Ordinary dividends	16,500	15,750
Ordinary dividends (per cent)	6	6
Added to group general reserves and carry forward	211,071	488,270
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	1,449,935	1,678,387
Net current assets	917,110	1,208,900
Stocks	2,237,241	2,938,438
Cash	13,077	32,948
Reserves	892,063	1,394,451
Ordinary capital	500,000	500,000

Pressure on manufacturing capacity has been so intense that further works extensions, especially to the new factory at Hollinwood where power transformers are manufactured, are in progress. Modernisation and extension of plant and the beginning of the new development programme are reflected in the rise in the net book value of fixed assets in the latest financial year from £1,449,935 to £1,678,387 and this may be overshadowed in the current year, for outstanding capital commitments were estimated at June 30th last at £753,000. Additional investment in working capital and the fixed capital programme have imposed a considerable strain on liquid resources; cash balances total only £32,948, against £13,077, and the bank overdraft has been increased from £1,140,481 to £1,618,575. The fact that the ordinary shares of the company are held privately limits the investment interest in these excellent results.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 3, 1951	Price, Oct. 10, 1951	Net Yield, Oct. 10, 1951 (*a*)	Gross Yield, Oct. 10, 1951
			£ s. d.	£ s. d.
War Bonds 4½%	101⅛	101⅛	0 4 11	1 10 4
Mar. 1, 1951-53			...	...
War Bonds 2½%	101⅛	101⅛	0 11 8	1 16 4
Mar. 1, 1952-54				
Exchequer Stk. 2½%	101⅛	102	0 10 6	1 12 7
Feb. 15, 1955				
War Bonds 2½%	102⅛	103⅛	0 2 10	1 7 5
June 15, 1952-57			1 1 11	2 9 4
Nat. Defence 3%	103⅛	103⅛	0 5 7	1 16 0
July 15, 1954-58			1 0 7	2 9 7
War Loan 3½%	103½*	103½*	0 12 5	2 0 3
Oct. 15, 1955-59			1 1 8	2 9 6
Savings Bonds 3%	97⅛	97⅛	2 1 9	3 14 11
Aug. 15, 1955-65			1 15 6	3 4 9
Funding 2½%	97⅛*	98*	1 15 6	2 19 5
April 15, 1956-61			1 10 9	2 14 9
Funding 3%	92⅛*	92⅛*	2 12 8	4 2 4
April 15, 1959-69			2 1 4	3 11 1
Funding 3%	94⅛	94⅛	2 0 7	3 10 7
Aug. 1, 1966-68			1 19 8	3 9 7
Funding 4%	103⅛*	103⅛*	1 12 7	3 9 7
May 1, 1960-90			1 19 3	3 16 2
Savings Bonds 3%	92⅛	92⅛	2 10 11	4 1 2
Sept. 1, 1960-70			2 1 4	3 11 6
Savings Bonds 2½%	89⅛*	90⅛*	2 4 4	3 9 5
May 1, 1964-67			2 1 2	3 6 3
Victory Bonds 4%	104⅛	104⅛	1 15 0	3 12 3
Sept. 1, 1920-76				
Savings Bonds 3%	89⅛	90⅛	2 8 11	3 19 8
Aug. 15, 1965-75			2 2 5	3 13 2
Consols 4%	97⅛	97⅛	2 5 1	4 2 5
(after Feb. 1, 1957)				
Conversion 3½%	87⅛	87⅛	2 1 11	3 11 8
(after Apr. 1, 1961)				
Treasury Stk. 2½%	63⅛	64⅛	2 0 7	3 17 5
(after Apr. 1, 1975)				
Treasury Stk. 3%	75⅛*	76⅛	2 1 5	3 18 11
(after Apr. 5, 1966)				
Treasury Stk. 3½%	95⅛	95⅛	2 1 6	3 16 8
June 15, 1977-80			2 1 2	3 16 11
Redemp. Stk. 3%	82⅛	84	2 4 9	3 16 10
Oct., 1986-96			2 2 8	3 14 10
War Loan 3½%	87⅛	87⅛	2 2 4	4 1 2
(after Dec. 1, 1952)				
Consols 2½%	65*	65⅛	1 19 10	3 16 0
Brit. Elect. 3% Gtd.	90⅛	90⅛	2 5 10	3 16 2
April 1, 1968-73			2 2 11	3 13 4
Brit. Elect. 3% Gtd.	89⅛	89⅛	2 3 9	3 14 5
Mar. 15, 1974-77			2 2 7	3 13 3
Brit. Elect. 3½% Gtd.	96⅛	95⅛*	2 1 2	3 15 1
Nov. 15, 1976-79			2 0 9	3 14 9
Brit. Tpt. 3% Gtd.	83⅛	84⅛	2 7 10	4 0 2
July 1, 1978-88			2 4 4	3 16 10
Brit. Tpt. 3% Gtd.	90⅛	90⅛	2 5 11	3 16 4
April 1, 1968-73			2 3 0	3 13 5
Brit. Gas Gtd. 3%	82⅛*	82⅛*	2 4 10	3 17 1
May 1, 1990-95			2 3 9	3 16 2
Brit. Gas Gtd. 3½%	98⅛	98⅛	1 19 4	3 13 4
Sept. 10, 1969-71			1 19 1	3 13 1
Brit. Iron & Steel 3½%	94⅛	95⅛	2 1 6	3 16 1
Feb. 15, 1979-81			2 1 3	3 15 10

(*a*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields are calculated after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years 3 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Price, Oct. 3, 1951	Oct. 10, 1951	Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	8½xd	8⅝*	3 11 1
30	30	Anglo-Iran £1	5⅝	5⅝	5 7 10
20	17½	Assoc. Elec. £1	88/5	90/-	4 8 11
27½	25	Assoc. P. Cem. £1	109/4½xd	111/10½*	4 18 4
35	30†	Austin 5/-	33/9	35/-	5 0 0
25†	23·4†	Bass £1	148/1½	149/4½	6 7 6
40	20 *m*	Boots 5/-	26/3	26/3	3 16 2
10	9	Br. Celanese 10/-	37/9	41/9	2 3 1
20	20	Br. Oxygen £1	97/0	98/-	4 1 8
12½	12½	Coats £1	58/9	61/3	4 1 8
11½	9⅝	Courtaulds £1	49/-	51/-	4 8 3
22½	21½	Distillers 4/-	22/6	23/6	3 16 7
17½	16⅛	Dunlop £1	66/3	68/-	5 2 11
12½	11½	Ford £1	58/1½	58/1½	4 6 0
22½	20	Gen. Elect. £1	94/6	96/6	4 13 3
32	30½	Guinness £1	141/10½	143/1½	4 9 5
32½	8⅝ *m*	Hawker Sid. £1	38/6	38/6	5 3 11
12	11	Imp. Chem. £1	51/7½xd	51/10½*	4 12 6
32	32	Imp. Tobacco £1	101/3	103/9	6 3 4
12½	11½	Lancs. Cotton £1	45/7½	47/6	5 5 3
13½	11½	Lever £1	55/-	56/3	4 16 10
15	15	Lon. Brick £1	62/6	62/6	4 16 0
75	65½ *m*	Marks & Sp. A 5/-	98/-	100/-	3 15 0
16	11	P. & O. Def. £1	45/6	46/-	4 12 9
25	25	P. Johnson 10/-	44/-	44/6	5 12 4
12½†	9·7†	"Shell" Stk. £1	95/-	96/10½	4 18 3
25	25	Tube Invst. £1	6½	6½	3 16 11
20	17½	T. & Newall £1	98/1½	100/7½	3 19 6
10	9	Union Castle £1	39/6	40/-	5 0 0
50	33⅓	U. Sua Betong £1	67/6	72/6	13 15 10
12½	9⅜	Vickers £1	50/3xd	51/- *	4 18 0
42½	38⅛	Woodworth 5/-	47/-	48/9	4 7 2

(*h*) Yield basis 20% after capital bonus. (*k*) Yield basis 10½%. (*m*) Allowing for capital bonus. (*n*) Yield basis 9% * Ex dividend. † Free of tax.
(*p*) Yield basis 10½% after capital bonus.

Statistical Summary

EXCHEQUER RETURNS

For the 6 days ended October 6, 1951, total ordinary revenue was £69,073,000 against ordinary expenditure of £79,636,000 and issues to sinking funds £538,000. Thus, including sinking fund allocations of £9,618,000 the deficit accrued since April 1, 1951, is £37,393,000 compared with a surplus of £64,889,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand): April 1, 1950 to Oct. 7, 1950	April 1, 1951 to Oct. 6, 1951	Week ended Oct. 7, 1950	6 Days ended Oct. 6, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	393,560	460,842	14,290	15,647
Sur tax	128,000	36,100	36,800	900	1,000
Estate, etc., Duties	180,000	95,150	98,900	3,700	3,600
Stamps	55,000	25,500	32,500	800	1,000
Profits Tax	312,650	132,570	162,400	8,800	6,300
E.P.T.		8,250		300	
Other Inland Rev.	500	60	95	...	...
Special Contribtn.	1,500	2,900	1,740	100	100
Total Inland Rev.	2302400	694,090	793,277	28,890	27,647
Customs	930,500	455,708	511,037	17,355	23,174
Excise	720,500	354,200	382,700	5,200	5,300
Total Customs and Excise	1651000	809,908	893,737	22,555	28,474
Motor Duties	62,000	10,605	12,230	468	287
Surplus War Stores	20,000	23,686	21,600	15	589
Surpl's from Tradg.	50,000	30,974	65,927	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	4,650	5,000	...	...
Sundry Loans	27,000	18,074	18,980	...	...
Miscell. Receipts	105,000	49,083	41,888	7,083	12,076
Total Ord. Rev.	4236400	1641071	1852639	59,011	69,073
SELF-BALANCING					
Post Office	179,431	84,700	93,600	2,500	2,600
Income Tax on E.P.T. Refunds	4,900	4,960	2,730	181	60
Total	4420731	1730731	1948969	61,692	71,733

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand): April 1, 1950 to Oct. 7, 1950	April 1, 1951 to Oct. 6, 1951	Week ended Oct. 7, 1950	6 Days ended Oct. 6, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	261,512	264,307	24,380	24,274
Payments to N. Ireland	38,000	18,686	19,051	1,381	1,360
Other Cons. Funds	11,000	4,433	4,958	202	2
Total	584,000	284,631	288,316	25,863	25,636
Supply Services	*3425640	1282362	1592098	57,760	54,000
Total Ord. Expd.	*4009640	1566993	1880414	63,563	79,636
Sinking Funds	...	9,195	9,618	432	538
Total (excl. Self-Bal. Expd.)	4009640	1576187	1890032	63,995	80,174
SELF-BALANCING					
Post Office	179,431	84,700	93,600	2,500	2,600
Income Tax on E.P.T. Refunds	4,900	4,960	2,730	181	60
Total	4193971	1665847	1986362	66,676	82,834

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (*£160 million*).

After increasing Exchequer balances by £604,215 to £5,319,296, the other operations for the week increased the National Debt by £28,878,867 to £26,505 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	700
E.P.T. Refunds	74
Tithe Act, 1936, s. 26(1)	1,120
Export Guarantees Act, 1949, s. 3(2)	10
Housing (Scotland) Act, 1950	433
Local Authorities Loans Act, 1945, s. 3(2)	5,600
New Towns Act, 1946, s. 12(3)	1,200
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Overseas Resources Development Act, 1948, s. 17(1) Colonial Development	750
Miscell. Financial Provisions Act, 1946, s. 2(1): War Damage: Board of Trade	3,000
War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	285
	17,172

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	68,953	Nat. Savings Certs.	300
Tax Reserve Certs.	5,203	2½% Def. Bonds	1,930
Ways & Means Advances	5,200	3% Def. Bonds	289
		Other Debt:	
		Internal	1,295
		External	6,505
		Treasury Deposits	40,000
	79,356		50,479

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Oct. 7	3130·0	1820·0	467·6	2·7	530·0	5950·3
1951						
July 7	3220·0	2155·1	342·8	...	344·5	6062·4
„ 14	3230·0	2129·1	373·2	...	344·5	6076·8
„ 21	3230·0	2161·9	339·4	...	344·5	6071·9
„ 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
„ 11	3220·0	2164·2	280·2	...	379·5	6043·9
„ 18	3230·0	2212·0	296·6	...	355·0	6093·6
„ 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3230·0	2287·7	326·7	...	290·0	6134·4
„ 8	3230·0	2311·5	306·9	...	290·0	6138·4
„ 15	3230·0	2378·4	328·2	...	265·0	6201·6
„ 22	3230·0	2374·7	354·6	...	265·0	6224·4
„ 30	5596·3		342·4	...	290·0	6228·7
Oct. 6	3230·0	2435·2	347·6	...	250·0	6262·8

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Oct. 6	250·0	312·3	250·0	10 3·23	74
1951					
July 6	250·0	324·1	250·0	10 3·19	70
„ 13	250·0	345·2	250·0	10 2·81	61
„ 20	230·0	323·8	230·0	10 2·84	60
„ 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
„ 10	260·0	354·1	260·0	10 2·78	62
„ 17	260·0	341·4	260·0	10 3·02	68
„ 24	260·0	318·7	260·0	10 3·36	77
„ 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
„ 14	250·0	332·1	250·0	10 3·07	67
„ 21	240·0	335·9	240·0	10 2·87	63
„ 28	260·0	338·7	260·0	10 2·98	68
Oct. 5	250·0	327·4	250·0	10 3·13	69

On October 5th application for 91 day bills to be paid from October 3 to October 13, 1951, were accepted dated Monday to Saturday as to about 69 per cent at £99 17s. 6d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of *£260 million* were offered on October 12th. For the week ending October 13th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Totals 26 Weeks ended Sept. 30, 1950	Totals 26 Weeks ended Sept. 29, 1951	Week ended Sept. 29, 1951
Savings Certificates :—			
Receipts	42,700	87,200	2,300
Repayments	67,100	70,900	2,000
Net Savings	*Dr24,400*	16,300	300
Defence Bonds :—			
Receipts	8,710	26,809	1,345
Repayments	25,924	34,501	1,460
Net Savings	*Dr17,214*	*Dr 7,692*	*Dr 115*
P.O. and Trustee Savings Banks :—			
Receipts	321,526	338,388	12,351
Repayments	350,596	413,347	12,610
Net Savings	*Dr29,070*	*Dr74,959*	*Dr 259*
Total Net Savings	*Dr70,684*	*Dr66,351*	*Dr 74*
Interest on certificates repaid	14,649	17,318	500
Interest accrued	62,601	62,863	2,450
Change in total invested	— 22,732	— 20,806	1,856

BANK OF ENGLAND RETURNS

OCTOBER 10, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1352,107,311	Other Govt. Securities	1385,747,738
In Bankg. Department	48,249,512	Other Secs.	724,191
		Coin (other than gold)	2,512,971
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	342,092,853
Rest	3,153,548	Other Secs.	39,983,564
Public Depos.:—	18,878,349	*Discounts and*	
*Public Accts.**	*18,796,768*	*Advances*	*15,792,097*
H.M. Treas. Special Acct.	*81,581*	*Securities*	*24,191,457*
Other Depos.:—	394,443,886		
Bankers	*300,247,599*	Notes	48,249,512
Other Accts.	*94,196,487*	Coin	702,894
	431,028,813		431,028,813

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

COMPARATIVE ANALYSIS
(£ million)

	1950	1951		
	Oct. 11	Sept. 26	Oct. 3	Oct. 10
Issue Dept. :—				
Notes in circulation	1281·0	1348·9	1352·3	1352·1
Notes in banking department	69·4	51·5	48·1	48·2
Government debt and securities*	1345·2	1396·7	1396·7	1396·7
Other securities	0·8	0·8	0·8	0·7
Gold and Coin	4·6	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	16·5	16·6	18·3	19·8
Treasury Special Account	266·4	1·1	1·1	0·1
Bankers	300·9	289·9	297·2	300·2
Others	91·9	91·2	94·9	94·2
Total	675·7	398·8	411·5	413·3
Securities :—				
Government	567·7	319·6	336·1	342·1
Discounts, etc.	28·7	19·0	21·3	15·8
Other	25·0	26·1	23·7	24·2
Total	621·4	364·7	381·1	382·1
Banking dept. res.	72·1	52·4	48·9	48·9
	%	%	%	%
"Proportion"	10·6	13·1	11·8	11·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 6d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 4	78·5	84·75	187 7	109 6
„ 5	74·6	88·00	186 13	109 6
„ 6	Markets Closed		186 9	108 11
„ 8	77·0	88·00	186 2	107 13
„ 9	77·0	88·00	Market Closed	
„ 10	77·0	88·00	186 7	108 2

COMPANY MEETINGS

THE ALUMINIUM CASTINGS COMPANY

YEAR OF GREAT ACHIEVEMENT

MR R. K. CALDER ON THE IMPROVED LEVEL OF EARNINGS

The forty-fifth annual general meeting of The Aluminium Castings Company, Limited, was held on October 5th in Glasgow, Mr R. K. Calder, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:—

The year just passed has been one of great difficulty but also one of great achievement in all spheres of the group's activities. Overall group turnover advanced by over 70 per cent. and total sales closely approached £2,000,000 with trading profits more than doubled. The group earnings before taxation advanced sharply from £25,717 to £100,532.

Profits have been curtailed by ever-rising production costs, far from fully recovered by increases in selling prices, but your directors consider that a policy of restraint is justified in the long run, and members have the satisfaction of knowing that the improved level of earnings now reported arises from reduced profit margins on a very substantially increased level of real output.

REVIEW OF SUBSIDIARIES' ACTIVITIES

There was brought into production last year a new design of washing machine marketed under the registered trade mark of "Swirlux." The new machine has been a marked success, and I think it can be claimed as a result of the independent test reports received that it is second to none in washing efficiency and capacity.

I am satisfied that the "Swirlux" range of machines are destined to enjoy a substantial demand when conditions again permit of all-out production.

I come now to the most important development of the year—the re-entry of Burnley Aircraft Products, Limited, to the aircraft industry—and I am very pleased to announce that the company is now actively engaged on the jet engine programme.

Aluminium Bronze Company, Limited, despite the very special difficulties to which I referred last year, in regard to price fluctuations of copper, their basic raw material, made very substantial progress, and tonnage output increased by 50 per cent. Orders in hand are at record levels.

Atkinson's Agricultural Appliances, Limited, have suffered particularly from increasing costs and erratic supply of material. During the year there was developed a new patented type of hydraulic manure spreader, which at the various summer agricultural shows created a very favourable impression, and a very satisfactory order-book is now building up on this new model. There was also developed last year a new type of road gritter and spreader for use by local authorities, and this also has had an excellent reception.

In December last the David Brown Tractor organisation, after a series of tests, adopted the Atkinson spreaders as standard equipment and a range of these models are now marketed under the name "David Brown Atkinson." This close association should prove to be of considerable benefit to our company.

The Verichrome plating companies—at Walsall and Larkhall respectively—and Makmoroom, Limited, all made satisfactory progress during the year.

Last in this brief survey of the subsidiary companies is Scottish Aluminium Ware, Limited, where I am particularly glad to report that a most marked recovery took place.

The parent company's foundry at Greenock has enjoyed a year of brisk activity and achieved record output, which has been further added to in the current year.

Coming now to the prospects for the current year, I am sure that members will be glad to learn that up to date both turnover and trading profits for the group are substantially increased—fully 50 per cent.—over the corresponding period of last year. To that extent, therefore, the current year starts off well.

The group is already heavily committed in the rearmament field. I am reasonably confident, therefore, that declines in our normal activities will be fairly well matched by the upsurge of defence orders output, provided always that adequate material is available even for high priority work.

The report was adopted.

THE JAVA INVESTMENT, LOAN AND AGENCY

The forty-first annual general meeting of The Java Investment, Loan and Agency, Limited, was held on October 8th in London, Mr T. E. Baring (the chairman) presiding.

The following is an extract from his circulated statement:—

The profit disclosed, after provision of United Kingdom taxation of £32,500, is £59,161. This profit, however, included net income from the subsidiaries for the previous year amounting to £14,904, and a truer comparison of results can be obtained from the revenue statement which shows gross revenue from the holding company and its subsidiaries for 1950 of £128,385, compared with £77,101 in the previous year. After expenses and provision for taxation in London and the East these figures are reduced to net amounts of £44,257 and £31,451 respectively.

DIVIDEND LIMITATION

It was our intention, subject to receipt from Indonesia of a remittance of the profits for 1950, to increase the normal dividend to a total for the year of 7½ per cent., and to pay a bonus of 2½ per cent. in respect of previous years' profits. Unfortunately, this remittance was not despatched until early August, by which time the unexpected and wholly unjust White Paper on dividend limitation had been published. To keep within the proposed limits the directors have been able to recommend a final dividend of 2½ per cent. only, bringing the total to 5 per cent. for the year. The balance of 5 per cent. (including the 2½ per cent. bonus) that would have been paid has, however, been placed to a dividend reserve and will be distributed as and when possible.

Dividend limitation will also, of course, affect our income from general investments, but with the increased dividends received during the first part of the year, particularly from rubber and sisal producing companies, it is anticipated that total revenue from this source will be no lower in the current year than in 1950. With rising costs and reduced selling prices for rubber we shall be satisfied if our dividends from the subsidiaries for 1951 are equal to half those received for the previous year.

INDONESIA

It is difficult to sum up the position in this country. Security conditions are somewhat better in that European planters are not in such danger of attack as previously, while damage to estates is now not common. Law and order, however, are by no means established and robbery, especially of crops on estates and of produce between estate and ship, reaches in some cases alarming proportions. In these respects thus far your estates have come off fairly well. Taxes, export duty and reduced receipts for produce due to currency manipulations add up to an almost intolerable burden on primary producers. On the top of all this, extravagant demands by labour unions and poor productivity, both of which result from ill-discipline, are causing ever-increasing costs of production. Serious inflation, of course, is at the root of much of the trouble. Our estates still show a margin between cost and selling price on both rubber and coffee, but that margin is decreasing. On the estates, field work is more or less limited to what is necessary to ensure crops coming in, while buildings and plant are, for the time being, no more than adequate to house staff and labour and to process crops. If, later, the general position warrants it, heavy expenditure will be required to put estates and buildings in really good order and up to requirements. A further great difficulty is to maintain trained staff on the estates—Europeans are rather loath to remain in Indonesia—while the supply of efficient Indonesians is entirely inadequate, anyway for estate management purposes. A good point is that there is an ample supply of estate labour. To sum up—unless at no distant date there is very real improvement in practically every direction, planting companies long established in Indonesia may have to consider whether they should cease to operate.

MALAYA

Our interests in Malaya, of which Beradin is the chief, are providing us with good returns, but the remarks I made last year about the anxieties which beset all who are interested in that country can be repeated today with even greater emphasis. The determined efforts which the Government is making to overcome and end the menace of banditry have in the first instance increased the number of incidents and murders. The bandits have been compelled to come out into the open and fight for the money and food they require for their sustenance and, as a result, more of them are being killed or captured. To that extent the situation has improved.

While selling prices of rubber have contributed towards better returns, I hesitate to suggest that these high prices have been all to the good. Costs of production have risen steeply, assisted by a harsh application of increased export duty, while the industry now faces a threat of frozen credits to be disgorged at some later date when lower prices and less prosperous conditions justify. Such a plan is meeting with the opposition it deserves. Estate owners are painfully aware that six years after the end of the war they still await payment of war compensation for the damage they suffered as a result of the Japanese invasion.

EAST AFRICA

Our East African interests progress satisfactorily. Sisal companies are earning good returns. The price of the commodity is, however, at such a fantastic figure that, while it suits us in the short view, I question whether it is to our advantage in the long. Binder twine has been the chief use of sisal fibre in past years and farmers are becoming reluctant to use it in the face of today's prices. It is to be hoped that sisal producers will engage in vigorous research, both commercial and agricultural, with the object of protecting the future of this industry.

Our tea interests in Kenya are progressing according to plan. In spite of a severe drought in 1950, the planting programme has proceeded satisfactorily. I would again remind you that this is a long-term investment from which we cannot expect quick returns.

The report was adopted.

POWELL DUFFRYN LIMITED

The annual accounts to March 31, 1951, were presented at the annual general meeting held on October 10th. The following is an extract of the statement of the chairman, Sir Herbert Merrett:—

When, after the vesting of our colliery assets, new ventures were embarked upon, it was known there would be a period when certain investments would yield no income. A policy of moderate dividend distribution and building up of the carry-forward of our profit and loss account was adopted. We are passing through this period now but, with the expectation of new and substantial income from 1953 onwards, the specially created carry-forward may remain intact. It is, however, available for payment of reasonable dividends if current earnings are insufficient.

Our exporting houses continue to trade in the movement of coal from one country to another. At unbelievable cost, this country has lost its hold on its export markets and British-owned coaling depots are largely dependent upon foreign coals to earn profits taxable in this country. It would be idle to pretend that this is a passing phase.

By virtue of their service to producer and consumer, Stephenson Clarke Limited (and their subsidiary and associated companies) have been able to maintain the volume of their trade at home.

The Stephenson Clarke fleet of ships is fully employed, new tonnage is being added year by year, and the area of its trading is being widened.

Satisfactory profits are expected from the group's direct interest in the oil marketing industry through our 50 per cent. partnership with Socony-Vacuum Oil Company Inc. of New York in the well-known British company, Vacuum Oil Company Limited. The construction of the refinery on the Coryton site has proceeded and amplifications have been made in the original layout, chiefly by the incorporation of a Catalytic Cracking Unit. As partners in this undertaking, we have not neglected the opportunity to invest further capital in what may prove to be the last word in refinery construction.

The clearing up stage of compensation for the mines and ancillaries, proceeds at snail's pace. If attempts to obtain voluntary agreement for the division of the area allocation are unsuccessful, settlement through the valuation board may be deferred for many years.

Production at the Hayes factory of Powell Duffryn Carbon Products Limited, is proceeding favourably and sales are satisfactory. It is expected that at no distant date the company will show progressive profits. A new company—British-American Carbon Corporation, has recently been formed in the U.S.A. jointly with the well-known American company, The Great Lakes Carbon Corporation. The new company is a 50-50 partnership.

When all our coal mines, coke oven plants, tar refineries and power stations were taken from us on January 1, 1947, we decided that the great knowledge and experience accumulated over the years should be remobilised and placed at the disposal of clients in this country and throughout the world.

Powell Duffryn Technical Services Limited was, therefore, formed as a consultant organisation to give impartial advice and service on all matters connected with the finding and mining of coal and its treatment, processing and efficient utilisation. These services have been welcomed by governments and private clients throughout the world. During the past four years we have included amongst these clients the Governments of Pakistan, Ceylon, Southern Rhodesia, Nigeria, British North Borneo and Sarawak, Nyasaland, the State Governments of Queensland and Victoria, and, in Europe, the Governments of Denmark, Greece, and Austria. In several of these cases we still have important work in hand.

The report and accounts were adopted.

ASPRO LIMITED

SATISFACTORY TRADING RESULTS

The sixteenth annual general meeting of Aspro Limited, was held on October 11th at 16, Berkeley Street, London, W.1, Mr Maurice A. Nicholas, the Chairman, presided.

The following are extracts from the chairman's circulated statement:

The profits for the year dealt with in the holding company's accounts amount to £209,726. After deducting £56,203 representing dividends on the preference stock and an interim dividend of 15 per cent. on the ordinary stock, your board proposes to allocate £100,000 to the general reserve and £5,000 to the staff contingencies reserve of Aspro Limited, and to recommend a final dividend of 20 per cent., less income tax, on the ordinary stock. This leaves £24,312 to carry forward in the holding company, as against £28,289 brought in. The total ordinary distribution for the year is 35 per cent., which is the same total rate as for the previous year to March 31, 1950, and for the nine-month period to March 31, 1949. The dividend restriction proposals contained in the recent Government White Paper, should they be passed into law in their present form, would permit this dividend rate to be maintained.

Taxation has now assumed such proportions that it constitutes the largest single demand on the earnings and finances of our business. Higher provisions must be made out of profits each year to meet the tax commitment; in fact, some 60 per cent. of profits is so absorbed. Increased profits nowadays yield comparatively little financial reward, and only by intensive work and development can the policy of maintaining our dividend level and allocating a prudent sum to reserve be carried out.

SOUND LIQUID FINANCIAL POSITION

In view of these difficulties, it is a special satisfaction to be able to draw stockholders' attention to the sound liquid financial position of the group. The group's current assets total £2,020,962; of this amount, the cash £852,163 and tax reserve certificates £200,000 alone nearly cover the entire current liabilities of £1,067,007, which latter amount includes full provision for taxation on all profits earned up to the date of the balance sheet.

UPWARD TREND OF EXPORT SALES

The penetration of "Aspro" in overseas territories continues. Particularly do I refer to our South African subsidiary company which contributes substantially to the group profits. Our general export sales show a steady and encouraging upward trend. We are constantly planning new development and within six months hope to commence manufacturing "Aspro" in India. It may be of interest to note that "Aspro" is now made in ten manufacturing units and is distributed in more than fifty countries. Over 10,000,000 "Aspro" tablets are sold every day in the year throughout the world. Whilst commenting upon overseas operations, it should be pointed out that we are not able to estimate the degree to which our present and future plans for development may be impeded by possible implications arising from Section 36 of the 1951 Finance Act.

The home market requires constant vigilance in order to maintain and, if possible, to increase sales. It is gratifying that part of the year's sales increase was undoubtedly caused by public appreciation of the great value of "Aspro" at the time of the influenza epidemic.

In conclusion, I wish to thank my colleagues for their continued co-operation and to express my appreciation for the work done by all members of the staff, at home and overseas, during the past year.

E. W. TARRY AND COMPANY, LIMITED

ANOTHER SUCCESSFUL YEAR'S TRADING

The annual general meeting of E. W. Tarry and Company, Limited, was held on October 9th in London.

Sir H. Fortescue Flannery, Bart. (the chairman), in the course of his speech said: It affords me great pleasure to report another year's successful trading, notwithstanding the abnormal trading conditions during the past financial year.

The trading profit for the past year amounts to £162,469, an increase of £13,094, and this result can, I believe, be considered good but is seriously affected by the heavy inroad of taxation amounting to £82,000. The net profit is £63,309, an increase of £4,004, and with the balance brought forward of £68,017 gives a total of £131,326. After appropriating £30,000 to the general reserve, the board recommend that a dividend of 15 per cent. be paid on the ordinary shares, the same rate as has been paid for the past few years.

Today, the economic life is overshadowed by political affairs, and while Europe continues unsettled and trade thereby hampered and restricted, the effect is bound to be felt, even in distant South Africa. Nevertheless, I am confident about the future of that country—there is still much pioneering and development to be undertaken and I am glad to say that the prospects for our company for the current year are encouraging. There is no falling off in the demand for our goods, and despite the continuance of the import control in the Union, the total sales for the first five months of the current year are very satisfactory.

The report was adopted.

NOTICES

APPLICATIONS are invited for the post of Temporary Assistant in connection with an investigation into the costs of Private Forestry in England and Wales.

Candidates should possess a degree in Forestry or Estate Management. Previous experience in investigational work is desirable. Conditions of employment may be obtained from The Secretary, Department of Forestry, South Parks Road, Oxford.

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AMERICAN lawyer, University and Bar, twenties, English wife, seeks post, preferably but not essentially, involving law.—Box 767.

THE UNIVERSITY OF SHEFFIELD

Applications are invited for posts in the DEPARTMENT of ECONOMICS: (1) ASSISTANT LECTURER, (2) LECTURER or ASSISTANT LECTURER, to begin duties on January 1, 1952. An interest in Industrial Relations will be considered an advantage for post (2). Salary scales: Assistant Lecturer, £450 x £25—£500; Lecturer £550 x £50—£1,100, with Superannuation provision under F.S.S.U., and family allowance. Applications (3 copies for post 1, 5 copies for 2), with names of 3 referees and, if desired, copies of testimonials, should reach the undersigned (from whom further particulars may be obtained) by November 17, 1951.

A. W. CHAPMAN, Registrar.

UNIVERSITY OF CAPE TOWN
SOUTH AFRICA

Applications are invited for the post of SENIOR LECTURER IN ECONOMICS.

The Senior Lecturer must be well qualified in Economic Theory, and applicants should state what branch of Economic Theory constitutes their main field of interest and special qualification.

The salary scale is £800 x £40—£1,000 per annum plus a temporary cost of living allowance on the Public Service Scale (at present £258 per annum for a married man and £80 per annum for a single person).

The post is vacant from February, 1952.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is November 15, 1951.

SUDAN GEZIRA BOARD

A Managing Director is required for the Sudan Gezira Board.

The Board is a statutory corporation constituted by the Sudan Government in 1950 to manage the Gezira Scheme, an irrigated undertaking covering about one million acres which produces cotton, grain and a fodder crop. The Government, Sudanese tenant-farmers, and the Board are partners in it. While the production of the cotton crop is the Board's primary responsibility, the Board is also responsible for encouraging the general farming activities of 25,000 tenants and fostering self-management of their own affairs.

Applicants must be of proved ability and have had experience in large-scale management. Sympathy with the aspirations of the Sudanese people is essential.

Salary £E3,000 to £E4,000 according to qualifications and experience, and a gratuity on completion. There is at present no Income Tax in the Sudan.

Free housing and leave passages for the Managing Director and family. Contract from 5-10 years.

Applications should be sent to: Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1. Please mark the envelope "Managing Director—S.G.B. 4/2404."

CANADIAN PACIFIC RAILWAY COMPANY.—(Incorporated in Canada with Limited Liability)—ONTARIO AND QUEBEC RAILWAY COMPANY 5 PER CENT DEBENTURE STOCK, 6 PER CENT COMMON STOCK.—In preparation for the payment of the half-yearly interest payable on December 1st next, the Debenture Stock Transfer Books will be closed on November 1st and will be re-opened on December 3rd. The half-yearly interest on the Common Stock will be paid on December 1st to holders of record on November 1st.—R. F. TREMAYNE, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. October 10, 1951.

SCIENCE GRADUATES are invited to apply for appointment as Lecturer in the Department of Education of the International Wool Secretariat. Lectures are given on every aspect of wool in schools, colleges and adult education institutions of all kinds. Previous lecturing or teaching experience is desirable. Some knowledge of wool would be an advantage, but training will be given after appointment. The work will entail considerable mid-week travel. Commencing salary: £484 (man), £440 (woman), plus superannuation benefits. Subsistence allowance and first-class travelling expenses are paid. Applications should be marked "Confidential" and addressed to the Secretary, International Wool Secretariat, Dorland House, 18-20, Regent Street, London, S.W.1, within two weeks of the appearance of this advertisement.

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BEDFORD COLLEGE FOR WOMEN
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The Council of Bedford College invites applications for the post of part-time Assistant Lecturer in the Department of Sociology, Social Studies and Economics, vacant as from mid-November, 1951, open to men and women equally, salary scale £225 to £275 per annum. The Assistant Lecturer will be required to arrange visits of observation for Social Studies students, and to conduct tutorials on practical work. Candidates should be experienced social workers with University qualifications. Further particulars from the Secretary.

CANTERBURY UNIVERSITY COLLEGE, CHRISTCHURCH, NEW ZEALAND

Applications are invited for the position of LECTURER IN HISTORY OR IN POLITICAL SCIENCE.

The salary is at the rate of £800 per annum (N.Z. currency) rising to £950. (Annual increments will be at the rate of £50.)

Applicants should possess a good Honours Degree in History, Political Science, or an allied subject.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is November 17, 1951.

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Applications are invited for the following post:—

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Intending candidates should apply in writing to the Director of Recruitment (Colonial Service), Colonial Office, Sanctuary Buildings, Great Smith Street, S.W.1, giving brief details of their age, qualifications and experience. They should mention this paper and quote the reference number (27297/1/51).

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Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

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27 NOV 1951 MADRAS GOVERNMENT

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Cairo's Quarrel

IT looks as if Nahas Pasha and his Minister of the Interior, Fouad Serag el Din, are now trying seriously to put a curb on the passions they called to their aid last week. Faced with Mr Morrison's statement that British troops would keep order in the Canal Zone if the Egyptians did not, they have in their own interest to avert the riot and bloodshed that at one moment seemed inevitable. Firmness in London and Washington have had their effects more quickly than might have been expected. Self-control and moderation in Cairo must prevail some time if there is to be a settlement of this dispute; and the sooner they are shown the better. Britain did not start this quarrel.

The situation may get worse, but it is difficult to believe that it will produce any surprises within Egypt itself. What may happen in other Arab countries is another matter. Cairo may now pause to think because it sees that Britain has both the power and the will to resist the threat of force, that the United States is not unmoved by the scrapping of a treaty, and that the planning of Middle East defence with France and Turkey will go on. Australia, New Zealand and South Africa have spoken, if not with one voice, in very similar tones. The Egyptian Prime Minister may now be realising that the time he chose for his action—just after the evacuation of Abadan, in the middle of a British election, and just before an international invitation backed by the American Government—was as unpropitious as it could be. Enough has now been said by Mr Morrison, by the Governor-General of the Sudan and by the commander of British troops in the Canal Zone to make it clear that the British are both determined and angry. A vital interest has to be defended and a pledge to the Sudan has to be honoured. Those are the thoughts uppermost in British public opinion. It remains for those who are less directly concerned to say what should be said—that nationalism is not always and everywhere right. Sometimes it can be the refuge of scoundrels.

Anger in this country over the behaviour of an ally—for it was a treaty of alliance that Nahas Pasha himself signed in 1936—will do good if it puts behind British policy a weight of opinion that was lacking when Mr Stokes went to Teheran. It will do harm only if it encourages the idea that there is some quick and masterful solution to the dispute or some bargain to be made on the side. At the moment nothing of the kind is in sight. The outlook would have been more hopeful if Britain's associates in the international defence plan had not presented it to a government that was basking in the heat of popular enthusiasm. As it is, there lies ahead a period of nerve war and strain, affecting in varying degrees, and to an extent that cannot yet be judged, American, British and French relations with the states of the Middle East and the Arab League. For there must be no illusions about two facts. The first is that such Egyptian opinion as is organised and articulate will stand solid behind the Wafd Government. There must be no hopes that Nahas will fall and give place to a more reasonable successor. The second is that Egyptians and other Arabs are still smart-

ing from the failures of the war with Israel. It may be difficult to limit the dispute and to segregate its consequences. In fact, the handling of the Egyptian challenge is a test case for the whole future of western relations with the Arab countries.

The broad issue, difficult and complicated though it is, has to be stated simply. It is that the transition of the Arab countries from dependent relationship with Britain to dependent relationship with international institutions cannot be made either by force or in a hurry. If international defence arrangements are to take the place of bilateral alliances, then they must be guaranteed by treaties. And until the Americans are ready to enter into treaty relations with Arab states and to accept clearly stated liabilities, Britain must be the leading party to such treaties. It is easy enough to suggest that the British leave Egypt, Iraq and Jordan by the front door, to the cheers of the crowd, and then return by the back door as members of an international command. But there is no sign that the guarantees and diplomatic ingenuity that such an operation would require are readily available.

Nor does any real hope of stability lie in imaginative economic schemes which, by making the desert blossom like the rose, will induce a mood of sweet reason and gratitude. There can be no serious progress with international schemes of economic aid and development in countries where the advisers and technicians of private enterprise may expect to be treated as they have been treated in Persia. If they are to work confidently and with effect they must feel that there is some rule of law, some guarantee of stability, on which they can lean. And this in turn implies that the authority of international bodies and contracts shall not be regularly flouted by those whom it is proposed to convert by kindness—in the case of the Middle East by governments that are pledged by their membership of the United Nations to observe a code of good behaviour. The Mossadeghs and the Nahas Pashas are challenging the international institutions of this century with the national slogans of the last.

*

If that is the broad, long-term issue there is the narrower, more immediate matter of the British position in the Canal Zone. Its moral and legal bases are generally acknowledged to be indisputable. What is less generally realised is its military strength. Although the Egyptian Parliament has declared illegal the presence of British forces, no attempt by Egyptian troops to force them out is likely. But something will have to be done to show that the Wafd Government, which cannot provide the people with either social reforms or enough to eat, can at least feed "national aspirations." A policy of strict non-co-operation with the British troops is to be expected, an attempt to make life and work impossible. But it is the Egyptians resident in the towns and camps of the Zone and the 30,000 Egyptian workers there who will suffer most. Should they be withdrawn they could be replaced by refugees from Palestine and by Maltese, Cypriots and Indians who served during the war and remained in Egypt. As for supplies, if fresh fruit and vegetables were stopped by the Egyptians, they could be brought in from elsewhere. Troops can work telegraph and telephone communications, prevent interference with railways and roads, and draw water from their own artesian wells. If the supply of water from the Sweet Water Canal is interfered with, the first victims would be the half-million inhabitants of Port Said. In short a state of siege in the Canal Zone can, if necessary, be sustained.

If, as seems likely, the dispute drags on, what is it reasonable to ask of Britain's allies as they decide their attitudes? It is, first and foremost, that they should recognise the need for the defence of the Canal and of the bridge between Asia and Africa to be guaranteed by effective force on the spot and by treaty. That is the sole purpose of British policy; there is no desire in London to stay on indefinitely in Egypt sustaining alone for the rest of the free world a weighty and costly burden. But unless a reliable and efficient alternative is found and accepted Britain will stay, and it asks for support in that resolve.

Clearly the voice that will matter most is that of the Americans; and, as our Washington Correspondent points out elsewhere in this issue, American minds may be changing but they are not made up. Of them, therefore, two things may be asked. First, that if Washington offers its good offices, as it did in Persia, it should realise that a mediator must accept some responsibility for carrying out the solution he advocates. That means that he must be clear before he begins to what end he is working. When it came to the point in Persia American policy tilted towards appeasement.

*

Secondly, the Pentagon, and the State Department, in their anxiety to set up some defence structure in the Middle East, should not forget the lesson of Germany. When the proposal for German rearmament was pressed forward last September the political preparation for it had been neglected, and the consequences of that failure are still being cleared up. There will be no valuable Arab military co-operation with Nato until more has been done to pacify the Middle East. This means that the United States and Britain must work much harder than they have done so far to bring about a settlement between Arabs and Jews and to honour the United Nation's obligation to the homeless refugees of the Palestine war. If Egyptian behaviour has shown lately a deep contempt for the code and authority of the United Nations, that body's failure to exert its authority for Arab-Jewish armistice arrangements is partly to blame. And if Anglo-American policy is to set its face firmly against what is illegal and outrageous in the Egyptian case, it should also recognise that the main motive behind the Arab League's support for Cairo will be its deep grievances against Israel, the merits of which have been persistently underrated in the United States.

The dispute over the Sudan—which must be kept apart from the dispute over troops in the Canal Zone—is best left to the British and the Egyptians. But in the wider question of the political and military organisation of the Middle East, American mediation will be welcome and useful, provided that there lies behind it a properly thought out policy. Britain's task is to hold the situation, to refuse to be bustled, while the Americans make up their minds.

The Next Government

IT is still far too soon to assume that the election will result in a change of government. The indications are to that effect, but nothing is certain in an election until the votes are counted. Nevertheless this article is written on the assumption that the Conservatives are about to come into office. By the time next week's issue of *The Economist* is on sale, Mr Churchill may be forming his government and the chief places may already be filled. But there are a number of points of some importance about the distribution of offices which, if they are to be made at all, ought to be made in advance. The only chance of doing so is to make them this week.

The Foreign Office

The first point relates to the Foreign Office. For nearly three years the country's foreign policy has suffered very grievously from the lack of a full-time Secretary of State. First Mr Bevin's illness reduced the volume of work that he could get through. When at last his successor was appointed, the Foreign Office got a new master who was even more distracted. There is no department where, at any time, a hard-working full-time ministerial head is more needed than at the Foreign Office. There is a mass of paper to be dealt with and personal interviews to be granted. What is more, policy is made up of a long series of daily decisions; the highest responsibility is never absent. If the Secretary of State is absent, or short of time, it is only the really urgent matters, the daily crises, that get dealt with. Other less urgent topics—a Persian oil dispute that is still in the simmering stage—have to be dealt with "at official level" (as the civil service says) and dealt with in a manner that does not require ministerial decision—that is, they are postponed and allowed to simmer. If problems are to be taken by the forelock, the Secretary of State must keep ahead of his papers.

This is true at any time, but there is an added reason at present. The Foreign Office is in a poor way. Ordinarily it is difficult for the outsider to form a judgment on the quality of the advice given by the Foreign Office until long years afterwards when the documents are published and the memoirs are written. But in the last year or two there have been opportunities of setting "the Foreign Office view" against the facts as they have been revealed by events, and the results are very disconcerting. In the Far East and the Middle East, the Foreign Office's judgment has been wrong. In Europe it has played an obstructive role. More even than usually, the Foreign Office needs a strong Secretary of State, able to give its affairs his full attention and commanding the fullest political authority.

The general assumption is that, in a Conservative government, Mr Anthony Eden will take the Foreign Office. If he were able to give it his full attention, that would be an excellent appointment. But Mr Eden is going to be a very busy man. Mr Churchill is in his 77th year and has never been greatly interested in administrative matters outside grand strategy and defence. Mr Eden, as the undisputed heir-apparent, will have to perform, or at the least assist at the performance of, a good many of the Prime Ministerial functions. The Deputy Prime Minister should not also be Foreign Secretary. Moreover, if there is to be a Conservative House of Commons, he is the obvious leader, with no adequate substitute in sight.

In view of this, it will be the path of greater wisdom for Mr Eden to let someone else go to the Foreign Office—though he might well be the chairman of a Cabinet Committee on external affairs, as suggested in the next section of this article. By far the best alternative at the Foreign Office, if his health will permit it (and unfortunately it is a large if), would be Lord Salisbury, who not only has great wisdom and force of character but has also for many years been an intimate colleague of Mr Eden. It is true he is in the House of Lords, but it is not many years since Lord Halifax was Foreign Secretary, and Mr Eden will be available to speak in the Commons. If, unfortunately, Lord Salisbury's health makes it impossible for him to be a full-time Foreign Secretary, Mr Harold Macmillan may be the next in line.

The wish may perhaps be added that the new Foreign Secretary, whoever he may be, should try to stay at home as much as possible. There are occasions when he must attend conferences in person, but they should be kept to a minimum. Policy is made in London, and cannot be made in his absence. There should be a good Minister of State, or even conceivably two, whose main job it will be to represent Britain abroad.

Large or Small Departments

A tendency has been noticeable in Tory pronouncements of recent months to advocate the amalgamation of this, that or the other pair of departments on the score of "economy." Civil Aviation, Materials, Food and even Supply are picked out as the intended victims of shotgun weddings. This would be a mistake. There is no economy worth talking about when two departments are amalgamated, so long as all their functions continue. The only economy is in the salaries of the Minister and of the Permanent Secretary, and the only result is to create an unbreakable bottleneck in the amalgamated and bloated department. The ideal size for a department is the size that throws up no more business than can flow smoothly across the desks of the Minister and the Permanent Secretary. Judged by that test, many departments are still too large. More splitting, rather than amalgamation, would make for greater efficiency. The Board of Trade, in particular, is still far too big.

A large number of relatively small departments creates, of course, a problem of co-ordination. But the experience of the last decade has pointed the way to the solution. This is not by super-Ministries *à la* Haldane, which have failed whenever they have been tried, but by the device of the standing Cabinet Committee, or sub-Cabinet, presided over either by the departmental Minister of the most important department in the group or by the holder of a sinecure office—but in either case by a politician of the first rank. The Cabinet itself should properly consist of the chairmen of these Cabinet Committees.

A Ministry of Production?

A particular example of this principle—or rather of its infraction—can be found in the proposal, which

is rumoured to have found favour in high quarters, to revive the wartime Ministry of Production. The wartime Ministry of Production, as a supervisory and co-ordinating body, was not a success ; it committed the mistake of piling one administrative organism on top of another. Later on in the war, it is true, functions were sorted out between the Ministry of Production and the other Supply Departments and it did much useful work —but not in supervising their activities, as was the original intention.

It is not clear what would be the purpose of a revived Ministry of Production. According to some accounts, it is to absorb the Ministry of Supply and the Ministry of Materials, both of which would cease to have independent existences. This would simply create a department so bloated as to defy efficient management. If, on the other hand, the proposal is to leave these two departments in existence and put a new one on top of them, then it would fail for the same reasons that have brought failure to other such experiments in the past.

There is a strong case for a Minister of Production, a politician of the first rank charged with expediting the rearmament programme and serving as Chairman of a Cabinet Committee for the purpose. But it would be a mistake to give him a Ministry or anything more than a small advisory staff.

Economic Policy

A very similar point can be made in relation to economic policy. A Prime Minister starting, with a clean slate, to form a new government might wish to appoint a Minister of Economic Affairs. There is a great deal to be said for such a post since, even under a government hostile to planning, there is a great deal of work to be done at the centre to make sure that the various parts of economic policy fit together. The essential thing, however, is to decide whether the Minister of Economic Affairs is to be over or under the Chancellor of the Exchequer. He should be one or the other ; to make the two co-equal is to revive the days when Dr Dalton drove in one direction and Sir Stafford Cripps in another.

At present, economic affairs are subordinate to the Treasury. Mr Gaitskell, as Minister of Economic Affairs, was junior to the Chancellor of the Exchequer, and when he succeeded to the higher office, the lower was absorbed into it. The Central Planning Staff is now incorporated in the Treasury. There is something to be said for this arrangement if the Chancellor of the Exchequer has the personality to rise above the purely financial preoccupations of his department. During the middle years of the war, however, the reverse was true ; Sir John Anderson, as Lord President of the Council, was the supreme economic minister, and the Chancellor of the Exchequer was not in the War Cabinet. Such an arrangement was perhaps more natural in wartime than it could be in peace, when finance cannot be by any means so subordinate. The best solution would be to recognise the extent to which in recent years the Treasury has been broadening its functions and to revive as an office separate from that of Prime Minister, the title of First Lord of the Treasury and confer it upon the chairman of the Cabinet's Economic Policy Committee. The Chancellor of the Exchequer would then be left with the functions that, in some countries, are given to the Minister of the Budget, the accounting for revenue and expenditure and the management of the debt. One of the subsidiary advantages of this arrangement would be that the Inland Revenue would get some of the ministerial attention that it has not had in recent years.

The Real Issues—II

THE previous article attempted to establish three propositions on which the next British government should act:

(1) Further inflation must be prevented.

(2) The only practicable way of working the existing inflation out of the economic system is to raise the prices now kept artificially low by the food and housing subsidies and by rigid rent control.

(3) To remove the subsidies is also an essential part of any effort to keep the burden of taxation on the British people within the bounds of what is supportable without inflation during a prolonged defence programme.

There ought to be little to frighten the politicians in these propositions. It is, after all, as much as four years since the Labour Government recognised that the food subsidies were the least desirable and defensible part of the state's civilian expenditure. In the mood of relative realism into which he had at length been frightened, Dr Dalton in his autumn Budget of 1947 laid down the principle that the expenditure on subsidies could not be raised in order to protect the consumer against further increases in the cost of food. The principle has been respected ever since, although in many other directions government expenditure has greatly increased and food prices have risen to an extent that in 1947 would have made the politicians' hair stand on end. The real significance of the subsidies has been greatly reduced. They, like so many other things, have been corroded by inflation. The fact that a particular figure of money expenditure has been maintained means, from the economic point of view, nothing at all ; and politically it means very little. A real issue of principle was involved as long as the subsidy policy was designed to prevent any increase in the price paid by consumers for basic foods, however the cost to the Exchequer might rise. But since that object was in 1947 recognised to be impracticable, it has been nonsense—in terms of the logic of Labour practice as well as in terms of Conservative theory—to regard the £410 million for subsidies as sacrosanct. It has been maintained because a Labour Government with no clear policies has never dared to upset its own expedients. And if a future Conservative government is to feel as timidly bound by every expedient of its predecessors, then indeed it will not achieve what it promises the country.

The working class pays far more in indirect taxes—in the tobacco and beer duties and in purchase tax—than it receives in subsidies. The previous article showed that if indirect taxes were correspondingly reduced, the subsidies could be removed—with good effects—without making the working class as a whole any worse off. But in fact a reduction in indirect taxes must have a low priority among serious political aims. The crying need

of the British economy is to cancel some of the discouragement to enterprise and hard work caused by high direct taxation of incomes. The practical effect of cutting the government's expenditure, and particularly of removing the subsidies, must be either to save the country from increases in taxation that would otherwise become necessary during the rearmament period or, at best, to make a reduction in direct taxes possible. But if the subsidies were removed without reducing indirect taxation, the result would be to take an equal slice off everyone's standard of living and therefore to hurt the poorer relatively more than the richer. It is this that raises the third of the five main issues which, as was suggested in these columns a fortnight ago, a practical policy against inflation involves. How equal should the distribution of incomes and property be ?

No one, it must be said at once, proposes that the very poor should be made still poorer. If a much smaller sum—£100 million rather than £400 million—were paid out in family allowances and national assistance, the poorest fifth or so of the community, which includes many people far above the poverty line, would be better off without subsidies than they are now. But it is true that some wage earners would be worse hit by the removal of subsidies than by an increase of £300 million a year in taxation, which is likely to be the practical alternative facing the next Chancellor. Moreover, even if the real difference is small, the vague belief persists that economy in the state's welfare expenditure is necessarily an attack on the working class whereas taxation is somehow always aimed more at the rich than at the poor. A party that recognises the economic need to remove the subsidies must squarely face the question of how much equality the country wants.

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The sober sections of the Labour movement recognise that redistribution of incomes cannot wisely be pushed farther at present. There is surely nothing very shocking in another party saying—what many Conservatives certainly in private believe—that equality has already gone a little too far. That is what all the talk about incentives means, if it means anything at all—and what everyone who is going to be influenced by arguments knows it to mean. Certainly a party that set out to make the very few richer at the expense of the rest would get very few votes. But that has nothing to do with the issue. If Labour loses this election, it will be because, while the working class as a whole has benefited from the policies which Labour has claimed for its own, the upper grades of the working class have lost ground relatively to the lower grades. It is those upper grades—the skilled men, the piece-workers, the foremen—just as much as the middle classes, on whom a broad increase in taxation would have to be levied or who would gain if the removal of subsidies made a lowering of direct taxation possible. And it is precisely those people to whom the Conservative party must appeal if it is to become and remain a popular party. This was the strategically important element in the new approach that Mr David Eccles suggested to Conservatives two months ago, and of which regrettably little has been heard in the election campaign.

A policy for a tough, expanding economy is a policy for benefiting everyone but for benefiting the skilled worker, whether he is paid a wage or a salary, more than the unskilled. That is nothing to be ashamed of ; it is not a policy directed against the unskilled worker. It can be criticised only in terms of envy, of the attitude of those who do not want to be better off themselves if it means that other people get farther ahead. There is little that is electorally rewarding in such an outlook—if it is forced into the open. If the Conservatives were willing fully and frankly to work out their conception of an expanding economy, rich in incentives, to develop Mr Churchill's conception of the ladder rather than the queue, they would not only bring out the real issues of the election. They would at last strike at the assumption that, while Labour is genuinely for the working classes, they only say they would do what Labour does and secretly nourish dark designs for enriching the very few. They would put the Labour party on to the defensive, and in what is as it stands a weak defensive position at that. Whatever the eventual outcome in terms of party strengths, at least they would thereby force the Labour party also to clarify its latter-day ideas and policies. That could not fail to be to the advantage of good government for Britain in the next decade.

How incomes should be distributed is the primary nettle that the political parties ought to grasp, and the first to grasp it is likely to gain large electoral rewards. The issue has many ramifications that cannot be discussed in one article. It leads on to two further main points. First, there is the question of government planning and controls. Neither party has a coherent picture of how extensively it wishes the state to intervene in the economic activities of the community. Labour in 1945 inherited, and improvised on, a variety of wartime expedients. For the past three years it has been engaged in recognising that the apparatus—together with its own vaguer conception of ever-progressing nationalisation—went farther than could be reconciled with the needs of flexibility, inventiveness and efficiency on which a high standard of living for Britain depends. But in this year's extremities the government has been able to think of nothing better than reversing direction back to more extensive controls and particularly to price controls. The Tories wish to have none of them, but are afraid to say much about it. Such controls have the same sort of loose popularity as the subsidies ; as a major item of policy they are economically unsound—as has often been argued in these columns—for broadly similar reasons ; and in precisely the same way they can honestly be rejected, in terms the ordinary voter can understand, by a party concerned to create an expanding economy with incentives for the workers as well as the managers. There is no question of rejecting all controls in all circumstances, still less of rejecting the broad concepts of economic planning. But it is essential—and politically profitable—to work out frankly a more liberal attitude than the Conservative party as a whole has yet dared or even wished to do.

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Secondly—and last of the five issues that these two articles set out to discuss—is the familiar but politically buried problem of wages and full employment. By now many groups of workers recognise almost as well as the middle classes that a disastrous inflation cannot be avoided if in a state of full employment wages often go up and never come down. The expedient of the voluntary "freeze" was, from the trade unions' point of view, a brave attempt to find some temporary solution to this problem. It never worked well and now it has been abandoned too thoroughly for its revival in the same form

ever to be likely. Yet no one, on the Labour any more than the Conservative side, seriously pretends that the present state of affairs can go on indefinitely.

The issue is critical because an effective policy against further inflation must, as has been argued, allow an initial rise of prices without precipitating a further rise in wages that would immediately offset the effects of higher prices. There are two possible policies. The Government can formally control wages or labour can be made less of a sellers' market, so that the unions no longer have everything their own way and the pressure is not always towards higher wages for every worker in every industry. The Conservatives rightly prefer that free collective bargaining should continue. But do they really deceive anyone by the pretence that everything can continue just as it is? To make labour less of a sellers' market means taking disinflation far enough to remove the excess of jobs over workers and restore not unemployment but the possibility of dismissal for the inefficient worker and of bankruptcy for the inefficient firm. Again, the champions of an expanding economy and of the restoration of incentives have nothing to fear from public recognition of this point. Dodging it will not save them from the suspicion, by those who want to be suspicious, that they wish to go back to the bad old days. There is no question of anyone advocating unemployment as desirable; but it is essential, and it involves no abstruse argument, to warn the electorate that full employment cannot mean security for everyone in his present job. To pretend otherwise is to make talk about stopping inflation patently unreal and insincere. To recognise the problem would be to bring out the muddle-headedness of Labour's attitude and to stop providing it with the ready-made assumption that it has a clear white to set against the black reaction of hidden Tory designs.

It has not been the purpose of these articles, any more than it is the purpose of an election campaign, to provide definitive answers to the questions that will face the next government. It is the task of the politicians to recognise for the public what those issues are. After six years of Labour government it is inevitable that one should look to the Tory party for a greater willingness to face them. And certainly there is within the opposition a larger minority privately aware of them. But it would be foolish to pretend that the party as a whole is as yet much nearer than Labour to screwing up its courage to tackle them.

The Uniform Election

(By a Correspondent)

[This is the last of three articles in which correspondents have reported their impressions of the election campaign in the constituencies.]

NOMINATIONS closed on Monday; over most of the country the electoral battle had begun in earnest the week before with the formality of adoption meetings. Nationally the campaign may be dull, but the constituency organisations are fully immersed in the solid work of electioneering. Party membership has generally increased since last year and meetings are more crowded. But agents on both sides will admit that they are doing well if 10 per cent of their members are active workers. It is notable how heavily women outnumber men—sometimes by four to one. Although a few of the ablest agents are women, men are strongly preferred as canvassers and volunteer administrators. "Women have more zeal than judgment", "They spend too much time talking in the committee rooms" are frequent agents' complaints. One is struck by the immense periphery of inefficiency in an electoral organisation, however efficient a centre the agent's office may be. In the outer rooms a housewife comes to do half an hour's envelope addressing; by the time the job has been explained she has time to complete three or four envelopes before she must go. It takes twenty minutes to dispose of an old lady enquiring about a postal vote to which she is not entitled. Somebody is making tea and two people are discussing last night's meeting. It is surprising how much work is often done in the general chaos.

In some Conservative offices the elaborate charts seem to represent a smoothly-working organisation. Agents claim convincingly that by polling day they will have completed a 100 per cent canvass and will deliver virtually every Conservative vote. But equally able agents deny the possibility of more than an 80 per cent canvass and of getting adequate coverage on polling day with the present allowance of cars. In Labour offices there is much less obsession with organisation and sometimes better concentration on the job in hand. "A 100 per cent canvass? Nonsense," one agent said; "But we'll get out the people in our best areas. In the Tory districts our people are much more conscientious and get to the poll without our nagging them." But agents on both sides are more agreed than ever that canvassing is what matters and that meetings are generally a tiresome relic of a past age. "We have to have them to keep the candidate happy," said a Scottish agent. "There'd be nothing for him to do otherwise. But they only waste time. They take hours to arrange and then the audiences are mostly our own old ladies who'd much better be out canvassing."

But the meetings go on and the weary candidate often rushes round to three or four a night, with a few lunch-time appeals at the factory gates thrown in. In hasty visits to meetings in local schools the candidate speaks for half an hour and answers half a dozen questions before rushing on to the next village or ward. The audiences are mostly quiet and attentive. Good and bad speakers are listened to gently, applauded, and then heckled by a rather standardised routine which the candidate soon learns to deal with. Occasionally an odd note is struck. "Why did you call the clerk of the council a clam?" one candidate was asked. "So it was you that stole that letter," came the retort, and the meeting degenerated into a sordid squabble.

Several local party organisations have suffered from internal feuds and upheavals that have taken a heavy toll on membership and efficiency. Most such fueds have been patched up—to the public eye, at least, more successfully than the larger disagreement within the Labour party as a whole. The Conservatives of Newcastle North provide a solitary exception. Long-standing quarrels, based on personalities rather than policies, led to the formation this summer of a break-away association which, to the infinite indignation of the parent body, secured official approval from party headquarters and chose Major Lloyd George as its candidate. The old organisation selected a young man, Mr Colin Gray, and to attend his meetings is to step into a world apart from the general election. The crowds are immense and appear to consist entirely of Conservatives; most are for Mr Gray but there are some hecklers. "Liberal" is hurled at them as if it were an obscene insult. National issues are almost absent. It is all most vigorous and entertaining; and it is unique.

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Even in Scotland and Wales local issues have shrunk in importance. The two major parties seem agreed that, at least in the industrial belt which embraces two-thirds of Scotland's constituencies, Scottish nationalism and the Covenant movement influence few voters. "I have had no questions at all on devolution," one candidate said. Some agents said they had had a few, "but only from men with beards or Irish accents." The campaign in Scotland has, however, features of its own. The housing problem is particularly acute and speeches pay more attention to it than is usual in England; but the solutions offered are no different. Some of the propaganda supplied by the central offices has to be translated into a Scottish idiom; to this need the Labour party seems, surprisingly, more alert than its rival. On both sides constituency organisation is rather more rudimentary than in England. And in the Highlands, while the party label is still the most important factor, the personality of the candidate probably counts for much more than it does anywhere else in the country.

Rural Wales in many respects resembles rural Scotland. South Wales, on the other hand, has its own problems. Nationalism is no more important than in Scotland but local pride seems to be more developed. In South Wales more than one organiser thought that full employment was a more important issue than high prices. Elsewhere few people would agree; generally speaking, the cost of living provides the centre of the battleground with "peace" close at hand. Surprisingly, many Conservatives are finding Persia an awkward question. Several Labour candidates still think that it provides the most effective part of their speeches. But on the cost of living, where many people would think that Labour has at least a better case than on Persia, it is definitely Labour that is on the defensive.

In the past week the emphasis of the campaign has shifted somewhat away from foreign affairs towards domestic issues, and particularly to government extravagance and comparative price levels. That is not entirely to the good. It is perhaps right that a country which normally goes to the polls only once in four or five years should make up its mind on familiar issues about which all the arguments have been worn threadbare. Yet a grand inquest on the Persian question, a vehement argument on the causes and cure of Egypt's folly, provided at least a new and developing theme. In an election where the contrast between the two principal programmes is so limited, it could serve healthily to distinguish between the basic attitudes of the parties. But the elector cares much more about the cost of living than about the Middle East, and the partial return to last year's arguments was inevitable. But thereby some of such vitality as the election seemed to have has gone.

Reparations from Japan

WHEN sovereign power is handed back to the Japanese early next year on the ratification of the peace treaty, their government, their industries and their overseas business houses will begin a new drive for foreign trade. From the Japanese point of view, the situation, harsh and unstable as it is, will present several promising features. Although there is a wave of inflation at home and Japan's foreign trade is at present far below prewar levels—last year exports were only a quarter of what they were before the war, and the country subsisted on American aid—the most favourable feature of all is still the lowness of Japanese production costs. Nothing that has happened under the Occupation and nothing to which the Japanese have put their name in the peace treaty has really altered this. To the rest of the world, and particularly the British textile industry, the alarming cheapness of Japanese production is still the supreme problem of competition to which no answer has yet been found. And several questions must now be asked very seriously in this country. Where will this lead in the next few years? Is it too late, at this eleventh hour, to do anything about it politically through the peace treaties? What can be done, and with what likelihood of success, in the realm of direct business competition?

Before the war Japan competed with Britain on the world's markets in three directions: shipping, the sale of textiles and the sale of mechanical goods. Today, there has been a revival of shipbuilding and vessels are being hired from foreign owners; but with a steel output under half the wartime peak, Japan will take a good many years yet to replace the many fine ships lost in the war. The export of engineering and electrical products, both capital and consumer, is now being resumed on an increasing scale; but, again, with an enormous unsatisfied world demand and with Japan limited by its own shortages of raw materials, there is still room for plenty of expansion. In textiles, however, the picture is very different, especially in regard to its possible effects on British trade. No one denies that the world now needs more textiles, but the manner in which the demand is met during the next five years may affect the health of the British—and so the world's—economy for several decades. Japan, moreover, is at present impelled to enter the same markets as the British more vigorously than before the war, because it has temporarily lost nearly all its former trade with China, Manchuria and Korea, because it therefore needs South East Asian rice in order to live at all, and because much of its silk industry, with its great dollar-earning capacity, has been destroyed for ever by the coming of nylon.

What, then, is the present position as between the British and Japanese textile industries? During the six

years since the end of the war, there has been no question of serious competition. There has been a sellers' market, Japanese output has been low and Lancashire's textile capacity has been recovering from its setback during the war. In Britain, unfortunately, this whole long period has now elapsed without any clear policy being drawn up to meet the future Japanese competition. Moreover, the British textile industry's views were not effectively represented by British influence in the drafting of the Japanese peace treaty.

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There were several reasons for this failure and the measure of responsibility is difficult to determine. It may also be that nothing which Britain had said could have materially altered the terms of a treaty which was drafted in Washington, with the crying need to meet Asian shortages of consumer goods very much in mind. The industry now blames the Government for not presenting Britain's case more strongly. That is unfair. The Cotton Board ensured that Lancashire's views would be ignored by making first the ridiculous proposal that Japan should be legally restricted to a fraction of the cotton spindles its industry used before the war. On the other hand, Lancashire's difficulties were not sufficiently understood in Whitehall. The industry is so diverse and complex that, so long as its several parts—spinners, weavers, bleachers, dyers, printers and merchants—were each doing good business, there was great difficulty in getting sufficient discussion throughout the trade to determine just what the future difficulties would be when the Japanese really got going, and what it was possible to do about them. Secondly, the leaders of the textile industry were inhibited from making their fears felt too openly and forcefully, for risk of discouraging the entry of new labour into the trade at a moment when labour shortage was the most immediate problem of all.

The main difficulty of the Japanese manufacturers since the war has not been to sell all they produced but to obtain enough new spindles to rebuild the basic capacity of their industry to anything near its prewar level. They had little difficulty with raw cotton, since the Americans were giving it to them, and today, when aid is being cut and provided in dollars, there is still a powerful cotton growers' lobby in Congress which is in favour of helping Japan to expand its textile industry. Nor have the Japanese manufacturers had any serious difficulty with labour. Under the Occupation and with the formation of trade unions, they have had to pay more for shorter hours of work; but the pressure from unemployment is great in a nation that houses nearly 85 million people on islands which even fifteen years ago supported only 70 million.

Today the scene is changing. The sellers' market is coming to an end. With the peace treaty ratified, some of the reasons why the Japanese have felt constrained to behave well will be passing. And in the terms of the treaty itself, the reparations clauses open very disturbing possibilities. Broadly, under article 14a, countries receiving reparations are to provide Japan with raw materials to be processed and returned to them free of cost. This will not only affect the textile industry, but in theory any other industry with which Japan is equipped. There is nothing, however, in the present clauses—which have yet to be clinched in separate agreements—to prevent nations receiving reparations from buying raw cotton in large quantities on the world's markets, shipping it to Japan for processing, receiving it back at cost-of-raw-material price, and selling it both at home and in neighbouring territories at prices far below those ruling today.

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It is, therefore, worth reconsidering, even at this late stage, what the consequences of the present proposals might be and what others might be put in their place—which could still be done in the course of negotiating the supplementary reparations agreements that are still to come. Under the present proposals embodied in article 14a of the treaty, many of the leaders of the British textile industry feel that serious and probably unnecessary damage will inevitably occur to British interests, with very adverse effects on employment in Lancashire and on the British balance of payments.

It was never intended that this process of reparation payment should occur on a large scale or that it should be abused by sale of the finished article to third parties. And there are certainly official voices which declare that the scheme is in fact unlikely to be extensive or to be abused. Nevertheless, there is clear danger of a major and immediate psychological effect on Asian—and perhaps African—market prices as a result of the prospect of widespread sales of textiles at figures little, if anything, above the cost of the raw material. Markets in South East Asia at least would become very uncertain. It is true enough that the Indonesians, for instance, would not have signed the Japanese treaty without a reparations clause. But neither they nor the Americans are wedded to the idea of reparations in their present form; indeed, Washington has not shown itself particularly keen on reparations at all.

In these circumstances, there is a lot to be said for considering other means of reparations payment. One that has been suggested is for money to be paid into a reparations pool. This could be based on the levels reached by certain Japanese exports, the sum being assessed on the difference, or even part of the difference, between Japanese costs of production and those in Europe or America. This reparations pool could provide funds for use in war areas occupied by Japan, to meet costs of rehabilitation or to buy Japanese capital goods for new development including, if desired, the development of local textile industries. As the sums being paid into the pool would be recovered from the proceeds of Japanese exports—part going to the pool via the Japanese government and part to the manufacturer—the money would be available in foreign currencies.

It is not too late to consider a scheme of this kind and it is a high British interest that it should be considered. A reparations pool, cumbrous though it might seem at first, would have the advantage of ensuring that the Japanese do not become the main gainers by their own reparations payments—as they will be, if their goods invade overseas markets at very low prices. It would ensure that price stability is maintained, that war-damaged countries gain a permanent benefit from reparations, and that some attempt is made to deal on liberal lines with the problem of competition between countries with such widely differing standards of living as Japan and the western world. What the pattern of Japanese trade is likely to be under the influence of American policy and how Britain may best be able to deal commercially with Japanese competition will be the subject of a further article.

NOTES OF THE WEEK

Approach to Moscow

The American attempt to get Stalin's help in bringing about "a realistic peace agreement" in Korea does not seem to have been skilfully handled. Mr Vyshinsky's reply suggests that the approach made on October 5th by Admiral Kirk, the American Ambassador, is generally regarded in Moscow as a propaganda move; if it had been taken as a serious diplomatic overture it would hardly have been rejected in such terms. The question of what the Russians will or will not take seriously needs careful thought in all the western capitals, if their diplomatic interchanges are not to degenerate into one sally of political warfare after another.

The truth probably is that Stalin judges the sincerity of an offer to negotiate by the stiffness of its demands. Everything that has been revealed about wartime talks with him shows his preference for big issues and big bargains. And to his mind the beginning of a big bargain is probably a big demand by the other side. If the stakes proposed are big enough, neither side—particularly Washington and Moscow—will want to reveal them to the world, lest it find itself committed to get more than it can reasonably hope for.

At that point secret diplomacy begins, as it did in 1939 with Hitler. It would perhaps be useful if Washington, London and Paris could discuss together "at the appropriate level" what exactly the technique of negotiating from strength with Moscow should be. So far it appears to be not so much rusty as rudimentary.

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Liaquat Ali Khan

The assassination in front of fifteen thousand people at Rawalpindi on Tuesday of Mr Liaquat Ali Khan, the Prime Minister of Pakistan, opens up grave possibilities. He had been the keystone of the government arch which has so far held Pakistan out of the folly of a war with India over Kashmir. Now he has been removed from the scene at a moment when every ounce of his influence was needed more than ever to restrain the hotheads behind him. As with the murder of Ali Razmara, the Persian Prime Minister, seven months ago, there is now a real danger of a crisis which could affect the whole world. It is a measure of the unique position which Mr Liaquat Ali Khan had won, as the only Prime Minister to hold office in Pakistan during the four years of its existence, that the Governor-General, Khwaja Nazimuddin—a former premier of East Bengal—has found it necessary to step down from his position and take over the reins of government himself, constitutionally a most extraordinary manœuvre. Not even he, however, can be assured of assuming the prestige and authority which belonged to the murdered Prime Minister, who stood second only to Mohamed Ali Jinnah as a founder and maker of modern Pakistan.

The record of assassinations in recent years and particularly in recent months is becoming alarming—from Mahatma Gandhi to King Abdullah, from Count Bernadotte to Sir Henry Gurney. In every case they were men of peace, compromise and courageous moderation. They could be defeated only by assassination, by arming madness against sanity. The risk now is that the knife and the bullet may make moderation and friendship with the west impossible in the public life of Asia.

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The man who killed Mr Liaquat Ali Khan was torn to pieces by the crowd as soon as he had fired, and there is some doubt about what interest stood behind him. Whether he was an Afghan or a member of the extreme Moslem Khaksars—or both—he appears to have acted partly for money. There is also no evidence as yet to suggest exactly who paid him the money. The people behind the assassination may have been purely Moslem extremists (they bitterly resented the Prime Minister's modern outlook) or, what is almost the same thing, fanatical nationalists striking a blow for Kashmir or the Communists. But whoever it was, the effect is the same. The way may have been opened for embroiling Pakistan in a holy war with India for the possession of Kashmir.

The death of Mr Liaquat Ali Khan alone is not as dangerous as the success of the abortive plot last May would have been, since the regime itself has not been overturned. It is by no means certain that the government in Karachi will be unable to stem the tide of fanaticism. The danger, nevertheless, is very great. Whether a clash with India can be avoided during the coming months—Dr Graham's report was to have been laid before the Security Council this very week—must depend more than ever on the attitude adopted in Delhi. Mr Nehru and millions in India have been profoundly shocked by what has happened. The Indian Prime Minister would never have countenanced an attack on Pakistan. But it is now up to him to help the government in Karachi in every way he can to see that forces within Pakistan itself do not provoke a conflict.

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Mossadegh's Heyday

There are signs that Dr Mossadegh is worried about how to get the Persian oil flowing again. Otherwise his visit to Flushing Meadows has been so successful that his health is completely restored, save for the deaf ear and blind eye that he turns to any hints of compromise with this country. The British resolution before the Security Council has been whittled down to avuncular advice that negotiation should be resumed, and its members have not even had the staunchness to support the ruling of the International Court in this respect. Sir Gladwyn Jebb's position from the outset was made weak by Mr Morrison's bad timing and instructions; now it has been made so feeble that he might be well advised to make his next appearance before the Security Council and the television camera in a wheeled chair.

This is one of the most farcical performances that the United Nations has staged under Mr Trygve Lie's direction and with incidental music from Moscow. The Persian Prime Minister has been allowed to throw at the oil company cooked figures and filleted facts. Plaintiff and defendant have been treated not as equals, but with the fashionable bias against the great power. And, as a climax of helplessness, the Republic of Ecuador proposes that the Security Council should not decide on its own competence in the dispute but adopt a procedure that resembles nothing more than that inconclusive dance called the samba.

The confusion is capped by the fact that whatever emaciated resolution may finally emerge, the Russians will almost certainly veto it. Neither Dr Mossadegh nor the Persian people have any natural love for Stalin—they have just suspended trade talks with the Russians—but if anything could smooth Moscow's path to Teheran it would be Russian support for the Persian claim that the Security Council cannot interfere in the affairs of Abadan. Even if some innocuous solution were found to this problem, there remains a fog of mutual distrust obscuring the road to any

new negotiations. The Persians remain profoundly suspicious of any western management which would be strong and efficient enough to produce oil in sufficient quantities to finance the Persian exchequer and the costs of compensation; and those in the west who can provide the expertise do not trust the Persian regime. It will baffle what Mr Morrison calls the twentieth century mind to find a way out of this *impasse*. What is needed is a little eighteenth-century patience while the Persian Cabinet thinks of what will actually be done to get the oil flowing.

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Out of the Fog

The approach of polling day has as yet made the election issues very little clearer. A few grey shapes, but no more than that, can be seen through the fog of irrelevant debate. Little has come of Labour's attempt to start a new issue, the Tory attitude towards the trade unions. Mr Churchill's rapid disengagement has left Labour with no ground to fight over. The retreat from the position previously suggested by Sir David Maxwell Fyfe can hardly mean that a Conservative government would feel committed to a policy of leaving everything as it is in industrial relations. The "Industrial Charter," under which the Tories hope to do something about restrictive practices, would presumably be considered to stand outside the declaration that they have no intention of initiating legislation affecting the unions—which must be taken to mean legislation affecting them directly as unions. But a law against the "closed shop" principle is now definitely ruled out, though a Conservative government would still have scope for administrative action to check this abuse in the nationalised industries and possibly in local government service.

While the cost of living and "peace" are the two relatively clear issues, the party policies are certainly nebulous, and the choice put to the voters therefore turns on narrow comparisons. Under which party might prices be rather lower than under the other, and under which party might peace be slightly more secure? The speeches are of little help on either point. Mr Morrison in his broadcast on Wednesday night weakened rather than strengthened Labour's case on foreign policy. He declared with unexceptionable wisdom that "our policy must be neither appeasement nor hysteria but calm resolve to use our strength to keep the peace." But he shrank from any demonstration either of why he thought the Tories hysterical or of how he would define the line between appeasement and reluctance to "use our strength." It is hardly surprising that the cost of living has become the more important of the two issues.

* * *

A Straight Contest

With both the third force and the extreme Left much depleted, the total number of candidates nominated for the general election is only 1,376, compared with 1,868 last year. Both Labour and Conservative candidates total 617; the Liberals have fallen below their forecast of 150 candidates and, with 109 actually in the field, are running at less than a quarter of their numerical strength in 1950. The Communists, with 10 candidates, have been reduced to a tenth. Last time the typical contest was between three candidates and in only a sixth of the constituencies were there straight fights. Now about four-fifths of the constituencies have only two candidates to choose from. There are as many as four candidates in only four constituencies, compared with about 90 of these contests in February, 1950. The predominant change is that candidates have dropped out, but here and there the pattern is varied by the addition of a candidate. Six Liberals are standing in constituencies where their party had no representative last time; two of the Communists are trying fresh ground and so are a few Independents. Woodford remains one of the four-candidate constituencies but the array against Mr Churchill has been changed by the introduction of an Independent and the departure of a Liberal, with a Communist remaining.

As usual the constituencies that Labour is not fighting are all in the Conservative strongholds of Northern Ireland, where four Conservatives are returned unopposed. Four Liberal and four Labour seats in the last Parliament are left unchallenged by the Conservatives. Two of these Liberal seats—Carmarthen and West Huddersfield—were not contested by the Conservatives last year, and to this small group they have added Cardigan and Montgomery (Mr Clement Davies's constituency); in both cases the Liberal won easily last time. The four constituencies that returned Labour members in 1950, but where there is no Conservative candidate this time, are more interesting. In two of these—Bolton West and Colne Valley—last year's combined Conservative and Liberal vote exceeded that of Labour, though in Colne Valley by only a narrow margin. Liberal hopes are, therefore, high in these constituencies. In Fulham West, where Labour in 1950 had a majority of 2,849 over a Conservative opponent, Conservative support is now being given to the Independent candidate, Mr W. J. Brown, against Dr Edith Summerskill and a Liberal candidate. In Dundee West, the remaining constituency where the Conservatives are standing down, the Liberals' hope seems to depend on Communist intervention depriving Mr Strachey of some of his votes; in 1950 he had a majority of 4,701 over his Conservative opponent and the second Liberal—appearing after one candidate had withdrawn—polled less than 1,000 votes. There are two further changes in the candidatures of the major parties. At Hexham, where the Speaker was in 1950 returned without a party label, both parties have put up candidates. This seat may be taken as a safe Conservative gain, while at Greenock Labour has little reason to worry about the Conservative opposition that was lacking last year.

Few of these minor variations in the candidatures will make any difference to the election result. And unless the Liberal votes divide far more decisively for one side or the other than the present evidence of the Gallup poll suggests, even the withdrawal of Liberals from 372 seats they contested last time will not matter as much as a very narrow swing between the two major parties.

* * *

The Latest Arithmetic

Now that all the cards are on the table, the methods of trying to forecast the election result discussed in *The Economist* last week can be applied more exactly. The first step is to re-examine the 1950 voting in the marginal Labour seats in the light of the new lists of candidates. Liberals are contesting comparatively few of these seats. At the last election there were 53 seats in which all three main parties were represented and which Labour won with a majority over the Conservative of less than 8 per cent of the total poll. Only 11 of these seats are now contested by a Liberal candidate. On the other side of the account, many Communists have dropped out; they polled on the average about 1 per cent of the total vote last time. Their votes have now been added to those for Labour before determining the swing between the two major parties required to make a seat change hands. The few seats where there are now no Conservative candidate have been excluded. In these ways, the calculations published last week have been revised. The new estimates, given in the table, differentiate, in their provision for different allocations of the Liberal vote, between the cases where there will again be a Liberal candidate and where there will not.

There are a few special cases outside the scope of this table. The disappearance of Communist candidates affects the safety of four seats held by Conservatives in the last

Parliament. In two Glasgow divisions—Govan and Scotstoun—the Conservatives may have to gain large proportions of the Liberal vote in order to retain their seats if the Communist vote is given to Labour. Bexley and Shipley are also threatened unless the Conservatives can acquire a small net advantage from the former Liberal vote. However, these possible Conservative losses may to some extent be offset by the loss of Labour seats to Liberals in the constituencies the Conservatives are not contesting and by the probable Conservative gain at Hexham. To adjust the estimates to take account of these cases would merely give an unwarranted impression of accuracy.

SEATS GAINED BY CONSERVATIVES WITH VARYING SHIFTS IN VOTING

% of Total Poll Gained by Conservatives directly from Labour.	Conservative Net Gain of Liberal Vote.				
Where Lib. Candidate	0%	0%	0%	10%	10%
Where No Lib. Cand.	0%	10%	20%	20%	30%
Nil	—	3	10	12	14
Up to 1	15	19	24	27	34
„ „ 2	33	40	45	46	52
„ „ 3	48	56	59	60	65
„ „ 4	67	73	76	77	86
„ „ 5	85	91	96	98	103

The latest estimates of the British Institute of Public Opinion give the Conservatives 50 per cent of the poll, Labour 47 per cent, the Liberals 2½ per cent and others ½ per cent. As compared with the voting in the election of February, 1950, when Labour finished up 2.7 per cent ahead of the Conservatives, these figures show a Conservative improvement of about 5½ per cent, which might be due to a direct swing of rather less than 3 per cent, with the ex-Liberal vote dividing equally, or alternatively to a smaller direct swing plus some net gain of ex-Liberal votes. In either case, as the table shows, the indicated result is a Conservative gain of around 45 seats and a majority in the neighbourhood of 75.

This forecast depends, of course, on the reliability of the public opinion polls. There is no doubt that, this year, the difficulties of assessing the intentions of the ex-Liberals are adding considerably to the precariousness of the estimates. As would-be Liberal voters have discovered that they have no Liberal candidates to vote for, the Liberal proportion has come down, in a fortnight, from 7 to 2½ per cent. The redistribution of such a large block of votes must be chancy; and there is still an unusually high proportion of "Don't Knows"—or "Won't Says." For these reasons, every exercise in electoral arithmetic should end with a large question mark.

* * *

Chiefs of Staff in Greece and Turkey

During the past few days the American, British and French Chiefs of Staff have been visiting Greece and Turkey. After talks with General Eisenhower in Paris, Field Marshal Sir William Slim, General Bradley and General Lechères left for Athens on Wednesday of last week and arrived in Ankara on Friday. The object of their visit was to assess the military strength of the two countries and to discuss with the Greeks and Turks the practical details of their military association with Nato. The aim of the trip was to inquire and explore rather than to make hard and fast decisions, and it is expected to pave the way for the dispatch to Washington of senior Greek and Turkish officers to work with the Standing Group of Nato. In the Turkish case this may be General Yusuf Egeli, who has been chief of operations on the General Staff.

The visit should do much to dispel doubts in the two countries that the Nato powers are in earnest when they ask them to join the organisation at once and unconditionally, even though slowness in ratifying the invitation extended to them at Ottawa still prevents them from formally taking their place in the treaty organisation. What remains to be determined, however, is to which subsidiary regional grouping each country should be assigned. It is reported from Paris that the logical development is felt to be to place Greece in Admiral Carney's southern European command and for Turkey to play its main role in the new separate Middle East command which is now being formed. The Turks have been assured that their troops will remain as far as possible under Turkish command and will not be sent to other areas without Ankara's full consent.

Since Greece and Turkey were invited into Nato, Egypt's abrogation of its treaty with Britain and rejection of the offer by America, Britain, France and Turkey to join a military alliance have introduced new elements of uncertainty into the situation. It would, however, be a great mistake to do anything that might give the opposition in Ankara an opportunity to play on the theme that Turkey is regarded by the rest of Nato as nothing more than an outpost of Europe and first and foremost a Middle East ally. The Turks have outgrown their close association with the Arab world. They think of their country as the hinge between European and Middle East defence; and they are above all anxious that it should not stand out on Soviet maps as an area not formally and directly covered by plans for the defence of Europe.

* * *

France and the Arabs

The French government has received verbal assurances of American and British support for the Moroccan protectorate. This solidarity in face of the Arab League puts an end to Franco-American friction over Morocco that began with the famous meeting of the Sultan and President Roosevelt after the Allied landings, and continued with squabbles about the coca-cola drive and other trading rights. A dispute between the United States and the government of the Protectorate is still before the Hague Court. But even more significant is the improvement in Anglo-French relations in regard to Arab countries, which have nearly always been bad and since the war worse than ever. The main point of disagreement has been French opposition to British sponsored Arab independent movements in the Lebanon, where there has been something of a French comeback, and in Syria; in Egypt where very large French commercial interests automatically suffer from a relaxation of the British grip; in Libya, where the proposed federal kingdom is viewed by Paris as a gimcrack nightmare subversive to order in Tunisia. Now all these difficulties should, if not disappear, at least fall into proportion beside the overriding common interest to make North Africa and the Middle East secure. Questions relating to these areas will be discussed by the British Foreign Secretary and M. Schuman at their meeting in Paris in November. It is to be hoped that more will come of these conversations than of previous efforts at understanding.

* * *

Uno's Split Personality

In his latest annual report the Secretary-General of the United Nations points out that, since the Communist aggression in Korea, there has been a remarkable change in the previously widespread feeling that Uno could provide no protection, and that the only hope lay in regional defence groupings. Mr Trygve Lie acknowledges the value of such groupings, but he notes that their limitations have already shown themselves. On the other hand, he points to the "Uniting for Peace" resolutions adopted by the last Assembly as proof that most member nations want to set up a workable UN security system. Enthusiasm for these resolutions may not have been as general as Mr Lie suggests;

but he is thinking along realistic lines when he argues that

> the greater the ability of the UN to foil attempts to solve conflicts by force, the more likely it will be that those conflicts can be settled by negotiation.

When applied to the United Nations, however, this argument leads into deeper waters. Unlike Nato, the world organisation aims not only at making aggressors think twice, but also at providing a common ground on which antagonists can meet to resolve their differences. The penalty of dividing forces and advancing in two directions is that fire is met from both flanks. On the one hand Uno is denounced by the Communist world peace movement as being no longer "an area of agreement" but the fool of "a dominant group"; on the other, there is a natural irritation in western countries—and not least in Britain—at the way in which UN procedures can obstruct the protection of vital interests, and particularly at the organisation's inability to restrain extremist actions which fall short of war. The Communist reaction is to build up the "World Peace Council" as an alternative international forum to Uno, which will echo only the Kremlin's opinions. The western reaction is also to write Uno down to a minor role, but not to dispense altogether with its services where these can be fitted into the general pattern of collective security and national policies. Neither attitude offers much hope for the future of Mr Trygve Lie's organisation. But western doubts might be modified if it could be shown that Mr Lie is right in maintaining that Uno's function as a forum need not frustate its function as a policeman. This is a practical, not a theoretical, point; it cannot be established by reference to the text of the Charter, but only by observing the conduct of the members of the organisation. At the General Assembly which opens in Paris on November 6th the member nations will have a fresh opportunity to justify Mr Lie's hopes by their conduct.

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Electioneering TV

It has long been a slogan of party organisers that elections are won or lost on the doorstep, by intensive canvassing rather than by extensive speech making. But this time a very energetic bid has been made to win the election at the fireside; besides the thirteen sound broadcasts there have been for the first time television broadcasts. The series was pioneered by Lord Samuel, who on Monday read for fifteen minutes a script on the Liberal attitude. It was to all intents and purposes the televising of a sound broadcast, and was marred by a mistaken signal that robbed him of his closing lines. Yet Lord Samuel's sincerity and reasonableness were vividly expressed, and the broadcast was much more effective than most of the professional television critics, applying the standards of entertainment, have considered it.

On Tuesday Mr Eden was equipped with a graph to show the cost of living and with a candid friend, in the person of a professional television speaker, to put all the right questions. The following night Labour went one better—or one further—and arrived not only with graphs, but with two speakers, Sir Hartley Shawcross and Mr Christopher Mayhew. Mr Mayhew, who while out of Parliament became a regular television commentator, carefully guided Sir Hartley through his points. This, with its claim to prove that the Tory graph was a fake, was by far the most entertaining show. Yet one wonders whether the stage effects and the cross talk were as good electioneering as the periods when Mr Eden and Sir Hartley spoke straightforwardly into the camera.

As an electioneering medium television certainly remains very much in its infancy. The first three sound broadcasts at an election, in 1924, had similar teething trouble. Mr MacDonald spoke from the platform of a meeting in Glasgow, and the show suffered severely from "noises off." Mr Baldwin learned the lesson quickly, and made his broadcast from a studio, setting in this way the pattern that has since been followed. In television the best methods may take longer to learn. This week most viewers were probably left with the impression that Mr Eden is a very nice man, and so is Sir Hartley, and Lord Samuel is a wise man but one far removed from any hope of power. But that is all. As a technique for stimulating thought or rousing fervour the usual discussion programme "In the News" is far superior to these staged talks. But there the performers are mostly party rebels of one sort or another, people kept out of sight as much as possible at election times. There is a long way to go before the full power of television is effectively deployed as a means of winning or losing votes.

* * *

Reforming the Health Service

Three main proposals have been put forward by the council of the British Medical Association in its report on reforming the health service. The first concerns arbitration. In 1949 the association was aggrieved because the National Health Service (Amendment) Bill of that year did not give the medical profession the right to resort to compulsory arbitration if disputes could not be settled through the normal Whitley machinery. What the Act did do was to apply the procedure of the Industrial Courts Act to disputes concerning the pay of any employees in the health service. On the second reading the Government spokesman said that it was intended to set up an arbitration tribunal for the health service on the lines of the civil service tribunal. But the intended arbitration agreement has not been brought into existence; in the meantime the negotiations between the British Medical Association and the Ministry of Health on doctors' capitation fees have dragged on and only recently has arbitration been agreed to. There is therefore some justification for the doctors' case. But it is difficult to believe that the Whitley machinery can ever work satisfactorily if, as is now proposed, either party to the dispute can take a dispute to arbitration without the consent of the other.

The council's other proposals are of more general interest. Part of the concern over arbitration arises from the Minister of Health's power to make changes by regulation in the pay of the medical staff of hospitals without reference to the Whitley machinery. It is therefore proposed to limit the Minister's powers in this respect and also some of his other powers which give him unnecessary control and wide discretion.

Some of the proposals for reforming the hospital service will be controversial. There will be general agreement—at least outside Whitehall—with the by now well-known suggestion that hospitals should be financed by block grants. But the proposed reform of the regional boards, under which the members would be elected by the sectional interests concerned, is much more dubious. It is true that the present system of appointment by the Minister after consultation is undemocratic. But it is difficult to see that anything would be gained by substituting representatives elected on such a limited franchise. They would be bound to regard themselves as serving the interests of their own professions and organisations first rather than the interests of the community.

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Three to Make a Quarrel

By chance, it has not taken long for the Industrial Disputes Order made last August to come before the Courts. In 1949, a joint committee representing municipal corporations and town clerks made recommendations for increases in the salary scale of town clerks. The South Shields Corporation declined to give effect to these recommendations and twelve months ago the Society of Town Clerks, on behalf of their South Shields member, reported to the Minister of Labour that a dispute had arisen under the old Order 1305 and called for an arbitration by the National Arbitration Tribunal. After six months' thought the Minister referred the dispute to that body but the arbitration had not been heard when Order 1305 perished and this year's Order (1376 of 1951) replaced it. The South Shields Corporation then applied to the High Court for an order prohibiting the new Industrial Disputes Tribunal from considering the matter, on the grounds that it was not a "trade dispute" under the definition contained in the new Order. The High Court, last week, found for the South Shields Corporation and made the order of prohibition.

The reasons for this decision emphasise one of the two important changes made by this year's Industrial Disputes Order. One change was the abandonment of the "illegality" of trade disputes and lock-outs. That point was not involved in the South Shields decision. The other was the alteration in the definition of a "trade dispute." Under Order 1305, a trade dispute was any dispute involving one or more workmen or employers. Under the new regulation it is a dispute involving one or more employers but more than one workman; the workmen must be plural, not singular. Further, the dispute on the workmen's side may only be referred to the arbitration of the new tribunal if it is reported to the Minister of Labour by a trade union. The South Shields case fulfilled the second condition; it was reported by the Society of Town Clerks. It did not fulfil the first condition; a town clerk employed by a municipal corporation can never be in the plural. The assistant solicitors employed in his department may create a "trade dispute" within the meaning of the new regulation. Their boss can not. If the aim of the trade unions, when the new order was under discussion, was to ensure that every trade dispute must come to arbitration through them, they have succeeded. They have also made certain, intentionally or not, that the individual specialist in any one employment must get some of his fellow workers to join with him if he is ever to be able to carry his dispute to arbitration. That may be of small practical importance, but as far as it goes it hardly makes for industrial peace.

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Poland Feels the Pinch

Poland's "economic upsurge" is a favourite theme of its leaders and commentators; but last week Mr Hilary Minc, Poland's chief economic planner, and the most able economist in the satellite countries, treated this subject from a more unusual angle. He pointed out that rapid industrial development must involve many difficulties and hardships. Moreover, he made it clear that it was the need to expand the armaments industry in face of "the acute manifestations of the aggressiveness of the imperialist camp" that made it imperative to press ahead more energetically than ever. This is the first time that a leader in any satellite country has spoken so plainly of rearmament, not "peaceful socialist construction," as the major factor in their industrial plans.

Mr Minc admitted that there were serious supply difficulties, including "an acute shortage" of meat, potatoes and other goods. He said they were due to the different rates at which industry and agriculture were growing. By the end of this year, industrial production would be 168 per cent above the 1938 level; but agricultural production, which in the Six-Year Plan is given as its aim a modest 6 per cent rise over the 1938 level, will not even achieve this owing to the decrease in the number of pigs and the poor potato harvest. The Government is now making strenuous efforts to stamp out "kulak blackmail" and bring the peasants to a proper sense of their duty to provide for the industrial workers.

The speech is further remarkable for its frank admission that the supply difficulties, whatever the Government may do or say, are bound to continue. The Polish Communists have always been particularly cautious about pushing ahead with collectivisation—the proved Communist method of consolidating revolution in the countryside and the orthodox method of increasing food supplies for the towns. Mr Minc says plainly that the conditions for more rapid collectivisation do not exist and that the Government cannot create them—in other words it does not know how to overcome the peasants' opposition. Even Mr Minc does not go so far as to suggest that the Government should try to regain the peasants' confidence by definitely calling off the collectivisation. He does not, in fact, follow his analysis of present difficulties with any new suggestions for remedying them; the Polish worker is merely given to understand that he must tighten his belt. As Mr Minc is believed to have recently been to Moscow, and as his speech has been given great publicity, it is not unreasonable to assume that his dose of realism and warnings of austerity are designed ultimately to reach a wider audience behind the iron curtain.

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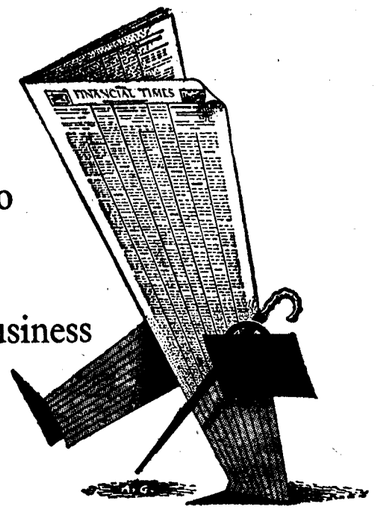
Suitors for Asian Exports

The countries of South East Asia are acquiring an embarrassing number of suitors for the favours of their export trade. Representatives of twenty-five governments, many of them fresh from the Commonwealth Conference on raw materials in London, gathered in Singapore last week at a trade promotion conference called by the UN Economic Commission for Asia and the Far East. They were to hear first the Russians and then the Japanese promise them unlimited manufactured goods in exchange for raw materials produced in the area. This was the first time the voice of independent Japan has been heard at an international conference, and it was inevitable that it should have embarked on a campaign for raw materials, promising, if it received



Men who mean Business read
THE FINANCIAL TIMES
every day

them, to provide the area with capital and consumer goods. It is evidence of Japan's determination to reconstitute itself the factory of the Far East. Such promises sound somewhat stranger on Russian lips; electrical generators and equipment, still being bought by Moscow from Britain, headed the list of Russian delicacies offered in exchange for tin, rubber, wool, jute, cotton and other materials. But Mr Migunov's statement was sinister as well as strange.

Since the Americans screwed down the controls on east-west trade, Moscow has shown several signs of real concern about its supplies of raw materials. Admittedly it has also put up a bold barrage of indifference in its various propaganda organs, but it was worried enough to add a conditional clause to its latest grain and timber agreements with Britain, to the effect that if it could get no rubber it would offer no grain and timber. It is, of course, equally true that the Soviet Union has no surplus of capital goods—in fact, it is much worse off in this respect than Britain—but it would be wrong to assume that it will therefore fail to find them, if South East Asia reacted seriously to its blandishments. In the Communist world somebody—for example Poles and Czechs—can always go without, if Moscow decides that it is necessary. Moreover, this bait is too vital a propaganda point for the Russians to be making frivolous promises. It is the first time that a Soviet delegate has specifically guaranteed the delivery of equipment to non-Cominform countries, and it must be regarded as Moscow's answer to the Colombo Plan.

The West has certainly shown itself acutely conscious of the need to meet the capital needs of the developing countries. At the Commonwealth Conference, Mr Stokes gave an assurance that the rate of Britain's exports to the Commonwealth will be maintained at its 1950 level. But Mr Migunov has now shown just how important it is that Mr Stokes's assurance should be fulfilled. Three days before the Singapore meeting, it was announced in Washington that the United States was considering the suspension of aid to Ceylon, because Ceylon had just shipped 5,500 tons of rubber to Communist China. The only effective way of ensuring that this kind of thing does not continue is not by cutting off aid, but by seeing to it that Ceylon can buy what it wants and needs with the money that it would earn by selling its products to the West.

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Foreign Ministers for Bolivia

Bolivia has had eight revolutions and seven Presidents in the last ten years; it has had eighteen Ministers of Labour in four years, and eight Finance Ministers in eighteen months. Even among the smaller Latin American countries this is an unusually rapid turnover, and it is hardly surprising that the United Nations mission, which recently visited the country to see how technical aid could best be supplied, quickly concluded that "governmental and administrative instability" was the root cause of Bolivia's economic difficulties. What is surprising is that Bolivia and the UN have agreed to make a vigorous attempt to tackle the problem by methods for which there is no precedent.

Ten men with wide experience of administration in a number of different countries will, under the agreement signed at La Paz this month, be appointed to senior posts in Bolivia's civil service for periods of three to five years. They will not only have the right to make suggestions directly to the President and his ministers; they are also to be charged with carrying out sweeping reforms. They are to reorganise the Ministries of Finance, Labour and Agriculture, to organise a new Ministry of Mines and Economic Affairs, to stabilise the monetary system, to reform taxation, and to improve the quality of official personnel. They will also sit, with Bolivian Ministers, on a new council which will decide the broad lines of economic and administrative policy.

If this experiment succeeds, other countries which face problems similar to those of Bolivia will be encouraged to follow suit. Their natural antipathy to foreign interference in their domestic affairs may well be assuaged by the fact that these administrators will not be acting as UN officials but simply as employees of the Bolivian Government, and by their recruitment from several different countries. The last point is of particular importance in Latin America, where there is strong feeling against any kind of tutelage by the United States acting alone.

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Planning in Lilliput

For many years a widening public has been fascinated by the model village of Bekonscot, near Beaconsfield, fascinated by the ingenuity and skill with which the waist-high buildings have been made. In return, visitors through their entrance fees have contributed some thousands of pounds to charity. But the innocent amusements of the thirties are the crimes of the fifties. By official standards, Bekonscot is unplanned. Its builders failed to ensure that their acre was zoned for miniature development, and they have now met the fate that befalls all who imagine that common sense can ever justify any exception to a Ministerial Order. The Bucks County Council, as planning authority for the area, has made an enforcement order; three Judges of the High Court have upheld it; and unless the Minister himself intervenes (and it is a far cry from Bucks to Durham) the county council, with the determination, if not the grace, of an elephant picking up a pin, will "liberate"—the verb is outdated, but it still seems appropriate—the portion of Bekonscot which has been built since September 30, 1929. Any Act of Parliament can be reduced to absurdity. The county council has ensured that the 1947 Planning Act is no exception.

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Industrial Injuries

The Government actuary has issued his first interim report on the working of the Industrial Injuries Act (HMSO, 4d.). The industrial injuries scheme, which replaced workmen's compensation on July 5, 1948, is financed by contributions from employed persons and their employers and by an Exchequer supplement of one-fifth of the combined contributions. Its benefits are divided into three parts. Injury benefit of 45s. a week is payable for a limited period—not more than twenty-six weeks—during total incapacity for work as a result of an industrial injury or disease. At the end of this period, disablement benefit is paid, which, like war pensions, varies in amount according to the assessment of the degree of disablement. For 100 per cent disablement, the rate is 45s. a week, and for less than 20 per cent a gratuity instead of a weekly pension is usually given. Like war pensions, the disablement pension is paid irrespective of the amount of work the pensioner can do, and like war pensions it may be increased by an unemployability supplement and a constant attendance allowance; a special hardship allowance is also given if the disabled person cannot take up employment of a standard equivalent to the work he was doing before. Thirdly, death benefit is payable to widows and other dependants if an insured person dies as the result of an industrial accident or disease.

Since the actuary's report covers only the first twenty-one months of the scheme, by far the greater part of the expenditure in that period was on injury benefit. This amounted to £9,162,000 in the year 1949-50, and there is no reason for it to vary greatly from this amount in future. Older people

The Schweppshire Post — An Announcement

A TRIUMPH & AN OPPORTUNITY

The more than international interest aroused by the Guide to Schweppshire demands a response. We hope, during 1952, to be able to reprint pages from our daily organ, THE SCHWEPPSHIRE POST, thus vividly pin-pointing, uniquely, SCHWEPPSHIRE'S LIFE TO-DAY. But opportunity shatters schedules. A General Election has given new meaning and fresh urgency. Here, then, is a preview of POST'S policy.

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Stephen Potter

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longer is the way . . .

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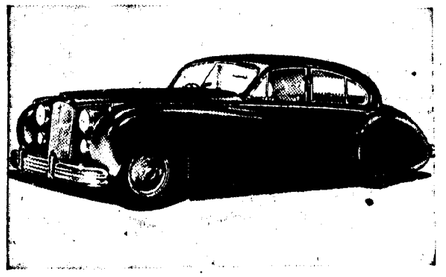

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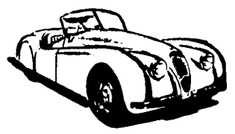

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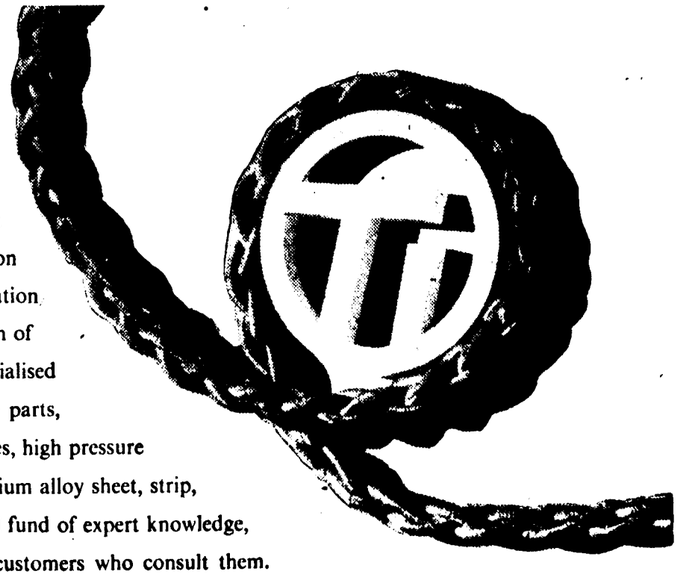

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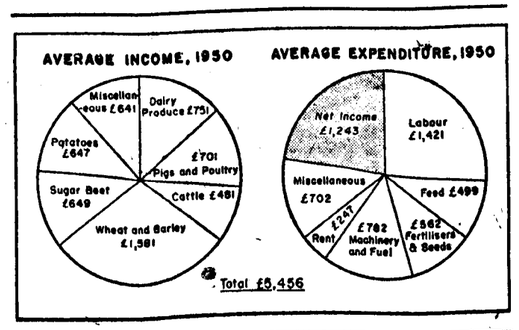
tend to have fewer accidents at work than younger people, but this influence of an ageing population on expenditure is offset by the fact that injury generally keeps a man away from work for a longer time the older he is.

What is uncertain about the scheme is the cost of disablement benefit. In the year 1949-50, expenditure on this was only £2,766,000. But, as the actuary points out, it will mount from year to year until each year's crop of new awards is offset by the deaths of earlier beneficiaries. It is thus far too soon to say whether the £39 million credit balance at present in the industrial injuries fund will be too great or too small to meet the scheme's total liabilities.

* * *

Farming Prosperity Continued

A comparative survey of the economic returns of 320 farms in the eastern counties for the years 1949 and 1950* shows that, in this important farming region at any rate, there has so far been no decline in the high general level of agricultural prosperity. Costs in 1950 increased by 9½ per cent, largely because the subsidy on feedingstuffs was



removed, but receipts went up by 10 per cent, as a result both of higher prices and a larger turnover. Thus, despite its worse weather conditions, 1950 was a better year than its predecessor for farmers in this region. Average net farm income increased from £1,104 to £1,243, and the figure for the "profit surplus" (which is reached by deducting from net income the estimated value of the farmers' own labour and a 4 per cent return on his working capital) was £610 in 1949 and £730 in 1950.

These are satisfactory results for farmers as a whole, although they disguise wide differences within the sample. In both years some 10 per cent of the farms worked at a loss while another 10 per cent earned a net income of over £3,000. Such differences underline the difficulty of the government in honouring its guarantee to agriculture without presenting some farmers with enormous windfall profits, especially since rents (which are generally low) no longer perform their classic function of equalising natural advantages. Farmers on good soils tend to make high profits, whatever their level of efficiency.

Mechanisation is still proceeding rapidly. In the two years covered by the survey, the number of tractors increased by one-sixth and that of combine harvesters doubled. This fact is reflected in the rising annual cost of machinery repairs. It would seem that mechanisation is undertaken more in order to free the farmer from his dependence on casual labour than to bring down his costs, and that the latter objective is not being achieved. This is a disturbing reflection on farming efficiency.

* Changes in the Economic Organisation of Agriculture. University of Cambridge Department of Agriculture. 5s., post free.

Sweet and Lovely

So far the women politicians seem to be providing the comedy of the election campaign. Miss Pat Hornsby-Smith, the Conservative candidate for Chislehurst, took as the main theme of her election broadcast the poverty and hardship endured by the working classes today in contrast to the palmy prewar days when one could buy a suit for 50s. Everyone, admittedly, is talking nonsense about the cost of living. Miss Hornsby-Smith's remarks were not much more absurd than international comparisons of cost of living indices based neither on the same period nor on the same items of expenditure, or than comparisons of prices of subsidised foods with prices of the same foods abroad. But they were nonsense of a very challengeable kind. Ignoring Mr Gaitskell's advice to check her statement about "double wages and treble prices" by the Monthly Digest of Statistics, Miss Hornsby-Smith promised to contribute to the funds of the Labour Party if she were proved wrong. Fortunately for her she did not specify the size of the donation.

The palm, however, must go to Dr Edith Summerskill. She is touring her constituency of Fulham West in a caravan, to the signature tune of "Sweet and Lovely," because, as she is reported to have explained, "the Labour party's object is to introduce a little more sweetness into the lives of the workers." This announcement utterly confounds those critics who thought that Labour policy had reached a dead end, and details of Dr Edith's programme are now eagerly awaited.

Royal Tour

We certainly have no knowledge of any period within the present century, till now, when it would have been thought advisable for Royalty to visit Manchester and Liverpool. As late as 1842, there were considerable riots in the manufacturing districts, and there were only brief periods through the whole century when they were not the seats either of suffering or outrage. The people were either in want of employment and food, or, hurried on by blind passions and mischievous leaders, were exciting commotion or attacking their employers, whom they supposed to be the cause of their sufferings. Till 1851, it was scarcely reasonable to expect that the Sovereign should visit them, and till now they were studiously avoided. Liverpool, we believe, was never before honoured by the presence of its Sovereign, and since the time of James I Manchester has been equally deprived of Royal smiles. Both places have now been visited by the Queen, and at both Her Majesty was received with exuberant joy. The people crowded to see and welcome her; the magistrates and gentry were not more delighted with her presence than were the multitude, and her coming amongst them occasioned a general holiday. The people saw in her the representative of the national power and the national justice; the glories they inherit and the blessings they share were all symbolised in the Queen, and they surrounded her with devoted hearts and rejoicing voices. That Her Majesty could visit these districts at all, is almost a matter of wonder; that she should visit them and find the whole population orderly, joyous, and delighted, is, in contrast with the reputation given them by Tory politicians and advocates of Arcadian simplicity, as marvellous as any other marvel—the Great Exhibition itself—of this marvellous year. It can no longer be thought or said that the rural population have a monopoly of loyalty, and that Her Majesty may not as safely rely on the ardent attachment of her most skilful subjects, as on the blind devotion of the veriest clodhoppers whose ignorance is supposed to be the guarantee for their loyalty.

The Economist
October 18, 1851

Letters to the Editor

Uno's Army of Experts

Sir,—In your issue of August 18th it is stated that "twenty-four countries, including Sweden, Brazil, Italy, Uruguay and Persia, have so far provided nothing at all" towards the United Nations expanded programme of technical assistance. As far as Brazil is concerned, the statement is not correct. By August, 1951, the whole of Brazil's contribution in technical services, scholarships and fellowships, valued at $460,000, had been made available to the UN Technical Assistance Administration. — Yours faithfully, L. DE A. NOGUEIRA PORTO

Comissao Nacional de Assistencia Tecnica, Rio de Janeiro

[The words quoted occurred in a summary of the latest report of the UN Technical Assistance Board, and it was made clear that they referred to the position on July 1, 1951.—EDITOR.]

Retreat From Rating Revaluation?

Sir,—I was interested to read your note in your issue of September 29th.

The matter of grants to the local authorities is one which must receive instant attention and I imagine if the case you make for England is good, that for Scotland is more so. You may not be aware that the national average valuation per head, for Scotland, for purposes of the grant, is arrived at by taking the English average and adding 25 per cent to it. This 25 per cent is supposed to compensate Scotland for higher local valuation which is in force in England. The fact is that Scottish valuations are under constant review for all parts of the country. Accordingly, the level of valuation is much more in accord with present-day circumstances than that prevailing in England.

This injustice to Scotland is one which is well worth pointing out and one which you can add to the growing list of injustices which local authorities have suffered in recent years.—Yours faithfully, WM. Y. DARLING

Edinburgh

Agin the Government

Sir,—"Pro Bono Publico's" suggestions call for legislation. Such legislation is unlikely to secure high priority in any government's programme. I suggest, therefore, as a slogan for electors to be going on with: "No Vote for any Sitting Member."—Yours faithfully, A. D.

Electoral Arithmetic

Sir,—In discussing the Cube Law you state that "rough corrections can be devised" for the bias against Labour in the electoral system. I hope you do not countenance the illogical method of adjustment now becoming popular, which makes a flat-rate deduction from the Socialists' poll. This ignores the fact that what makes them weak in attack also makes them strong in defence. Because they have an unduly large proportion of big majority seats, they have an unduly small proportion of small majority ones, and would be likely, other things being equal, to lose marginal seats at a slower rate than the Cube Law implies.

However, other things are not equal this time, because the disappearance of Liberal candidates in so many marginal constituencies favours the Conservatives. This may by accident make the adjusted Cube Law forecast more or less correct. But the chance that two unrelated errors have cancelled each other out will not prove the suitability of this forecasting technique to present British electoral conditions.—Yours faithfully,

CLARE CAMPBELL

London, S.W.1

[The possible corrections were described as "rough," and the "cube law" method of forecasting was dismissed in our article, for reasons such as Miss Campbell indicates.—EDITOR.]

As Simple as ABC

Sir,—Gowers is right. Disinflation is an abhorrent word. A balloon is inflated and deflated; so is the currency. "Disinflation" is sheer moral cowardice. Whether we disinflate or deflate, the consequences are identical. Dare to be a Humpty Dumpty. Show deflation who's master.—Yours faithfully,

GUY CHAPMAN

The University, Leeds

Books and Publications

The Keynesian Prescription

Economics of Employment. By Abba P. Lerner. *McGraw-Hill.* 386 pages. 34s.

The combination of the title, the author's name, the publisher's imprint and nearly 400 pages suggests another recondite sample of the massive American scholarship dedicated over the last few years to the New Economics. The suggestion is misleading. The scholarship is there in the background, but the exposition is strictly popular; with the exception of a few carefully signposted pages, "Economics of Employment" is aimed, with admirable accuracy, at the counterpart of the unscientific reader catered for by the scientific articles in *Life*. Its aim is to explain the need for, and the nature of, what Professor Lerner calls "Functional Finance"—the central control of the level of expenditure as a means of ensuring full employment without inflation; to analyse and rebut the common arguments against its effective exercise; to correct the view that it is applicable only as a remedy against depression; to put its international aspects in perspective; and to relate it to wider questions of political democracy.

All these aims are carried out with admirable skill. The old technical brain-twisters — propensity to consume, marginal efficiency of capital, necessary equivalence of saving and investment, and so forth—lose all their terrors in Professor Lerner's hands; and he goes through the legerdemain by which the compatible levels of employment and of national income are determined in a considerate slow-motion sequence revealing every step to the least receptive mind. For anyone who wants to know, without previously going to the trouble of taking a complete course of economic theory, not merely the broad outlines of the Keynesian technique but the details of the Keynesian prescription, this is the book.

It is, unfortunately, not only a masterpiece of exposition; it is also an awful warning. Mr Lerner brushes aside all possibility that a purely monetary approach to the trade cycle may be inadequate, that the "frictional" unemployment of men-between-jobs, which, he realistically recognises, may itself be subject to wide cyclical fluctuations destructive to the statistical criteria of "functional finance." He faces the enormous problem of accelerating wage demands with commendable honesty, but proposes for its solution an administrative and statistical device—a "national index of attractiveness" for different occupations, according to which wage advances should be regulated in inverse proportion—for which existing administrative and statistical techniques are about as adequate as those of the Tudors would have been to the national health service of today. His remedies for the disincentive effect of the heavy taxation needed to keep down spending when the national debt is increasing lead into a wilderness of partial state ownership and wholly private control, which provides no logical resting-place short of all-in socialism. At one point he is reduced to falling back on that deeply discredited piece of Socialist price-policy theory, "the Rule" by which marginal costs and marginal costs alone should determine prices, all overheads being ignored. And throughout a book otherwise distinguished for its intellectual honesty he equates all doubts concerning the all-sufficiency of "Functional Finance" to an unwillingness to allow it any place whatever in the armoury of economic policy.

This is altogether too thin. The complaint against Mr Lerner's technique is not that it is inherently a bad or irrelevant or politically unacceptable technique, but that he and other enthusiasts, from the United Nations' expert advisers down, claim far too much for it, and so encourage its inappropriate use to an extent likely progressively to defeat the very ends which they desire. The present plight of the British economy should serve as a warning, if not to Keynesians of a thinly disguised totalitarian persuasion, at least to liberals such as Mr Lerner claims to be.

A Bengali Adrift

The Autobiography of an Unknown Indian. By N. C. Chaudhuri. *Macmillan.* 516 pages. 21s.

"L'Inde c'est moi" says Mr Chaudhuri. He is quite wrong. No one could be less typical. He is a Bengali who, although he has lived for years in Delhi as a script-writer for the radio, talks only of Bengali life and Bengali thought. He is a Brahma, a reformed sect of Hinduism which is virtually confined to Bengal's more anglicised intelligentsia. He is a scholar whose favourite reading in his youth was the Encyclopædia Britannica; he was top of the list in his B.A. and he has a knowledge of French and the classics very rare in India; it is unfortunate that one of the results is that he cannot see three boatmen punting a boat on an East Bengal backwater without being reminded of a trireme, or a village mother bewailing the departure of a married daughter without mentioning Mme de Sévigné. Above all, the self-criticism so prevalent among Hindus takes with him an almost morbid form. He is unable to see anything good in India that has not come from outside, or anything, except putrefaction, in the orthodox Hinduism which still keeps the mass of his countrymen moral and content. He seems never to have been pro-British; indeed, he shared, for short periods, the sentiments of all the great nationalist movements from 1910 on; yet he sees in independence only corruption and the black market, a mere pause before another, and necessary, foreign domination.

His book closes to all intents and purposes in 1921 and the events of subsequent years are referred to only in parenthesis. This early close inevitably limits him to his childhood in Mymeusingh and his early manhood in Calcutta. About the rest of India there is virtually nothing. For Gandhi himself he has a most limited affection, for Chaudhuri is an intellectual snob; he has no faith in the people and little but patronage for the Mahatma's "servile morality" which he compares with that strain in Christianity which derives from what he considers its low-class origins.

Nevertheless, Mr Chaudhuri's is an important book, for nowhere else can one find so clearly portrayed the ideals and the decadence of that anglicised middle-class of Bengal which once led India, and is now so crushed. Mr Chaudhuri's parents represented this class at its best. His father was an up-country lawyer, practising in minor courts in a provincial town of 16,000 people. He once broke away and tried to run a bicycle shop in Calcutta but it failed. It seems unlikely that he can ever have earned more than £2 or £3 a week; yet he was a man deeply interested in philology, with a real feeling for English literature, and of the highest moral standards. He used no influence, he associated with no bribe-takers. His mother was a woman of even more rigid honesty. The whole society in which they lived was one where a knowledge of Thucydides and of Shakespeare was valued above either money or position; no sin was worse than the flaunting of wealth.

Today this society is dead; perhaps what killed it was the partition of Bengal in 1905, which turned so many of Bengal's best youth, including at one time Mr Chaudhuri's own brother, into terrorists fighting against the British whose culture they had loved so much. Mr Chaudhuri portrays admirably the sudden shift from humanism to the cult of the revolver. Bengal has ever since been adrift from its moorings; no one has explained how and why better than Mr Chaudhuri.

A Different Civilisation

Summing-up on Russia. By Stephen Graham. *Ernest Benn.* 224 pages. 18s.

Most of the books written on Soviet Russia have been by observers who have only known Russia since the revolution. Of those who were familiar with the old Russia before 1917—now very few in number—the majority have been antipathetic to the Communist regime, but there are some who in spite of a dislike of communism retain an enthusiasm for the Soviet world just because it is Russian. Their attitude is the opposite of that of western observers who approve of the socialist ideals of the revolution, but are repelled by the specifically Russian qualities of the new society. Mr Stephen Graham is one who refuses to interpret Russia in terms of western experience and values.

> It is difficult to bring home to German, Englishman or American that she is not to be measured alongside western civilisation, and that instead of going ahead or lagging behind, Russia is just different.

Hence his picture of Russia is a curious mixture of the admirable and the horrible, and there is a minimum of definitive judgment. He claims that there has been in Russia "a clean sweep of old-fashioned privilege associated with family, wealth and place in society," and makes it clear that he finds this condition attractive; on the other hand, he emphasises the fundamental disregard for human life in Russia, where "death has been reduced to be a trivial occurrence" and where "you are old at forty and look like a wizard at fifty."

It is another world, and the author conveys the impression that it is not so bad for Russians—at least for young Russians — however nightmarish its tyranny and inhumanity may be for people brought up in the tradition of western civilisation. His criticism of the Soviet system is made not so much from the point of view of western individualism and democracy as from that of the Christian religion, and not in its western, but in its Russian, form. He writes that he was "much moved and inspired" by Russian Christianity as he knew it before the revolution, and regarded it, "stemming in part from Dostoievsky," as "a revivifying influence which would increasingly affect the spiritual life of Christian people in England and America." He recognises that the restored Orthodox Church in Russia is a tool of the state, but from the fact that the Communists had to restore it infers that religion is still a powerful force, and points out that "the live part of the Christian community must seem dead because it is mute."

This muteness Mr Graham also finds in Soviet Russian literature, his chapter on which is perhaps the most interesting

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in the book. He shows how everything now written in Russia must conform to the official picture of the happy Soviet life; "in some of the industrial centres," he says, "there is worse misery than Dostoievsky ever depicted, but it does not get a page in contemporary novels."

The Tool of Planning

An Introduction to National Income and Income Analysis. By Richard Ruggles. *McGraw-Hill.* 349 pages. $4.00. 34s.

National Income Behaviour. By Thomas C. Schelling. *McGraw-Hill.* 291 pages. 38s. 6d.

Since the war, national income accounting has become the vogue in economics, but few books have treated the subject in sufficient detail to enable the less advanced student of economics to appreciate its use as a tool in analysing current problems. The pioneer work in this field was done many years ago by British economists; more recent developments have come from the United States, where the subject has been closely studied both in the universities and by government economists.

Two books published in America complement each other in this field. It is unfortunate that they have appeared more than eighteen months apart, for their joint contribution to an understanding of this subject is not so apparent as it would otherwise have been. Both serve, from different points of view, as introductions to national income and national income analysis. Mr Ruggles's book appeared first. It is indeed an introduction, but, let it be said at once, the author is addressing students of economics and not laymen, though the general reader will undoubtedly find it of some value. The system of national accounts is built up from accounts of individual firms and government agencies, item by item, so that the whole structure is clearly visible. An interesting feature is the development of the theory of commodity flow which traces the movement of the main groups of commodities through the economic system; this analysis has an obvious value for guiding economic policy in periods when raw materials are scarce. The book also gives the sources from which American data on the various items can be compiled. The second part shows how the national accounts can be used as tools of economic analysis, and the examples are taken from American experience spanning the period 1929 to 1947.

Mr Schelling has set out to accomplish a different task; his book is an introduction to the algebraic form of national income analysis. It is claimed that the reader does not require any previous acquaintance with mathematics. Such a claim, however, is difficult to substantiate because it is not the logic of mathematics that many readers fail to grasp but the basic concept that relationships and trends can be denoted by symbols. The various algebraic contortions are indeed explained in the text, but only the stoutest of hearts will not be scared by a series of interrelated mathematical symbols proving the simple fact that national income consists of consumer expenditure and non-consumer expenditure. Nevertheless, mathematics is an extremely useful technique for economists, for it reveals implicit assumptions in arguments and enables the simultaneous operation of different interrelationships to be seen. Mr Schelling has shown very effectively how fairly simple mathematical techniques can be used to analyse business cycles and problems relating to fiscal policy.

It will take something easier than either of these books to bring home the lessons of national income to the general public, but they at least have the merit of bringing that stage one step nearer and of being simpler and more systematic than other books on this subject.

African Peoples

Seven Tribes of British Central Africa. Edited by Elizabeth Colson and Max Gluckman. *Oxford University Press.* 409 pages. 37s. 6d.

This is an indispensable book for anybody who is engaged in the government of African peoples. As it is concerned with some of the most important tribes of the two Rhodesias and Nyasaland, it happens to have special topical interest. If Mr Griffiths can be persuaded to read this book he may begin to understand why the native races of Central Africa are bound to object to federation. Nobody knows exactly how many tribes (that is traditionally more or less independent political units) there are in central Africa. Those of Northern Rhodesia alone probably run into three figures. The seven tribes described here are a chance selection brought together, it seems, simply because they have recently been studied by anthropologists. Their total population is not more than that of Northern Ireland. Yet underneath certain common patterns of administration due to British rule, they represent quite different kinds of political society and a considerable range of differences in social custom. What they have in common is a basic subsistence economy, now much overlaid by a money economy geared to labour migration and some cash crop farming, and a common subjection to British rule which the authors imply is often felt to be alien and irksome. A veneer of Mohammedanism in some tribes, and of Christianity in all its denominations in others, makes for further complications.

The tribes described are the Barotse, the Tonga, the Bemba, the Ngoni, the Nyakyusa of Tanganyika, the Yao of Nyasaland, and the Shona of Southern Rhodesia. Each of these is discussed by the anthropologist who studied it, and there is in each article a fairly full, though sometimes rather technical, account of the family system of the tribe, as well as of the village organisation, which seems to be bewilderingly variable, rules of land tenure, and the general effect of modern economic and political developments. Excellent bibliographies are included. The book is weakest on the economic side; and it has one serious lack. It needs a chapter summing up the main points of variation, resemblance and difference among these tribes, particularly in relation to modern changes. Nevertheless the light it throws on African tribal customs and conditions make it required reading for those who would solve the problems of central Africa.

Shorter Notices

Farming Machinery. By A. B. Lees. *Faber and Faber.* 220 pages. 21s.

Mr Lees understands farming as well as machines. He has farmed the hard way and can therefore appreciate the saving of cost and of human wear and tear brought about by the application of mechanical power to the farm. And his practical experience prevents his enthusiasm for machines from blinding him to their limitations. The result is a sensible book which not only describes a very wide range of machinery and equipment but also deals with some of the problems likely to arise when using them. The many illustrations are excellent. It is a book for farmers, but much of it, such as the chapter on capitalisation and sections on the application of power to the small farm, will interest others concerned with the economics of agriculture. Mr Lees always writes vividly; sometimes he is provocative. For example, most people would like to see a cut in food production costs, but few would accept Mr. Lees's suggestion that a cut of 20 per cent in the cost of living could "be quickly and easily achieved by bringing our agricultural production and distribution methods right up to date."

The Fourth Republic of France; Constitution and Political Parties. By O. R. Taylor. *Royal Institute of International Affairs.* 221 pages. 15s.

The task of the reviewer of this book would be easier if it were clearer what its purpose was, or for whom it was intended. It is one of those worthy but unfortunate publications that is neither interesting enough to attract the general reader nor detailed or novel enough to demand the attention of the specialist. It is difficult to see why it should qualify for so distinguished an imprint.

Mr Taylor divided his book into three parts. The first deals with the formation of the Constitution and with the contents of that document: This part is marred by the fact that Mr Taylor often fails to distinguish between what is new to the Fourth Republic, and what is in accordance with French constitutional tradition. He does not make it clear that the electoral law is not part of the Constitution. The second part deals with the structure and tendencies of the parties. There is some useful information here, especially on the oversees groups; but the section is too short, and the professions of the parties are taken too closely at their face value. The last section is a narrative of cabinet crises intended to demonstrate the fact that French political tradition and the party structure have been more compelling forces in dictating the course of events than have the reforms of the Constitution. The analysis of cabinets and parliamentary division lists is useful.

THE TEST

WILL some political leader please bring this election down to earth by talking otherwise than in vague generalities about the problem of chief importance: *How can both sides of industry be got to hasten the changes without which Britain will fail to earn her living?*

The facts are clear. To earn the bread and butter for our population we need still higher output per man. *There is a shortage of labour.* Particularly there is a shortage of *skilled* men in essential industries such as coal and transport.

There is a hang-over from the 1930's of arrangements by both sides of industry that restrict output. Organisation is not fully efficient. Manpower is being wasted.

Two things are necessary. *One is a wages policy recognising the value of the skilled essential worker over the rest.* The Government and the T.U.C. have wrestled with the problem of a wages policy, but the rank and file have proved slow to face the need.

The second necessity is to sweep away restrictive practices, in which much more progress would have been made had not the Labour Party's majority been so slender in 1950. *It is not a political debating point but a fact that the greatest obstacle, so far as the unions are concerned, is the workers' fear of a Conservative Government.*

But unless these two problems are solved—getting skilled workers where they are needed and ending the waste of men—*a falling standard of living cannot be arrested.*

Chatter about the cost of living means nothing unless the talkers face these problems of earning a living at all. The traditional Tory cure-all—a pool of unemployed—has had its advocates, but is repugnant to the country. Democracy can find a better way if it will; it does not want anyone to bury his head in the sand.

Will the parties say clearly what action is in their minds on these crucial questions? That is the test of statesmanship.

Reprinted from the editorial column of the Daily Mirror of Oct. 12. The Daily Mirror's net sale—over 4,400,000 *—exceeds that of any other daily newspaper in the world.*

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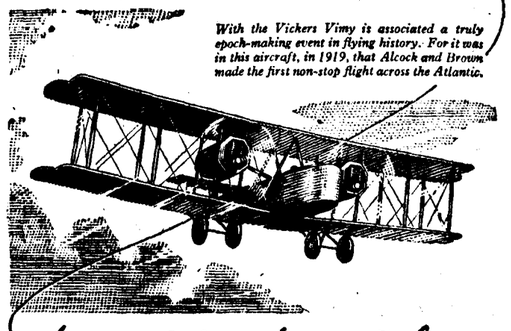

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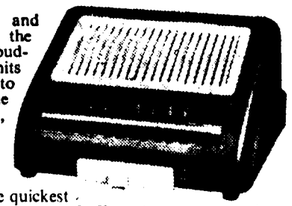

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AMERICAN SURVEY

Egyptian Lesson

Washington, D.C.

THOUGH they may both be different aspects of the same problem, the strategic defence of the Middle East, the Persian and Egyptian crises have been treated very differently, not only by the State and Defence Departments, but also by the press and, as far as it is possible to judge, by the public. It is easy to find selfish reasons for the difference—that it was only the British who were being kicked about in Persia while the Suez Canal is of strategic value to the United States—but they would not provide a true explanation. The real reasons are to be found in the impact of the two situations on some of the most persistent American myths.

In Persia nothing was clear. In the first place, it was an oil company which was in trouble and, despite the scrupulous record of American oil companies in modern times, the original John D. Rockefeller is not yet forgotten. Therefore, regardless of any theoretical belief in the sanctity of international obligations, there was an instinctive inclination to take the side of a small country against a large company—especially when the small country was represented by such a challenging addition to the world's gallery of eccentrics as Dr Mossadegh.

Side by side with the John D. Rockefeller myth, however, there has grown up in the last two or three years the complimentary, or Aramco, myth. This is the story, and it has the advantage of being largely true and only slightly inflated by the American Arabian Oil Company's public relations officers, of an oil company which, by its tact and benevolence, and its sense of international responsibility, has won the heart of King Ibn Saud and is busily developing his country to the point where the desert shall rejoice and blossom as a rose.

Against this myth could be put the innumerable tales of travellers returning from Persia—of the Union Jack insolently flying over Abadan while Aramco only flew the Saudi-Arabian flag; of the Anglo-Iranian Oil Company charging the Persians more for the tiny quantity of their own petrol which they consumed themselves than they charge in the British Isles, a mistake American companies have never made; of the British government getting more in taxes than the Persian government did in royalties. If any of these stories were false nobody took any of the elementary steps to deny them and create a better impression against the day when the understanding of the American people would be needed.

It was against the background of a public opinion which had heard of such things and which enjoyed seeing a British government, committed to a policy of nationalisation, hoist on its own petard, but which was also aware of the importance of the Middle East and, particularly, of its oil, that the State Department had to operate. Nobody in the Department ever expected rational behaviour from the Persians, but they did expect it from the British government. It is hard to argue with the contention that London was just as irrational as Dr Mossadegh and his advisers. How could the United States support a government in a policy which it had not got—a government which was prepared neither to negotiate nor to use force?

The only policy which London seemed to have was to wait for the fall of Dr Mossadegh, an eventuality which, rightly as it appears, the American Government considered unlikely. The State Department thinks it did what it could. It removed Mr Grady because the British did not think he was helpful, but nobody removed Sir Francis Shepherd. It warned American companies not to try to step into Anglo-Iranian's shoes, though it had no authority to do so, but nothing was done to make Anglo-Iranian, as an organisation, more palatable to the Persians. The directors, who are believed to have a large share of responsibility for the debacle, are still running the company. Mr Harriman worked his hardest to bring the Persian Government to the point where negotiations could begin again, but when he thought he had succeeded, the British rejected the note of September 20th, against his advice and, not for the first time, in the view of Washington, gave the British public a misleading explanation.

Such is the sad story of Persia, as seen from Washington. For any number of reasons the American public was never more than half-hearted in its support of the British position. For these and many more reasons, chief among which was the British Government's own irresolution, the American Government, desperately as it wanted to find a solution, was never able to be more than half-hearted in its support of the British tactics.

* * *

There is no reason to expect the same kind of tragic misunderstanding over Egypt. The American Government will operate from the beginning against the background of a public opinion which has almost no sympathy for a country that for years has sedulously and successfully courted enmity. If there are two groups on whose support small countries starting out on an anti-British campaign can usually count, they are the Zionists and the anti-monarchists. Yet even at this moment the Egyptians cannot make any kind of public statement without managing to insult Israel; and King Farouk's matrimonial peculiarities and his well-advertised honeymoon at the gambling tables have created a distaste in the United States which has overflowed to engulf all the Egyptian ruling classes.

The State Department has, therefore, no domestic reasons for pulling its punches and it is in no mood to do so. Mr James Reston the other day in the *New York Times* quoted an official as saying:

> we are not opposed to changes in that part of the world but we are opposed to any more blackmail; we are opposed

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to the defiance of legitimate international agreements; and we are opposed to the creation of military situations which will benefit nobody but the Russians.

And the Egyptian Ambassador's contention, at an ill-fated press conference which he had the temerity to call, that the Egyptian army would, after a year or two's training, be able to defend the Suez Canal is not believed to accord with the latest estimates of the Defence Department. Egypt would not be able to defend the canal, it is generally thought, against the Brooklyn Dodgers, a baseball team which has not covered itself with glory this year.

As much as anything else, it is the patent dishonesty of the introduction of the draft Bill for abrogation of the treaties which has annoyed Washington. The new proposals, of the imminence of which the Egyptian Government was advised two weeks ago, contained, as far as anybody in the American Government knew, all the safeguards of the Egyptian position for which the Ambassador had been asking during the last few months. The only reason for the precipitate action, therefore, must be a desire to embarrass the Western powers and play domestic politics. The Ambassador has, no doubt, been acting in good faith. Egypt is not the only Middle Eastern country which habitually betrays its Ambassador by using him as an innocent smoke-screen, behind whose obviously genuine protestations it can plot in comfort.

Mr Philip Toynbee explained to readers of the *New York Times Magazine* a couple of weeks ago that "the form of nationalism which is raging in Iran just now is very unlike the forms we have in the West . . . it has almost nothing to do with patriotism." Not very long ago few Americans would have understood what he meant. Lately, however, they have been getting some lessons. The lesson given by the Egyptians is not only the clearest they have been given but it is also the most magnificently mistimed. The United States has been very careful not to offend small powers; it has listened with a straight face to endless imagined grievances; it has soothed those whose "just aspirations" could not be fulfilled tomorrow morning; it has tried to sympathise with the most absurd excesses of adolescent nationalism. But its temper is becoming a little strained. It is more interested in internationalism than nationalism. The United States proposed and supported the United Nations as an organisation affording each nation a forum in which it could argue its case as an equal. It did not support it as a body to which countries could go screaming for help when they were in trouble, but whose decisions they would haughtily disregard as "an insult to national sovereignty" when they were unfavourable. Egypt may well find that it is the country which went too far.

Judicial Process

[FROM A SPECIAL CORRESPONDENT]

IT may have been only the tidy mind of a clerk drawing together judicial matters for the Senate's consideration which bracketed the fight between President Truman and Senator Douglas over two judicial appointments in Illinois with the request of the Judicial Confesence for the creation of nineteen new federal judgeships. But the net effect of this day's work was to emphasise Senatorial precedent and prerogative; it gave warning that in the appointment of the nineteen new federal judges the Senators would continue to defend their rights.

Technically the power to appoint federal judges belongs to the President, though he must secure the Senate's consent. In practice, this means that the Senator in whose district the appointee is to serve expects, if he is a member of the President's party, to offer suggestions to the President or to be asked to confer and agree before the choices are sent to the Senate. Why, in the case of the Illinois judgeships, Mr Truman chose to forget this custom is not clear. It may, of course, have had something to do with the rumour that Senator Douglas was a not impossible Democratic candidate for the Presidency. In any event, the Senate stood behind the Senator. With nineteen new judgeships coming up any one of them may have to reckon with Presidential forgetfulness, and need similar support.

The importance of these incidents goes beyond a momentary political skirmish to the question that periodically agitates both bar and bench; how can the best judicial abilities in the country be secured for the highest courts?

Both of the obvious alternatives, appointment and election, are in use. Election of certain local and state judges was introduced fairly recently in an attempt to free the judiciary from the control of political bosses. It has not had notable success. Few responsible people would suggest that the elective method be extended to the federal court system, which extends as a separate blanket over local and state courts and must in certain instances resolve disputes between the states. Yet distinguished appointments are made only by men who understand the country's need for them and value the power to make them. The President must be of that calibre, so must the Senators who vote to confirm or refuse to confirm his choices. Otherwise, murmurs arise that the best men are passed over, the recommendations of bar associations denied, and that the courts are becoming too subject to political pressure. The party in power also is accused of forgetting the high place which the judiciary must occupy in a democracy which expects it to act as a balance-wheel for the executive and the legislative branches of government.

*

Such murmurs have been endemic since President Roosevelt first struggled to persuade the Supreme Court that reforms of the New Deal were constitutional, and then threatened to render it more tolerant by adding six new judges of his own choosing. His plan was defeated, but it left his party saddled with the charge that to Democrats party loyalty is more important than justice, political usefulness more to be sought than judicial skill and experience. On balance, Mr Roosevelt's judicial appointments may have been no worse than those made by his Republican predecessors, but too many of his judges seemed to have been chosen for their political assets.

Mr Roosevelt's successor needed no such example to persuade him of the superior virtues of loyal party members in any post. Republicans go so far as to charge that the prestige of the Federal courts has been appreciably lowered by eighteen years of Democratic appointments. At least one recommendation now pending would suggest that the process is still going on.

Few Democrats are frank enough to retort that men whose programme of reform amounts, in fact, to revolution need the judges on their side; in any event, the political appointment of judges persists although the New Deal revolution is now history. Today, every Supreme Court justice who baulked Mr Roosevelt has died or retired. Between 1937, when he made his first appointment in the person of Mr Hugo Black (a Senator from Alabama whose judicial experience

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then consisted of eighteen months as a police magistrate), and 1951 the court has come to be composed of five men who owe their posts to Mr Roosevelt and four who were appointed by Mr Truman. The oldest and most distinguished for legal abilities is Mr Justice Frankfurter, born in Vienna in 1882 and professor at the Harvard Law School for twenty-five years. The youngest is Mr Justice Clark, born in Texas in 1899. Only three of these justices had sat as judges in lesser courts before elevation to the Supreme Court, but three had served one or more terms as Senator, a fourth had sat for twelve years in the House of Representatives, one had been mayor of a major city.

These men do not, as did their predecessors, appear in photographs as grave archetypes of dignity and wisdom. They look as bewildered and contentious as the rest of the population. Remembering that they were picked by two presidents of the same political party in the short span of fourteen years, their failures to see matters from a single point of view are as surprising as they are frequent. Time and responsibility are welding them into a court, but it is still a court whose verdicts are characterised by an extraordinary number of individual opinions, concurring or disagreeing, written by men conscious that their judicial reputations are still in the making.

This diversity gives the court a contemporary liveliness, but deprives it of the aura that goes with the sure consciousness of superior authority. The decisions of the court have lost none of their binding force, the sessions of the court are opened with traditional care, the older counsel still appear before it in frock coat, striped trousers and pearl-pinned cravat. But even the young among the spectators miss the values which went with great reputations, grey beards and conscious dignity.

The autumn session, opened on October 1st without any of the fanfare that attends its British equivalent, faces problems very much on the public mind. One of the court's first decisions was to refuse to reconsider the case of the eleven Communist leaders, sentenced by Judge Harold Medina after a long series of contentious hearings. This means that the constitutionality of the Smith Act, which makes membership in the Communist Party a crime, is now settled. Several other Communist cases are on the docket, including that of Miss Judith Coplon, tried in two district courts with varying results. The court has been asked to decide whether Negroes can be segregated from white children in certain southern schools, whether transport companies have the right to force their riders to listen to the radio, whether Captain Dollar gets his steamship line back from the government, and Secretary of Commerce Sawyer goes to jail for not returning it sooner. Every year about a thousand appealed cases seek the court's attention. Of these it agrees to take up a much smaller number, for the Supreme Court considers only cases which involve important points of law.

Below the Supreme Court the federal system fans out to eleven circuit courts of appeal, each under a Supreme Court justice (the name dates from the time when the justices rode circuits on horseback), eighty-four district trial courts which are the foundation of the system, and a brace of special courts for special purposes. The federal courts have a high degree of individual autonomy, but in recent years they have been drawn closer and given standards for comparison by two new devices, the Judicial Conference, which is the governing body for the administration of the federal courts (except for the Supreme Court), and the Administrative Office, which is the operating agent for the Conference. It is in their annual reports that one finds such astonishing bits of information as the fact that the cost of federal justice to the taxpayer in 1951 was only $25 million, less that one-fourteenth of 1 per cent of the federal budget.

American Notes

Taft's Hat in the Ring

Senator Taft, who has been openly fingering his hat since his great victory in Ohio in 1950, has caused little surprise by tossing it into the ring for the Republican Presidential nomination. It has been there before, notably in 1940 and 1948. Mr Taft has announced his acceptance of an invitation to run in the Wisconsin primaries, an invitation of some significance since it has been extended by former

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supporters of Mr Harold Stassen. In the primaries voters of each party indicate their preferred candidate, though the delegates to the convention are not bound by the results.

Senator Taft has taken the plunge early, but he is a highly cautious and professional politician; he has apparently satisfied himself that the disadvantages of making himself a target for all other ambitious contenders are outweighed by the advantages of being able to make hay while his chief rival, General Eisenhower, keeps his nose to the European grindstone. The interesting question is what effect this early announcement will have upon the Republican politicians already deeply involved in forwarding General Eisenhower's candidacy, and on the General himself. The procession of Republican visitors who have been beating a path to the General's door have come away with much hope, but little tangible satisfaction. It may be that the General has not made up his mind. But nothing is more likely to help him to do so than the news that Senator Taft is already in the

field. Whatever Senator Taft says, his supporters make no secret of their belief that in him they have a candidate who will oppose Administration policy lock, stock and barrel. Even with a Congress in which the predominantly internationalist Democrats outnumber the Republicans, General Eisenhower's prestige and potential political influence have been needed again and again to save important aspects of foreign legislation.

It may be that General Eisenhower still hopes for a nomination by acclamation, without having to lift a finger to get it. Very few of the experienced politicians arrayed under his banner believe that this is practical politics, even in his case. They will think so even less now that Senator Taft's campaign for convention delegates has begun in earnest. Prolonged uncertainty, too, is hard on a coalition which already is showing some signs of strain. Senator Duff of Pennsylvania, Governor Warren of California, and Governor Dewey of New York represent States which, if they act together, can probably determine the candidate. But Senator Duff is not altogether pleased by Governor Dewey's assumption of the leadership of the grand alliance; it would be strange if Governor Warren did not have presidential ambitions of his own. Other politicians who want to stop Senator Taft or simply to climb on the band-wagon are very vulnerable to hints that General Eisenhower may prove not to be a Republican, or that he may refuse to run. The slimy whispering campaign which has already begun arouses fears, as it is meant to do, that the General may decide that politics is too dirty a game as played today.

* * *

Taxes Up in the Air

With Congress hustling to complete its chores by the end of the week, and pigeonholing almost everything except major money bills, it was never expected that the Tax Bill so laboriously hammered out in conference would cause trouble. Yet in the House, an oddly assorted coalition of Republicans and Fair Deal Democrats has managed to reject the conference version by 207 to 167, on the score that it is unduly generous to income tax payers in the upper brackets, at the expense of those in the lower ones. The House had voted for a general 12.5 per cent increase over present tax liabilities; the Senate for an 11 per cent increase, with the qualification that those in the upper brackets might choose, instead, to pay 8 per cent on the net income remaining after present taxes. The conferees, in brisk last minute horse-trading, split the difference; tax liabilities would be increased by 11.75 per cent, but those who chose might instead pay 9 per cent on their net income after present taxes. It was this which the Representatives, perhaps on principle, perhaps because they are even more anxious to return in 1952 than to get away promptly in 1951, could not stomach.

Congressional experts put the yield of the new Tax Bill, before the House revolted, at $5.7 billion in a full year, approximately half Mr Truman's request. The President, it is felt, cannot afford to veto it, however great his disappointment, or however much he dislikes some of the millionaire's reliefs of the Senate. In the present fiscal year, the revenue would be increased by only $2.8 billion, because the new individual income and excise rates cannot go into effect until November 1st, a third of the way through the financial twelve months. If the government can spend the full $68 billion this year which the Treasury has estimated it will, this year's deficit will amount to $7 billion on Treasury assumptions as to revenue, and $5 billion on the usually more accurate Congressional estimates.

The rejection of the Bill by the House means that even these estimates may be too optimistic. Whatever concession the Senate makes on income tax, the new excise rates cannot go into effect on November 1st unless the President signs the Bill by October 21st. Excise, or sales, taxes, are expected, in a full year, to bring in another $1.2 billion compared with $2.3 billion from individual income taxes and $2.1 billion from corporation taxes. This is a cause of bitter reproach from the self-styled tax reformers who note that of the $15.8 billion in new taxes raised since the beginning of the Korean war, nearly 92 per cent has taken the form of income taxes, either on individuals or corporations, rather than a "broader-based" levy.

* * *

Metal-users in the Woods

Further cuts in steel, aluminium and copper for consumers' goods in the first quarter of next year have quickly followed the announcement of Mr Wilson, the defence mobiliser, that the period of greatest metal stringency has arrived. The use of steel is to be cut by 11.5 per cent compared with the current quarter; only 50-60 per cent of the steel used in 1950, and 50 per cent of the copper and aluminium will find its way into consumers' durable goods. Less essential businesses are lucky to escape with their lives; they have had a reprieve from the "death sentence" which was considerdd at one time, but producers of venetian blinds, ash-trays, garden tools and such things will receive only 15 per cent of the copper and aluminium they used in 1950. Some may succumb on this meagre diet, but the aim of the planners is to find something for everyone, in the hope that they will be able to hang on until the third quarter, when supplies of steel and aluminium, if not of copper, are expected to be easier.

The controlled materials plan, which was to introduce perfect order into the rationing of these scarce materials, appears to have under-estimated the demand; producers' books are still crowded, and deliveries uncertain. The release of 55,000 tons of copper from the stockpile, to make up the loss suffered in the summer strike, is to be followed by the diversion of all aluminium supplies for the stock-

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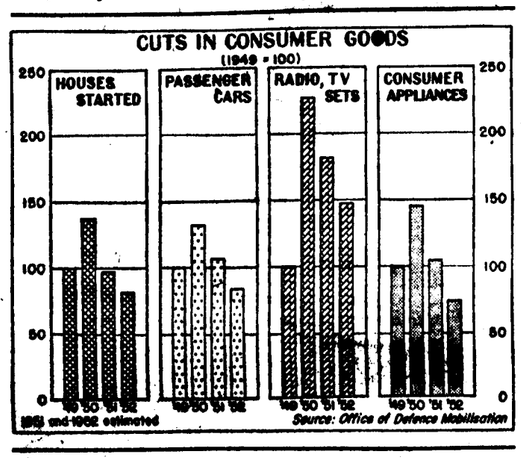
pile to industry. This is high-cost aluminium, but the government will sell it at the ceiling price and absorb the loss.

The planning of a "double-duty" economy is no doubt more difficult than that of an all-out war economy. One of the aims of the mobilisers must be to avoid driving firms out of business; in most cases their manpower and plant is not, at present, needed for the arms programme. Too deep a cut in supplies would only increase the pools of unemployment which exist in twenty-two cities. There are now 88,000 unemployed in Detroit, because, although car output is being cut, war contracts are not being carried out in the regular automobile plants. This is a good reason for not cutting steel for the next quarter below that needed to make 950,000 cars; the production authorities hope that, by drawing on



inventories and seeking substitutes for scarce metals, the number can be raised to a million. On a yearly basis, this is more than were produced in any prewar year except 1929, though substantially less than the £6,500,000 expected this year.

As the chart shows, production of most consumers' durable goods next year is to fall, for the first time, below the by no means austerity level of 1949. Housing, which this year outwitted the planners, is to be brought down to 850,000 new homes started. In general, however, consumers will not feel the pinch, if they ever do, for six months or so, thanks to the inventories piled up during the spring and summer. By then, Mr Wilson believes that metal-users should be out of the woods. If strikes can be avoided, the massive expansion of the steel and aluminium industries will be showing results, and their demands for scarce metals for their building programmes will be falling off.

* * *

Boyle Bows Out

Mr William Boyle, chairman of the Democratic National Committee, has had the good sense to resign his office. Nothing illegal may have been turned up in the Senate inquiry into charges that the party chairman was instrumental in obtaining a loan from the Reconstruction Finance Corporation for a company whose legal adviser he had been, but his resignation will save the Democrats embarrassment. Senator Fulbright believes that Mr Boyle's exit is a "recognition of a change in the attitude toward public morals." This may be true, although Mr Truman's reluctance to accept Mr Boyle's resignation might have been greater but for the belief that some other chairman would provide more aggressive leadership in the coming campaign. Mr Gabrielson, Mr Boyle's opposite number in the Republican camp, who also had dealings with the RFC, meanwhile shows no awareness of the changing climate of opinion, though pointed reminders continue to flow in from members of his own party.

Mr Boyle is an old friend and colleague of the President, who worked with him in St. Louis days. Another old friend of Mr Truman's is in much hotter water, which may scald the Democrats severely. Mr James Finnegar, former Collector of Internal Revenue in St. Louis, has been indicted for bribery and for accepting payments for services involving controversies in which the government was a party while he was a government employee. Mr Finnegan is the target of Congressional, as well as judicial investigation. It has been brought out that his own tax payments are in arrears, and it is charged that he or his family received substantial sums from an insurance firm whose business lay with people who found themselves in tax troubles. Trails of corruption are now being followed into Internal Revenue offices all across the country; the Commissioner has been forced to institute an inquiry into the net worth of all the more highly paid employees of the Bureau.

Mr Finnegan's own account of how he came to accept the post of Collector, and how he carried out his duties, is enlightening. He spent only three or four hours a day at the tax office, because he made so much more money out of his legal practice. When he was appointed Mr Robert Hannegan, then Commissioner of Internal Revenue and later to become one of Mr Boyle's predecessors as Democratic National Chairman, assured him that he need not give up his other interests. Mr Truman has now come round to the view that this was undesirable, though he would not go so far as to take the tax collectorships out of politics—a step for which the present revelations seem to provide every possible argument. But this is not only an executive scandal; the naming of collectors of internal revenue is a Senatorial prerogative.

Shorter Notes

Both House and Senate, with virtually no argument, have now approved the sharing with friendly nations of information relating to the processing and production of fissionable materials. The approval of the Senate was given with only nine members present. This is the first amendment to the Atomic Energy Act of 1946, though an agreement was reached in 1948 between the United States, Canada, and the United Kingdom to exchange certain information not related to the military or industrial uses of atomic energy. The present step has the strong support of the Chiefs of Staff as promising tangible benefits for the American atomic energy programme. A complete ban remains on information relating to atomic weapons, although Sir James Chadwick pointed out in Philadelphia this week that nearly a year was lost in developing the first atomic bomb because of lack of co-operation between the United States and Great Britain.

*

In New York there is rationing of a commodity that to most people is always scarce—money. Small change is so short that the Federal Reserve Bank is restricting other banks to 50 per cent of the coins they drew last year. Inflation, which in this case means that more coins are chasing about the same number of goods, is the chief trouble, but the shortage has been accentuated by the copper strike and by cuts in the Mint's Congressional appropriation, which prevents the agency from making as much money as it might.

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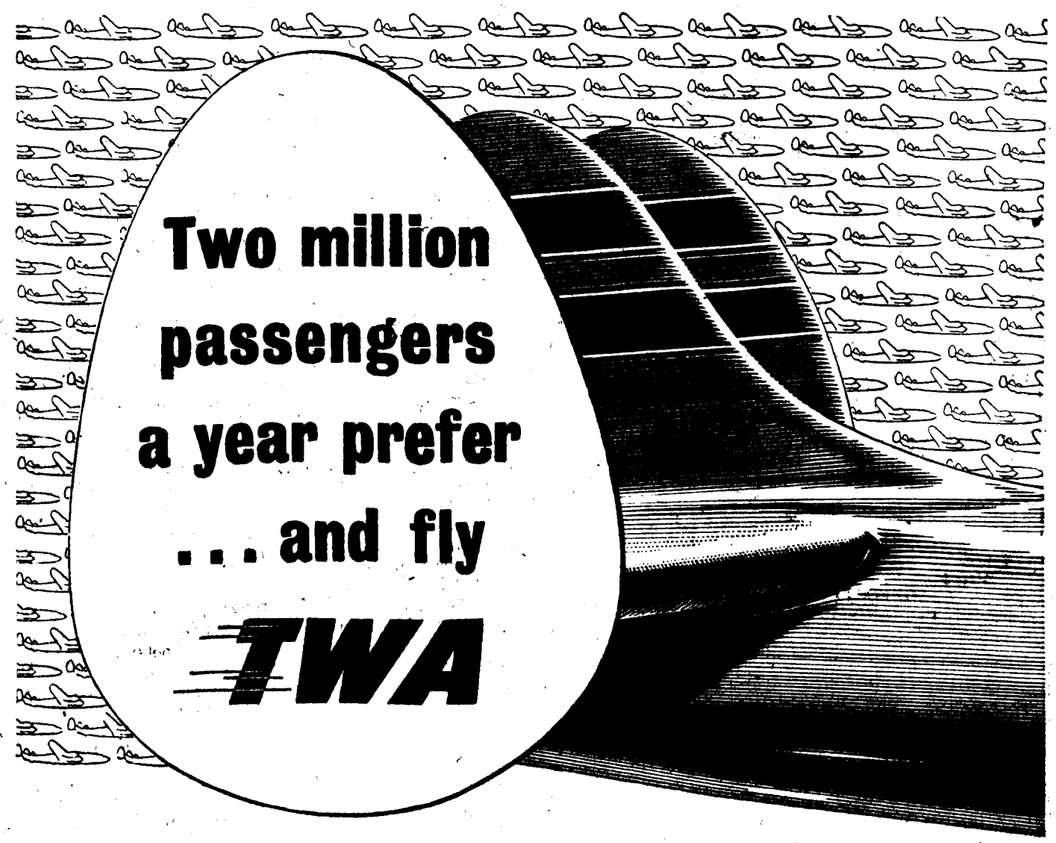
There are nearly 24 million tons of steel in the buildings and docks on the island of Manhattan and more than 4,000,000 more in public utilities and transport facilities, including motor cars. This works out at 2,000 tons an acre.



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THE WORLD OVERSEAS

Jugoslavia Today—I.

The Crisis in Economic Planning

(By a Special Correspondent)

SINCE 1949 Jugoslavia has received over $400 million worth of aid from the United States and Britain in loans and credits. This has been injected into the Jugoslav economy in the form of capital equipment, raw materials, consumer goods and even food. The effects of this aid can now be seen and enjoyed by the Jugoslav people. The standard of living has risen perceptibly in the past six months ; shops are full of consumer goods ; food prices have fallen ; factories which had closed down for lack of raw materials have been reopened, and there has been a rise in output in some of the mining and heavy industrial enterprises. Though this year's excellent harvest cannot be attributed to allied aid it has also helped to improve the situation. All these things are expected to be reflected in increased exports in the coming months. This does not mean that Jugoslavia's economic crisis is ended ; on the contrary, the situation is still extremely grave. But foreign observers do not doubt that with western aid the crisis can be solved. The question is how much will be required, for how long, and how is it to be used ?

The major problems facing Jugoslav planners today are an adverse balance of trade—this year's deficit is expected to be over $120 million—a heavy load of external indebtedness on top of recent allied loans and an internal economy which is so backward, both in its industry and agricultural objectives that it is difficult to get increased production without heavy new capital investment. It is now clear that the Five-Year Plan launched in 1947 with the aim of solving these difficulties has failed. Though some individual targets of this plan have been achieved (for example, in certain textile and building enterprises) the general aim of rapid development of heavy industry has not gone according to plan, and the whole system of economic administration has proved top heavy and inefficient.

The Jugoslavs give the following reasons for the failure of their plan. The break with the Cominform and the consequent economic blockade deprived them of credits, capital goods, raw materials and markets at the most critical stage of the plan and made necessary a difficult and lengthy reorientation of trade. The figures for Jugoslav imports and exports for 1948-1950 in the following table reflect these difficulties. Then the severe drought of 1950 forced Jugoslavia to discontinue its grain exports and even made it necessary to raise a special loan to import food for internal consumption. At the same time, the terms of foreign trade were moving steadily against Jugoslavia. Even more important was the deterioration world situation, the increasing Cominform threats against the nation and the ever present danger of war. Capital investment and manpower had to be deflected from productive industry into defence. Unwilling at first for ideological reasons, to ask for or accept weapons from the western powers the Jugoslavs have strained their whole economy in order to arm themselves against possible attack. Defence investments have averaged 15 per cent of the total national budget in the last three years and may in actual fact have been even higher.

JUGOSLAV IMPORTS AND EXPORTS
(In Million Dinars)

	1948		1949		1950	
	Exports	*Imports*	Exports	*Imports*	Exports	*Imports*
Total ...	15,112	*15,782*	9,613	*14,576*	7,929	*11,790*

Many Jugoslavs are now ready to admit frankly other reasons for the failure of the Five Year Plan. They say that there were serious mistakes both in the plan and in the way it was carried out. They admit that an internal investment of 28 per cent of national income was too high and tended to defeat its own purpose by lowering the standard of living so much that productivity dropped both in industry and agriculture. Ignorance and waste on a vast scale also played an important part in hindering development. Valuable machinery was ruined by careless use: it is calculated that one-third of all agricultural machinery is permanently out of use and a similar state of affairs exists in both transport and industry. Until the end of last year it was still usual to find most important economic enterprises—even vital mining and industrial concerns—in the hands of party bosses, whose political training did not qualify them to understand what was necessary for the satisfactory development of such things as steel, mining, and oil extraction and refining. One satisfactory aspect of the present situation is that this folly has at last been recognised and political careerists are being removed from positions that should be held by technical experts. Unfortunately there are more of the former than the latter. But the stubbornly held objections to foreign experts and foreign training for Jugoslav technicians have at last been raised, and this should also help to improve the organisation of industry.

No Change in Basic Theory

The Jugoslav leaders are confident that it is possible to solve all these difficulties in the long run because of their country's great potential mineral wealth and other natural resources. They believe that, given continued western aid until 1954 (in the form of long-term loans, from the World Bank as well as from Britain and the United States for capital investment, and short-term credit on current trade) they can achieve a balance of trade in three or four years and increase industrial production sufficiently to begin payment of their debts.

The planned investment for 1951 of 52,082 million dinars is divided as follows:—

	per cent
Industry (including mining and development of electric power)	48.1
Agriculture and Fishery	13.3
Forestry	2.9
Transport	20.9
Non-productive investments, building, etc.	14.8

This investment plan is still based on the fundamental idea behind the Five-Year Plan—the concentration of investment into heavy industry without parallel investment in agriculture. Many people have challenged the validity of this idea, but Mr Kidric and other Jugoslav planners are adamant. They maintain that alongside industrial development production in agriculture can be raised with only limited investment. In fact, if agriculture is really to provide between one-quarter and one-third of exports in the next three years, it is clear that the Jugoslav Government has to persuade the peasants not only to produce, but to produce more and to put what they produce on to the market. This is perhaps the most difficult problem facing the Jugoslav Government today.

(To be continued)

Three Wise Men of Nato

THE fruits of the recent Ottawa meeting of the North Atlantic Treaty Organisation are beginning to become visible, and a new approach to the problem of rearmament is taking shape. It looked at first sight as though all that had happened at Ottawa was the appointment of yet another committee to do what its predecessors had failed to do. Whether Ottawa should be counted a useful or a useless performance depended almost entirely on whether the new committee did in fact possess a power, a purpose and a sense of reality which was hitherto lacking in the organisation of Nato. The indications from Paris are that the committee is so equipped.

The first meeting of the "Twelve Apostles," on Wednesday last week, went much according to plan. Mr Averell Harriman, President Truman's special adviser on foreign affairs and future head of the new Mutual Security Agency which is to administer American foreign aid, was elected chairman. M. Monnet, France's chief industrial planner, and Mr Gaitskell (who will be represented by Sir Edwin Plowden) were appointed vice-chairmen. At the next meeting the crucial question arose of whether the other nine countries were prepared, for the sake of speed and efficiency, to delegate most of the work to a select group of three. According to their Ottawa form they would not have been so prepared ; in Paris, however, they agreed with alacrity to an arrangement which very nearly conforms to the French and American proposal which was rejected at Ottawa. The programmes of the smaller countries will be examined by the Big Three, together with the representative of the country whose programme is under review. When the programmes of each of their own countries are being examined, the Three Wise Men will be joined by Italy on one occasion, by a representative of the Benelux countries on another, and by a representative of the Scandinavian countries on a third. When it comes to conclusions and recommendations, all "Twelve Apostles" will return to the committee room. Thus it is assured that the slow and difficult detailed work will be done by a small and efficient group ; the conclusions, which must affect the sovereignty of all twelve nations, will —it is hoped—be reached by all twelve representatives. The Paris committee, of course, is only a temporary affair, but as a precedent this arrangement is of great importance.

There are other signs that a new approach is on the way. One of the first essentials of this technical age is the creation of a proper terminology ; *viability*, the key word to the Marshall Plan, is nowadays seldom heard. A new word, "infrastructure," distinguished the initiated from the uninitiated in Nato discussions, and no true believer in the North Atlantic community could possibly speak or write more than a few words without introducing this pass-word. But Nato has not stopped there. It has expressed its fundamental change of policy as "evolving in place of the over-riding medium-term defence hypothesis to which all economic planning was functionally subordinate, an antithesis of balancing *desiderata*, such as the politico-strategical necessity against the economico-social possibility, and further these two components against the need for a maximum of flexibility." What this really means is that whereas a national defence programme has been taken hitherto as something imposed from above which could not be altered, now the military requirements of Nato will be made to match the economic achievements of the individual countries, and this reconciliation will be the task of the new temporary committee of the "Twelve Apostles."

This new approach is in itself an achievement, for it implies a more equitable sharing of the rearmament burden. Countries will no longer be expected to turn their domestic economies upside down in order to attain an arms programme that would satisfy the more senior members of the North Atlantic community. The ultimate objective of the committee is clearly a co-ordinated arms programme, though the degree of co-ordination attained might well be less than one had originally hoped. At this stage there is no question of specialisation as between countries ; in any case the United States could produce all types of weapons much more quickly and more cheaply than any western European country, for munitions lend themselves to flow production methods. But the Paris committee is nevertheless aiming at a degree of co-ordination—co-ordination in the sense that no country will be expected to sacrifice its political or economic stability for the defence of the west. The economically stronger countries will have to make good any deficiency of the weaker countries.

The Business Man's Paradise

[FROM OUR CORRESPONDENT IN PAKISTAN]

PAKISTAN has often been called the planner's paradise, and to no part of the country does the description apply more aptly than to the eastern province. East Bengal, which until partition was supplied with almost all its needs from Calcutta and functioned mainly as a producer of jute for the Calcutta market, may be said to be a country with an undistinguished past but a highly promising future. In the

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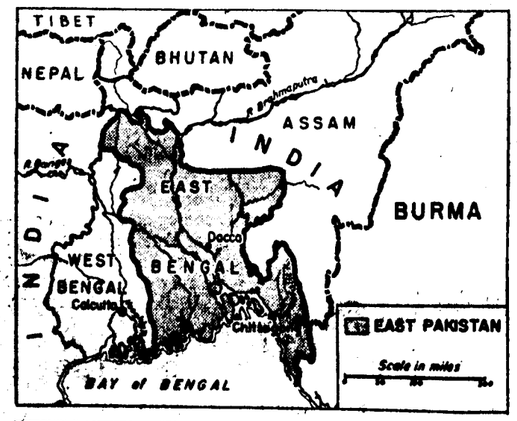
early days, it was anybody's guess what might happen when nearly fifty million souls on the Mongoloid fringe of India suddenly found themselves, somewhat to everyone's surprise, part of a new country, the other half of which was situated a thousand miles away facing the Persian Gulf. But India, by adopting from the start an unfriendly policy towards its old province and new neighbour, provided the catalyst which has united these two disparates. True, there have been constant bickerings between the Central Government and the East Pakistan Government, and constant complaints from the one side about the remote control of Karachi and from the other about the sluggishness and inefficiency of Dacca, but events have now knit the two together. The Province, voracious in its needs, is recognised as a valuable asset to Pakistan if only because its jute earns foreign exchange to the tune of about Rs. 800 million annually, and it is receiving the treatment of a most-favoured child from the Centre. Now that the era of planning is largely passed, it is a place where a great deal of public money is going to be spent in a very short time. In fact, the planner's paradise is becoming the businessman's dream.

Hitherto, it must be admitted, it has rather been the businessman's nightmare. Chittagong, the only port, became the commercial centre and, with its overcrowded streets and shack-like buildings of corrugated iron, bamboo and matting, has presented the appearance of a boom town



with all the attendant discomforts. The new foreign business offices, mostly opened from Calcutta to take over the East Bengal trade previously handled from that port, have had to be content with squalid and crowded accommodation, while the devoted and hardworking band of European managers and assistants have had to put up with residential accommodation far different from the air-conditioned comforts of Calcutta. The port was hopelessly inadequate to cope with the traffic, while the administration, generally speaking, fell very far short of the minimum requirements of efficiency. Experienced officials were few and far between and the job was in reality too big for all but a well-established and well-run administration. Effective supervision over such matters as export, import and exchange control, which were and are centrally administered, could not be maintained from Karachi, and consequently red tape in its worst forms caused trouble.

But in Chittagong, as in other centres, the face of East Bengal is rapidly changing, and those firms who have borne the burden and heat of the day should reap a reward which, even though taxation will prevent it from being a rich one, should at least be sufficient to compensate them for their trouble. In the industrial field the establishment of a jute manufacturing industry is the most important new development. All the jute mills of undivided India were situated in West Bengal, but the Pakistan Government has decided to establish a loomage of 15,000 within the next ten years. Three jute mills of 1,000 looms each are in process of completion, and six more mills of 500 looms each are definitely planned.

The work is being pushed ahead vigorously by the newly formed Pakistan Industrial Development Corporation, a statutory body which is participating to the extent of 49 per cent of the capital of each of these mills. Ancillary industries are likely to grow up, and it is evident that there will be a good market for suppliers of mills' stores and miscellaneous engineering equipment. The tanning industry in East Bengal is also attracting a good deal of indigenous capital, partly because attention was particularly drawn by the British industrial mission to the bright prospects of this industry. Another important enterprise is the setting up of a government-sponsored paper mill at Chandraghona, some twenty miles upstream from Chittagong. The paper mill is planned for an annual production of 30,000 tons—thereby meeting the country's entire requirements of printing and writing paper—and is to cost about Rs. 50 million. It should be ready by March, 1953.

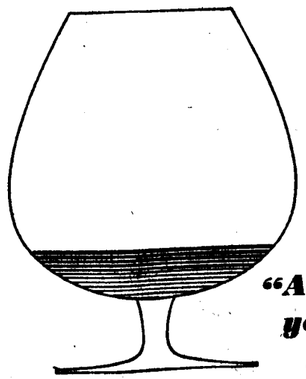
For electric power, one of the essentials for development, the Province will rely chiefly on the multi-purpose Karnafulli scheme. A dam is to be constructed, probably about eighty miles upstream from Chittagong, across the Karnafulli river, and the installed generating capacity is to be four units of 10,000 kW. each. The scheme is estimated to cost Rs. 50 million. In the meantime, to meet the needs of Chittagong, where the demand for power has already outstripped supply, a diesel power station of 5,900 kW. capacity has been undertaken. The work has been somewhat delayed, but is expected to be completed by September, 1952.

A Real Port at Chittagong

Chittagong port, which consisted at partition of little more than four rickety jetties, supported by very inadequate shed accommodation, has already been greatly expanded by the laying down of moorings and the construction of new sheds. The long-term plan provides for a thirteen-berth port with a total handling capacity of 3,000,000 tons per annum, excluding coal traffic, and a British firm of engineers is already at work constructing seven new steel screw pile jetties, each 500 feet long, with concrete decking. The total cost of the long-term development scheme is of the order of Rs. 130 million.

The East Pakistan Government has also prepared various agricultural schemes which have been approved as part of the six-year development programme of Pakistan. These include drainage projects and an important scheme for mechanised cultivation. The objective is to improve the production of foodgrains, edible oil seeds and jute, and the scheme involves the purchase of fifty tractors during the first year and one hundred tractors annually for the next four years. These tractors will be maintained at a central workshop, supported by four subsidiary and ten mobile workshops. Mention should also be made of a plan for power pump irrigation. The rainfall of East Bengal is not distributed according to the needs of agriculture throughout the year, and the yield of the spring crops is therefore low and uncertain. The present irrigated area is extremely small and it is intended to increase this by purchasing one hundred power pumps every year for a period of five years. These will be fixed on pontoon flats so that they can be carried from place to place. The scheme will cost about Rs. 8,500,000.

Behind all these schemes looms something even larger. With the assistance of United Nations experts, the Government are at work on preliminary plans for a huge multi-purpose project in the upper part of the Province, involving the construction of a dam over the Brahmaputra and the



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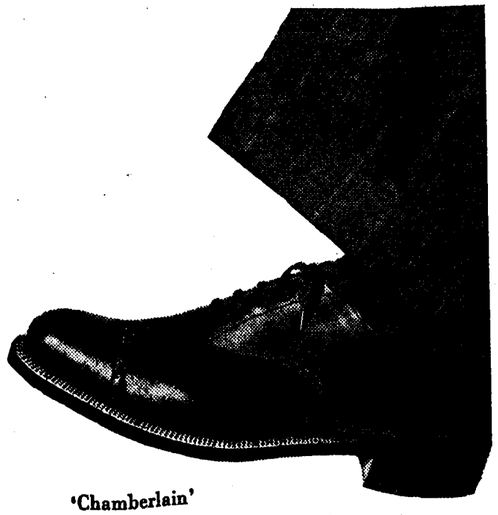

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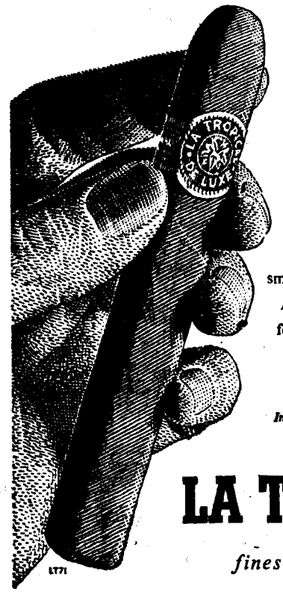

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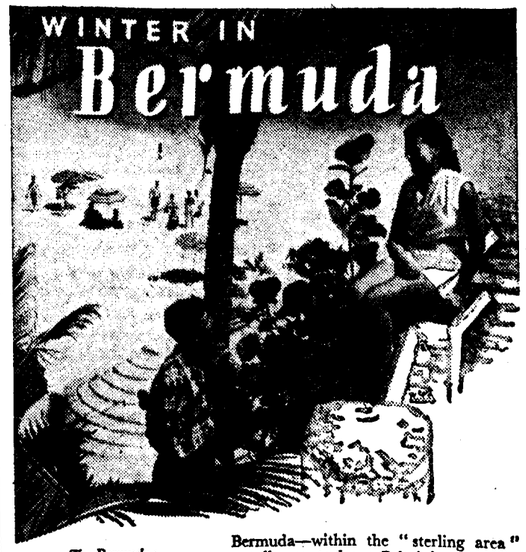

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reopening of the old course of the river through the Mymensingh district. Here, we get back to the realm of planning, and it is clear that, with their other commitments, neither the Central nor the Provincial Government could tackle a scheme of such magnitude unless assured of a World Bank loan for the purpose. Even if this does not mature, the development of the Province during the next ten years is likely to be sensational, and the scope for business enterprise almost unbounded, always provided that peace can be maintained between Pakistan and India.

Australia Budgets for a Surplus

[FROM OUR MELBOURNE CORRESPONDENT]

In the budget introduced into Parliament on September 26th, the Commonwealth Government has provided for a substantial surplus of £114.5 million from a total revenue of £1,041.5 million which in the view of Sir Arthur Fadden, the Treasurer, "will contribute in no small measure to the control of current inflationary pressure." This view, however, has been vehemently challenged by critics on both sides of the political fence on the grounds that money taken from the people by taxation and later spent by the Government according to its own ends contributes in no way to an easing of the current inflation.

In his Budget speech, Sir Arthur Fadden said it was proposed that the surplus of £114.5 million be paid into the National Debt Sinking Fund, which would be empowered to invest some part of it in loans raised for Commonwealth or State purposes. This statement in itself seems simple and logical enough, but it has wide implications when considered against the background of the crisis in government finance which has developed in Australia since May.

In June, Commonwealth and State Governments submitted to the Loan Council (an authority comprising Commonwealth and State Treasurers to regulate public borrowings) works programmes involving a total borrowing programme of just under £300 million. In view of the state of the Commonwealth loan market, which was sagging rapidly under pressure of heavy private and institutional selling, it was clear that nothing like this amount could be raised on the loan market on reasonable terms. Total borrowing programmes were therefore limited for the current year to £225 million, a reduction of 25 per cent on the programmes originally put forward, but an increase of 36 per cent on last year's actual borrowing programme. But even this reduced call for loan moneys is substantially in excess of the capacity of the loan market and, in the words of the Treasurer, "to the extent that loan raisings fall short of the approved programme, the Commonwealth will need to finance the balance from its own resources."

This is where the Budget surplus is likely to be applied, for the Commonwealth has resolutely put its face against any extensive use of central bank credit, on the proper ground that it would be a further aggravation of the current inflationary forces. This means that a substantial portion of the current year's public works are to be financed from current revenue. On this point, the *Sydney Morning Herald*, which is normally a strong supporter of the Menzies-Fadden government, joined issue. In its weekly financial review it said:

> Financing of public works through taxation must be condemned outright. Its adoption is an admission that public works cannot be financed on the present scale through the money market, which is the best arbiter of the relative amounts of resources to be used in the various capital employments in the economy. A still more serious objection is that taxation increases will have a serious retarding effect on production.

The crisis which has developed in government finances in Australia is a reflection of the inflationary forces which have been assailing the economy with such severity for the last two years. Chiefly because of the tremendous rise in farm incomes caused by wool prices more than doubling, the national income last year rose by £800 million to a new high peak of £3,101 million. "This deluge of additional spending power threatens to overwhelm us," said Sir Arthur Fadden in his budget speech.

Support has been falling away from Commonwealth loans because of the greatly enhanced attraction of equity shares which have been pushed to unreal levels by increasing profits, higher dividends and a spate of new and bonus share issues during 1950 when the government lifted control of capital issues. Since the beginning of the year, this control has been operating more severely than it did under the Labour Government's administration. In the space of four months, the bond rate of interest has risen from about 3½ per cent to more than 3¾ per cent, and there is every indication that money will become still dearer. When the last Commonwealth 3¾ per cent loan of £40 million closed last month it was £7,700,000 undersubscribed, the first loan failure since 1930.

All this raises the question as to how far the Government should go on curtailing essential development activity in pursuance of its avowed objective of checking inflation. This is now a highly explosive political issue in the country, taking pride of place even over Communism now that the referendum to ban Communists has been lost. A reduction in public works programmes means an immediate slowing down of electricity development schemes (and power is still desperately short in Australia), a delay in irrigation schemes at a time when primary production is showing little expansion, and a general postponing of countless works without which the country cannot reach full industrial stature. The Treasury says that it has been obvious for a long time that too many jobs have been undertaken for the labour and materials available and the absurd stage has been reached where major public projects are bidding against each other to attract key men and supplies. All this is very true, but it is a condition which must be expected in any economy which is expanding rapidly. And Australia has been subject to exceptional pressures since the war under the joint influence of public and private development coupled with an influx of immigrants on a scale previously unknown.

Need for Foreign Loans

The view is growing that Australia should not attempt development on the present scale without assistance from other countries in the way of loans for capital purposes. It seems patently clear that the rate of development will have to be reduced unless Australia embarks on some form of overseas borrowing plan. Australia's secondary industries are still unable to provide capital equipment necessary for major development projects and it could well be that a deterioration in the country's foreign exchange position in the current year could limit capital imports even from sterling sources. As Dr H. C. Coombs, governor of the Commonwealth Bank, pointed out in his latest report, if wool prices do not increase much above current levels, it is quite possible that with a continuing rise in the value of imports, Australia may face a balance of payments deficit on current account in 1951-52.

Professor Sir Douglas Copland, vice-chancellor of the Australian National University, is dogmatic in stating that on every ground a return to the traditional policy of foreign borrowing is still justified. He discounts suggestions that Australia's London balances should be used to finance an overseas loan because of the trend of trade and the fact that Britain itself is not in a position to increase its contribution of capital goods to Australia. What is required, he says, is a dollar loan that can be spent anywhere and for whatever purpose Australia thinks fit.

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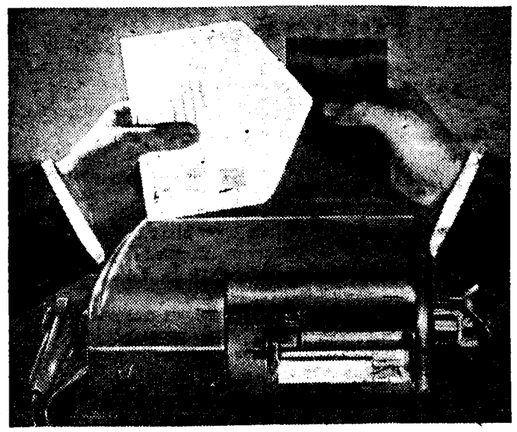

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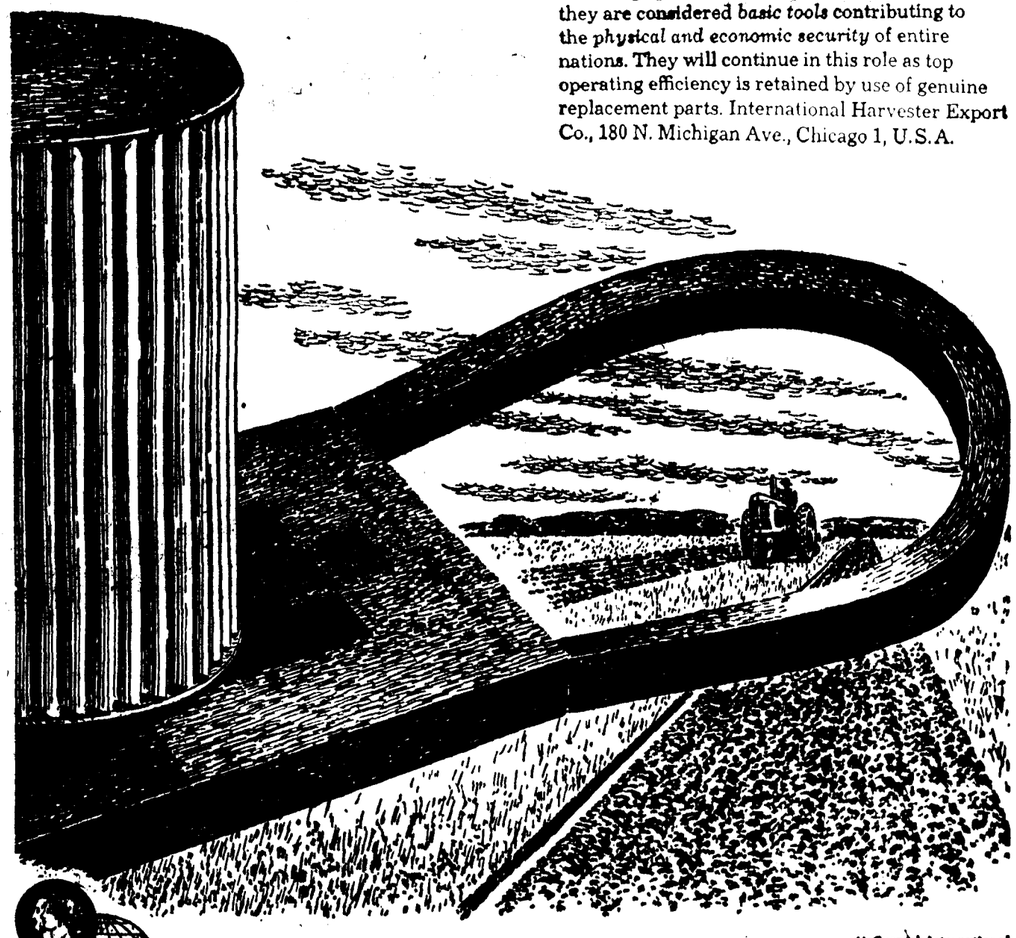

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Russian Anxieties Over Livestock

THIS year's Russian harvest has been successful. Judging from Soviet reports the crops should be nearly 5 per cent higher than last year and may reach the record figure of 130 million tons. Thus there should be enough grain to supply the towns and put some aside for stocks and exports. With this worry temporarily off their minds the Soviet agricultural experts may now shift their attention to another problem which seems to be causing great anxiety, namely that of cattle rearing. The situation must be quite serious, since the official Soviet organs openly mention the possibility of a breakdown of the 3-Year Plan for Livestock Development which should end in December of this year.

Deficiency of livestock has been a chronic failing of Russian agriculture and the Soviet leaders have often sounded the alarm. Yet, this time the tone seems to be more anxious than usual. Thus the organ of the Ministry of Agriculture warns that "in many regions, provinces and republics there is real danger that the 3-Year Plan for socially-owned livestock rearing will not be fulfilled. Substantial losses due to the private appropriation of communal livestock, particularly of sheep, have been revealed." Thefts of communal cattle are not a new phenomenon, yet *Pravda*, in an article on the same subject, stresses that "now the basic agreements of collective farms are being bypassed through a shady and masked procedure. Valuable cattle belonging to the *Kolkhozy* are being exchanged for privately owned cattle of worse quality."

The Plan itself, the fulfilment of which is apparently threatened, applies only to livestock on state and collective farms. Were it to be fulfilled, the state and communal live-

3-YEAR LIVESTOCK PLAN
End of Year Targets (Million Units)

	1949	1950	1951	*1958*
Cattle	28·0	32·5	39·7	*58·1*
Pigs	13·4	17·0	23·6	*17·8*
Sheep and goats	71·7	83·7	101·5	*72·8*

stock at the end of this year should exceed the prewar level. But the Soviet authorities have given no information on the subject. The livestock figures for 1950 have not been broken down into state, collective, and privately owned and only total figures are available; but these fell far short of the original target laid down in 1946. They are quoted in the following table.

LIVESTOCK
(In Millions)

	1916	1922	1929	1933	1940	1945	1950
Horses	35·8	24·1	34·6	16·6	20·6	16·5	13·7
Horned cattle	60·6	45·6	67·2	38·4	71·0	47·0	57·2
Sheep and goats	121·2	91·1	147·0	50·2	108·8	96·4	99·0
Pigs	20·9	12·1	20·4	12·1	36·1	10·4	24·1

Even with more territory and a larger population there was less livestock in 1950 than in 1916. The figures themselves tell the whole drama of the Soviet countryside. Two world wars, a civil war and, last but not least, the mass slaughter of cattle and horses by the peasants during collectivisation, greatly depleted stock. The restoration of livestock looks like a task for Sisyphus; every time the losses are made up, some new calamity brings the Soviet leaders back to the starting point.

By 1929 the prewar level had been left behind. Then came the collectivisation. Not only did the peasants slaughter their cattle, but the new collective farms were not yet ready to take over the huge mass of livestock. The famine of 1932 made things even worse, and the recovery was painful. But slowly the situation improved and with the threat of the war the development of agriculture was speeded up still more by means of all sorts of rewards and premiums for livestock "Stakhanovites."

World War II caused terrible losses in livestock. By 1945 the cattle population was 25 per cent smaller than in 1940, and the number of sheep and goats had fallen by 40 per cent and the number of pigs by 70 per cent. According to Soviet statistics the Germans removed seven million horses, 17 million head of cattle, 27 million sheep and goats and 20 million pigs. The painful drought of 1946 rendered the task of recovery even more difficult. The Soviet planners soon realised that the livestock targets set in the 5-Year Plan were too stiff and unrealistic. A new and more modest 3-Year Plan (1949-1951) for State and collective farms was drawn up and this is the Plan which is now in danger of a breakdown.

All the prewar incentives—both the carrot and the stick—have been reintroduced. Yet the success of the Plan has apparently been limited. To solve the general rural problem the Soviet leaders decided to amalgamate collective farms into larger units. But this additional collectivisation seems to have had bad effects, at least temporarily, on livestock development. Judging from articles in the Soviet press, during the amalgamation many farmers took over cattle belonging to the *Kolkhozy* or improved their stock through "exchanges." The chairmen of the farms were apparently often in league with the culprits.

"Pneumonia Epidemics" of Sheep

Livestock development was also hindered in another way. When Nikita Khruschev—the Politburo member entrusted with additional collectivisation—started his campaign, he implied that the private holdings of farmers would be reduced or even taken over completely. There were also rumours that private ownership of cattle would no longer be allowed. The farmers apparently reacted in the same way as during collectivisation, only on a very much smaller scale, by slaughtering as much stock as they could, particularly in the sheep regions of the Kirghiz Republic and Kazakhstan. There, wholesale "pneumonia epidemics" of sheep were reported, which—the Soviet correspondents imply—were merely the results of "private enterprise."

Progress on state farms is mixed. On the one hand, it is reported that the average weight of slaughtered pigs has been raised from 96 kg. in 1940 to 110 kg.; that state farms have now nearly 9 million sheep (roughly 10 per cent of the total); that the average cow gives now 2,000 kgs. of milk per annum; that electricity is used for milking 15 per cent of the cows and shearing more than half of the sheep. On the other hand, we are told that the Ministry of State Farms has failed to fulfil its targets, that the proportion of cows to total horned cattle fell from 41 per cent in 1940 to only one-third, that too many cows are being slaughtered and that the state farms cannot fulfil their commitments for dairy products.

Not too much should be made of these Soviet alarms. It is reported that the food supplies for the main towns, such as Moscow or Leningrad, have been carried out in excess of the Plan. It is possible that the present fuss over livestock is chiefly due to the Soviet leaders' efforts to step up production in the last year of the 3-Year Plan in order to reach the targets. Yet, even if these were attained, it would only mean that for livestock taken as a whole the prewar level has roughly been restored. This is not very much for feeding the growing urban population, for stocks and for the requirements of the wool industry. Even if it is spared a new calamity the Soviet Union will need many years to raise its animal population up to the level required by its expanding economy.

THE BUSINESS WORLD

The British Motor Industry—II.

Motors and Materials

THE Motor Show, opened in London this week by the Minister of Supply, lacks none of the elegance that has become its accepted feature. This splendour is the more brave this year for the industry is facing its most difficult period since the war. Many of its most cherished hopes have died or dwindled in recent weeks. Markets are more difficult ; output is falling ; materials are short ; competition of defence needs is being felt. The Show does not bear any obvious marks of these changes. There are fewer innovations, perhaps, but the Austin Motor Company has reverted to prewar policy with a new baby car that will, it is hoped, go into production in the spring, while Vauxhall Motors has recently produced its long awaited new models, larger and apparently more lavish than their predecessors. There is no visible evidence of austerity in the superficial restyling of other companies' standard models. There is a new Daimler, a Bentley with a more powerful engine, and from the growing fraternity of sports car manufacturers, their usual versatility of design. On the surface, in fact, there is little to distinguish this year's show from any that have been held since the war. Home buyers, whose faithful support boosted last year's attendance figures to nearly half a million, gaze wistfully at the exhibits, not greatly excited by the possibility that they will in fact get 100,000 cars this year, compared with the reduced allocation of 80,000 cars originally laid down.

Recent production figures, however, already provide evidence of the industry's falling activity, and it is generally agreed that the real pinch has yet to come. Since the end of the war, production has been geared to a steadily rising supply of materials ; output rose from 367,582 cars and commercial vehicles just after the war, to 785,217 in 1950. Last year, it seemed reasonable enough to expect output to expand further, perhaps to a million vehicles a year in 1952 ; now it is clear that last year's production reached a peak that the industry is not likely to regain for some appreciable time. Early this year, the abrupt cessation of imports of sheet steel from the United States led to a cut of 20 per cent in the allocation of sheet to the motor industry and actual deliveries have probably fallen by about 15 per cent. Output has not been reduced in the same proportion ; manufacturers have been able to change over to the production of chassis and "knocked down" cars to economise in sheet. By the end of August, production had fallen by about 8 per cent compared with 1950. In that year, 522,515 passenger cars were produced and 262,702 commercial vehicles. Output was rising throughout 1950, and by the last quarter production of cars was running at an annual rate of 564,000. The annual rate of output is now about 475,000 cars a year and it is still falling. Commercial vehicle production, on the other hand, has shown little change.

So far this year, the volume of output has been determined by deliveries of sheet steel. About half a ton is used in a passenger car body and the same amount for cab bodies of commercial vehicles. The industry is now entering a phase where output will be limited by the supplies of basic materials, including pig iron and general purpose steel, that are available. Not only is steel output falling, but large tonnages of sheet and alloy steels are being diverted to armament production. High grade iron ore is scarce, and largely earmarked for steel production ; the result is an acute shortage of suitable ores for grey iron and malleable iron castings. The motor industry depends on such iron products for certain essential chassis components for which there is no possible alternative material. Suitable ore is now so scarce that one leading company which supplies the motor industry with about 80 per cent of its malleable castings, has for some months barely escaped going over to a four-day week. Falling steel output and rising steel consumption has created the symptoms of a serious shortage of strip steel in the motor industry. From another direction still, motor output is threatened by the shortage of alloying materials. The average British car weighs about a ton, of which half consists of sheet steel for the body, and much of the rest—some estimates suggest about 40 per cent—consists of components made of alloy steel. Estimates made by the steel industry indicate that about two-fifths of the alloy steel consumed in this country is used by the motor industry. Altogether, the vehicle, cycle and aircraft group of industries took more than one-tenth of all the steel consumed in this country last year—1,196,000 tons out of a total of 10,725,000 tons. The motor industry must have accounted for the greater part of this steel. Such a large user is bound to be peculiarly vulnerable to any change in the rate of steel deliveries.

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These shortages are only beginning to materialise but, superimposed on the existing limitations on sheet steel, they are already having their effect on car output. The Vauxhall Motor Company recently cut its output by 50 vehicles a day and dismissed nearly 400 workers. At the Austin Motor Company's new assembly plant, only two of the four assembly lines are working ; whether a third line is opened for the production of the baby car in the spring seems to depend on finding extra materials, the chances of which at this stage are not very promising.

In such uncertain conditions, estimates of prospective production are hazardous in the extreme. The indications are that the cuts in sheet steel allocations this year will reduce total vehicle production to about 720,000 units compared with 785,000 in 1950. Passenger car production may be between 460,000 and 480,000 units compared with 522,000 in 1950. Further shortages might reduce output next year to perhaps 650,000 units ; roughly 420,000 cars and 230,000 commercial vehicles. By the end of 1952 production might be about 25 per cent lower than at the end of 1950. This is not a cheerful prospect, but it is subject to one important qualification: even a relatively small increase in supplies of critical materials could lead to a dramatic improvement on these estimates.

These calculations take into account any defence orders on which the industry might be engaged. Military orders will go largely to the makers of heavy commercial vehicles, one important exception being the "jeep" to be built by Austin Motors. Leylands and the Rootes subsidiary, Commer Ltd., have both announced military contracts ; Ford and the Vauxhall subsidiary, Bedford, are obvious choices. Military vehicles are included in the published statistics for commercial vehicle production. For this reason, commercial vehicle output in future months is not likely to fall as much as output of passenger cars. The total number of military vehicles required under the defence programme is not large in relation to the industry's capacity, but their four-wheel drive and greater stressing require more scarce materials (alloy steels in particular) than an equivalent number of civilian vehicles. These materials, moreover, will have to be found out of the total tonnage available for the motor industry as a whole. Sheet steel is the only material now allocated to the industry by the Ministry of Supply, but the introduction of general steel allocations is expected shortly. The Ministry has so far made one allocation of materials for the motor industry as a whole, and out of that total companies with defence contracts have received a special allocation. Production of defence orders cannot really be said to have got into its stride. When it does, this system of allocation is bound to lead to a sharper cut in civilian production than the estimates might suggest. It might appear to threaten the output of companies such as Standard and Nuffield that are not concerned with military vehicles more severely than that of companies such as Rootes and Austin that have been allotted military orders. But the difference can only be one of degree, for neither of these companies can produce military vehicles on car assembly lines.

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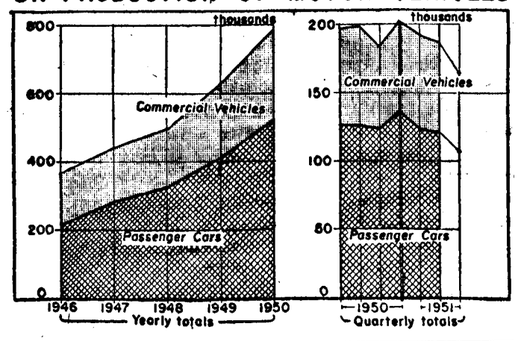
Some members of the motor industry might dispute these prognostications because they do not accept a material shortage as inevitable. Many are becoming highly critical of the lack, as they see it, of a sustained effort to find additional iron ore and steel scrap, and particularly of the steps so far taken to increase domestic scrap supplies. If the reason for impending shortages is no longer lack of plant but lack of such raw materials as iron ore and scrap, why, they ask, are not greater efforts made to get more of these materials and semi-finished iron and steel from abroad ? Most companies have at some time obtained import licences for small quantities of continental steel and they would be more than willing to pay high prices for such imports to keep their production lines fully employed. It is an open question whether much sheet and alloy steel could be obtained in this way, and the facile assumption that a change of government might lead to a resumption of considerable imports from the United States is even more doubtful. Shortages of materials have affected car production in the United States even more severely than they have in Britain, and materials for export probably do not exist.

It is impossible to withhold sympathy from the industry. It has spent about £60 million since the war on re-equipment, only to have new plants partly idle on completion. Defence production offers little scope for alternative employment except for the commercial vehicle producers. In fact, more materials will be going to produce fewer vehicles ; civilian production, and particularly passenger car production, will therefore be cut more severely than the size of the defence orders might suggest. As a final blow, there remains the possibility that in an attempt to keep up the level of export deliveries next year, the original allocation to the home market of

UK PRODUCTION OF MOTOR VEHICLES



80,000 cars may again be cut drastically. Left to its own resources, the industry might have been able to get some extra materials from its suppliers, by virtue of being so large a customer. But the Ministry of Supply has declared war on the "grey" market in steel in the engineering industries and has notified the motor industry that allocations must be adhered to more closely than in the past when the industry consistently produced more vehicles than was possible on the basis of the tonnage allocated. There has been talk of imposing inspection in the plants, but the reaction of the industry to this suggestion has probably been sharp enough to kill.

If extra materials are not forthcoming and the industry does in fact face a drop of 25 per cent or more in production, the effect on its unit costs is bound to be serious. Production costs in the industry respond sharply to the scale of output, and when overheads have to be spread over a decreasing number of units, the rise in unit costs is bound to be severe. This fact will set aside any projects for major changes in models that the leading producers might otherwise have in mind. But it might promote changes of another kind. It is doubtful whether any company in the British motor industry has pushed the output of any single model so high as to get the full advantage and economies of a production run of the length common in the United States. This does not necessarily mean, as some critics have suggested, that there are too many producers in the industry, but it is reasonable to ask whether there are not too many models. If the shortage of materials leads to greater concentration of production on fewer models in order to reap every possible economy of scale, it may have some lasting benefit for the industry when it moves into happier times.

No Glut of Cotton

COTTON prices in the last few weeks have shown every sign of firmness, and simple optimism that a large American crop would provide ample supplies at cheaper prices has given place to real doubt. Cotton has been a difficult market ever since the cotton acreage was drastically reduced in the United States last year. The New York spot for American middling remained at 46.06 cents a lb. throughout the first half of this year; not until the beginning of July when it was clear that the American crop was going to be one of the largest on record did the price begin to fall. By the middle of August the price was already down to 35.70 cents a lb and by the first week of September it had dropped as low as 35.05 cents. These falls were not reflected in the prices charged by the Raw Cotton Commission to Lancashire spinners, but later in September, when the futures market displayed unmistakable firmness, the Commission was prompt in raising its selling prices. By the end of the month the spot price had recovered to 38.35 cents a lb., and it has eased only slightly to 37.85 cents since. Two factors have explained this recovery. First, American growers have placed large quantities of cotton "on loan" with the U.S. Commodity Credit Corporation. Secondly, it is now realised that larger crops in the United States and elsewhere do not necessarily mean ample supplies of cotton for the world market.

No sensible person would dogmatise about the future course of prices. But there are now enough hard facts to make plausible guesses about the prospective trends of supplies and consumption, including the quantities of cotton that Lancashire may expect to get in the current season. World production of cotton during 1951-52 is provisionally estimated at 36 million bales—a notable increase on last season's figure of 27,600,000 bales for which the sharp expansion in the American cotton crop has to be thanked. Two years ago the U.S. Department of Agriculture feared a surplus of cotton and restricted the planted area in the United States in 1950-51 to 21,695,000 acres. Its exhortations were so successful that in fact only 18,600,000 acres were sown. Unfavourable weather then reduced the yield below average, and output dropped by nearly 40 per cent to a mere 9,900,000 bales. The Korean war brought a sharp reversal of this policy; cotton growers were urged to plant 28,500,000 acres and exceeded this figure by a million acres; the third official estimate puts this year's total crop at 16,931,000 bales.

Estimates of the current Brazilian crop, the next largest source of American type cotton, are still uncertain. Last year, Brazilian cotton output increased by 16 per cent to 1,600,000 bales, the largest crop since the war. This season's figure is put provisionally at 1,350,000 bales. In South Brazil the crop is good, but in North Brazil an exceptionally severe drought earlier this year may cut output by 40 per cent. The Mexican crop is estimated at 1,200,000 bales compared with 1,120,000 bales in 1950-51, and the Indian crop at 3,000,000 bales against 2,700,000 bales. Official and unofficial reports indicate a bumper Egyptian crop of 2,072,000 bales compared with 1,761,000 bales last season. Leaf worm has caused less damage thanks to control measures introduced by the Egyptian Ministry of Agriculture. Production in the Sudan has increased sharply in recent years, and in 1950-51 an exceptionally high yield produced a record of 430,000 bales; this may not be repeated, but no significant decline in Sudan cotton is expected. Total production outside the United States may increase from 17,700,000 bales in 1950-51 to 19 million bales.

In sum, a substantial addition to the world cotton crop of the order of 30 per cent compared with 1950-51 and of over 20 per cent compared with 1938-39 is in prospect. Yet although the crop will be one of the largest ever recorded, cotton supplies will be only 6 per cent larger than last season. The reason is to be found in the sharp fall in carry-over stocks last season. Until last spring American exports were restricted, but as soon as there was the prospect of a large crop, the United States drew on its stocks to meet importers' requirements. On August 1st, end-of-season stocks in the United States had fallen as low as 2,200,000 bales against 6,850,000 bales a year earlier and 11,500,000 bales just before the war. The fall in stocks held by other countries was less drastic, from 9,750,000 to 8,600,000 bales; even so the current season begins with no more than 10,800,000 bales in stock, representing a fall of 35 per cent in twelve months.

WORLD SUPPLIES AND DISTRIBUTION OF RAW COTTON
('000 Bales)

	Year Beginning August 1st					
	1938-39	1947-48	1948-49	1949-50	1950-51	1951-52
Supplies						
Stocks (Aug. 1):—						
USA	11,500	2,500	3,100	5,300	6,850	2,200
Elsewhere	13,300	15,900	11,700	9,600	9,750	8,600
World	24,800	18,400	14,800	14,900	16,600	10,800
Production:—						
USA	11,600	11,700	14,600	16,000	9,900	17,000
Elsewhere	17,900	13,600	14,300	15,300	17,700	19,000
World	29,500	25,300	28,900	31,300	27,600	36,000
TOTAL SUPPLIES	54,300	43,700	43,700	46,200	44,200	46,800
Distribution						
Consumption:—						
USA	6,900	9,350	7,900	8,850	10,600	...
Elsewhere	23,800	19,550	20,900	20,750	22,800	...
World	30,700	28,900	28,800	29,600	33,400	...
Stocks (July 31):—						
USA	13,000	3,100	5,300	6,850	2,200	...
Elsewhere	10,600	11,700	9,600	9,750	8,600	...
World	23,600	14,800	14,900	16,600	10,800	...
TOTAL DISTRIBUTION	54,300	43,700	43,700	46,200	44,200	46,800

Source: International Cotton Advisory Committee.

During 1950-51 world consumption of cotton rose from 29,600,000 bales to 33 million bales. It is too early to estimate consumption for 1951-52, but there are certain pointers. The lull in textile sales that began last spring has persisted, but in the United States, at any rate, stocks of finished goods have been reduced and activity is again beginning to increase. American consumption of cotton is expected to equal last season's high figure, since military requirements are likely to make good any decline in civilian consumption. The rapid recovery of the Japanese cotton industry was one of the most striking features of last season and its expansion has continued. Consumption of the Japanese cotton mills last season amounted to 1,570,000 bales compared with 1,032,000 bales in 1949-50; the number of spindles installed was to be increased to 4,800,000 million by the end of 1951, but this total was already reached last month. In the coming year, Japanese mills might well use 2,000,000 bales—little less than Lancashire used last season. The recovery of Germany's cotton industry has been less spectacular, but a 25 per cent increase in last year's consumption to 1,050,000 bales suggests that the prewar figure of 1,150,000 bales might be reached in 1951-52, in which case Germany would be little behind France. All told, world consumption of cotton in 1951-52 might be maintained at about last season's rate of 33 million bales. In that event, carry-over stocks next July would amount to 13,800,000 bales; this would represent an increase of one-third, but it would still be a relatively small total, part of which would presumably be regarded as a strategic reserve.

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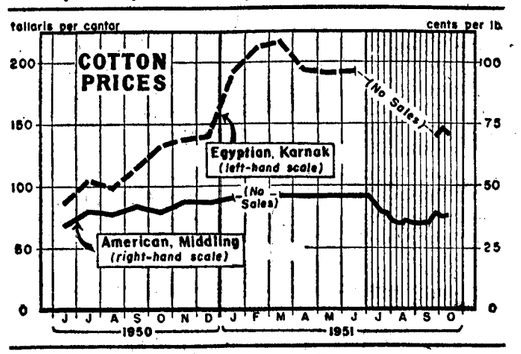
How much cotton can Lancashire expect to get this year compared with last? The answer depends on available supplies and on the import requirements of the other big consumers. Exports from the United States are no longer restricted; the limiting factor to-day is dollars. Theoretically, exports of American cotton could be pushed as high as 5,700,000 bales this season, though such a rate of exports would keep end-of-season stocks to a mere 3,000,000 bales. The United States Government will probably wish to keep larger stocks and might therefore reinstate the control of exports if the season's total threatens to exceed 5,000,000 bales. Exports from Brazil are likely to be considerably reduced this season, perhaps to 550,000 bales compared with 682,000 bales in 1950-51. On the other hand, Egypt should provide larger supplies, if politics do not interfere. If the other exporting countries at least maintain their shipments, world exports of cotton may reach 12,750,000 bales compared with 11,834,000 bales in 1950-51 and 12,340,000 bales in 1949-50.

In all the main importing countries except Japan and India, stocks declined last year, and there will be strong pressure to build them up. Further, there is increasing competition for non-dollar cotton. For example, it is expected that Japan will import 1,300,000 bales from the United States and would take 1,500,000 bales if dollars are provided; this would still leave 700,000 bales to be imported from countries other than the United States. Germany, too, has become less dependent on American cotton, though last season the United States still supplied half of its total imports. British imports in 1950-51 totalled 1,971,000 bales compared with 1,888,000 bales in 1949-50. Egypt was the main source, supplying 21 per cent of the total, followed by the United States (15 per cent), Brazil (12 per cent), Sudan (11 per cent), Peru (7 per cent), India and Pakistan (7 per cent), and Mexico (6 per cent). Purchases from less important sources of supply such as Syria, Turkey, Argentina, Paraguay, El Salvador and Persia were significantly larger than in any previous season and accounted for 9 per cent of the total. Consumption last season rose from 2,092,000 bales to 2,135,000 bales and stocks fell by 170,000 bales to 1,228,000 bales.

If this level of consumption is to be maintained, British imports during 1951-52 will have to reach at least 2,250,000 bales and Lancashire manufacturers might feel safer if they approached 2,500,000 bales. Britain should certainly be able to buy 250,000 bales more from the United States if it is prepared to meet an additional dollar expenditure of nearly $50 million, but it may not be easy to buy an extra 250,000 bales from non-dollar sources, on top of the large quantities bought from these countries last season. If the Treasury proves reluctant to sanction an additional expenditure of $50 million on raw cotton, Lancashire will face a lean time in a period of relative plenty.



This analysis of trends in raw cotton supplies and consumption suggests little ground for the view that this year's large output of cotton will lead to lower prices. Unless some form of dollar aid is provided for purchasers of American cotton, the world may again see a marked discrepancy between dollar and non-dollar prices for the same commodity. In a dollar-hungry world, cotton prices in those exporting countries that are willing to accept currencies other than dollars may well rise sharply. For this country, in particular, cotton textiles will have to play a more important part in the export drive than they have done in recent years. This year, the average monthly value of exports of cotton textiles has shown a welcome rise of 30 per cent on 1950. But to maintain this performance and improve upon it, Lancashire will need adequate supplies of raw material to match its total consumption and of the right types and grades to suit its requirements.

THE AGE OF INFLATION

The three articles by a correspondent, and a fourth article expressing the editorial views of *The Economist*, have been reprinted as a pamphlet, price 8*d*. (including postage).

Special prices for bulk orders: 1 dozen, 7/-; 6 dozen, £1.19.0; 12 dozen, £3.6.0.

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Business Notes

The Francs—Weak and Strong

The story of exchange control moves in France and Belgium during the past week has shown three facets of a single episode—the weakness of the French franc, the tendency for French capital to move surreptitiously into Belgium and the defensive measures taken by Belgium against that unwanted influx of "hot" money. The renewed loss of confidence in the French franc cannot be linked to any specific or dramatic symptom of deterioration in the French financial situation. Wages and prices have been creeping up, the problem of the public finances pursues its course of chronic intractability, and the evidence of all travellers in France this year has suggested that prices have more than caught up with the current exchange rate of the currency. On such straws of evidence, the conviction is again growing in France that the franc is due for another of its periodic devaluations. That sentiment has been reflected in a sudden increase in forward purchases of foreign currencies by many French concerns that may have need of foreign currencies in the future. A substantial part of this semi-commercial, semi-speculative, forward offering of French francs was for the purchase of Belgian francs.

In order to stop this movement of funds, the speculative and capital character of which was becoming manifest, the Bank of France last week-end suspended forward sales of foreign currencies and the Foreign Exchange Office issued an order prohibiting the purchase of foreign exchange by importers for the payment of goods before these have actually been shipped to France. Last week the Bank of France raised its official rate from 2½ to 3 per cent and new restrictions were imposed on the total credit made available to the commercial banks. The French Finance Minister, M. Rene Mayer, when asked last week whether the franc was about to be devalued, did not go through the hallowed formality of a vehement denial; instead, he told his questioners that "the Finance Minister cannot defend the currency by himself alone. If Frenchmen really want to defend their currency, it will be saved." The authorities can claim to be making some contribution to that joint effort.

* * *

Free Market in Belgium

The obverse of the problem of the French franc is that of the Belgian franc. Dealings in that currency are still subject to considerable difficulties, although some of the fog created by last week's successive announcements of new controls is beginning to disperse. In particular, it is now clear that the report circulated as last week's issue of *The Economist* went to press—that the Belgian authorities would refuse to buy at official rates all EPU currencies other than Swiss francs—applied only to exchange arising from transactions that had not been certified as commercially justifiable. Although the measures taken by the Belgian authorities to prevent an unwanted inflow of foreign capital, and to temper the chronic creditor position of the country within Europe, are the obverse of the French measures, they were designed not only in defence against the French franc, but against all EPU currencies—notably sterling, since Belgium's surplus with the United Kingdom is now the main component of its aggregate surplus with EPU. The process of reconsidering all export licences from Belgium and the refusal by the National Bank to buy any EPU currencies (other than the Swiss franc) arising from Belgian exports except against export licences has, for the time being, plunged the Belgian foreign exchange market into confusion. Traders who want to sell sterling or French francs without the delay involved in the revalidation of export licences have been selling at free market rates to others who need these currencies. The pound sterling has been quoted down to 135 in these free and officially tolerated operations; the parity rate is 140.

In London, the Bank of England has refrained from selling Belgian francs for spot delivery, since the new regulations in Belgium make it uncertain whether delivery of the francs could be effected; all transfers of Belgian francs from the accounts of central banks of EPU countries to those of non-residents are subject to authorisation by the Belgian exchange control. The Bank of England, nevertheless, has continued to sell Belgian francs forward on the basis of the official rate to *bona fide* British importers who can show that they have commitments to honour. It may take some time to clear up the uncertainty created by the latest exchange and trade control measures in Belgium. An echo of these measures has been heard in Geneva, where the contracting parties of the General Agreement on Trade and Tariffs are still in session. The United States and Canadian delegates have taken the strongest exception to that part of the Belgian attempts to remove the creditor position with EPU that has involved new discriminatory controls against dollar imports and attempts to switch the purchases to EPU countries of origin. The International Monetary Fund in Washington is also understood to have awakened to the implications of Belgium's actions in not only tolerating, but actively encouraging, a market in which the currencies of member countries are already being dealt in at extremely disorderly cross-rates. The last has not been heard of this episode; its repercussions carry far beyond the confines of EPU.

* * *

Forty per cent Free Gold

One by one the gold producing countries are coming into line with the new IMF dispensations on gold sales at a premium. From Southern Rhodesia news has come that there have been "strong representations by the United Kingdom Government" that a strict limit should be placed on the rate at which that country's gold will be allowed to flow to the premium market. These pleadings have been heeded. The Government of Southern Rhodesia has announced that sales must be limited to 17,000 ounces a month, or about 40 per cent of current production. The same proportion is to apply to the premium gold sales of the mines operating in Fiji. Reports from Melbourne add that in order to qualify for such sales the Fiji gold will have to be processed, or exported against affidavits purporting to show that it will be needed for industrial purposes. These are also expected to be the conditions on which West African gold will be allowed to go to the premium market. The pattern is thus becoming clear; the premium sales will be limited to about 40 per cent of current output, the sales must be made in processed or semi-processed form or against affidavits and, finally, the premium sales must be made against payment in United States dollars.

It is a pattern that gives rise to interesting questions. Why 40 per cent? Can there have been—or, indeed, could there be—any honest attempt to prove that the industrial demand for gold in the world in fact equals 40 per cent of the current output? The choice of this arbitrary figure unmasks the attempts to veil these arrangements under the cover of a *bona fide* industrial use. The 40 per cent has clearly been chosen because it is the proportion of premium sales to gold production that has in fact been maintained by South Africa in recent months. Now that the quasi-monopoly enjoyed by South Africa in this market is to be more widely shared, the premium may shrink. Already the free gold price this week has dipped below $39 per ounce. The margin of profitability offered by the premium market is becoming decidedly narrow—as the latest South African gold mining quarterly statements are beginning to indicate.

If these premium sales must be made against US dollars, another important consideration has to be weighed. The tacit assumption made in these arrangements is that the United States Treasury will be prepared to convert into gold at $35 per ounce any dollars offered to it by foreign central banks. But if an appreciable amount of these dollars comprises proceeds of gold sales at a premium, the United States, which has all along set its face against facilities for such sales, may refuse to take part in a game that basically rests on the readiness of the United States to buy and sell gold at stated prices. This raises horrifying possibilities to which the gold-producing countries have probably failed to give any serious thought.

* * *

The Growing Deficit

The provisional trade figures for September provide cold comfort despite the fall in the cost of imports—only the second to be recorded this year. Imports were valued at £337½ million, some £31 million lower than the record figure for August but still £13 million higher than the average for the first nine months of this year. The September figures usually show a seasonal decline both in imports and exports. The high level of commodity prices, coupled with the larger volume of imports, masked all seasonal fluctuations in the earlier months, and except in February, a short month, the cost of imports rose continuously from £298 million in January to £368½ million in August. The volume of imports this year has been some 14 per cent larger than in the corresponding period in 1950, but their value has increased by 53 per cent.

Exports in September fell by £19 million to £207 million. Again this was largely a seasonal movement, and despite this fall the average for the third quarter (£218¼ million) was 6 per cent above the average for the first half of the year, while the annual rate of exports for the nine months (£2,528 million) was 16 per cent higher than that for 1950. Nevertheless the adverse trade balance in September, taking imports inclusive of insurance and freight, still amounted to the large figure of £120 million. For the nine months this deficit totalled £927½ million compared with £291 million in the corresponding period of 1950. The visible deficit suggests that recent guesses of the total deficit on foreign payments account for this year ranging up to £400 million, may err on the side of optimism.

* * *

Fall in Dollar Exports

The disheartening feature of the September trade figures is the sharp decline in British exports to dollar markets. Shipments to the United States fell by 26 per cent to £9.6 million while exports to Canada fell by 40 per cent to £8.5 million and were 46 per cent below the peak reached last July. Sales of cars in Canada have been hit by the restriction of consumer credit; all makes have been affected, British, American and Canadian. But British cars seem to have suffered most and several thousand shipped there some time ago have been brought back to this country. Motor cars were not the only exports to be hit; wool textiles, another important dollar earner, were also much smaller in September and this fall accounted for much of the month's setback in shipments to the United States.

In September a year ago, exports to North America fell as a whole, and exports to Canada were more sharply affected than those to the United States. In October, however, a recovery ensued and dollar exports in the fourth quarter were the highest for the year. It is questionable if this experience will be repeated in 1951. Sales of textiles in North America are going slowly; there is some indication of a possible recovery in the near future, but British exports will not benefit unless the recovery is substantial. The fall in motor car sales can in no way be attributed to seasonal influences. It follows directly from the disinflationary policy now being pursued by the Canadian Government and will be reversed only if that policy is changed or if inflationary pressure again gets the upper hand. The prospect, then, is for only a modest recovery in dollar exports during the remainder of the year, with sales in the fourth quarter probably no higher than those for the first quarter of 1951, and well below those for the last three months of 1950. Until last month, British exports to North America had been running consistently above the 1950 level.

BRITISH EXPORTS TO NORTH AMERICA
(Monthly averages = £ million)

	To U.S.A.	To Canada	Total
1950—1st quarter	6·7	8·5	15·3
2nd quarter	7·3	10·2	17·5
3rd quarter	10·9	10·9	21·8
September	*10·4*	*10·1*	*20·5*
4th quarter	12·8	12·3	25·1
1951—1st quarter	11·2	9·5	20·7
2nd quarter	12·5	13·6	26·1
3rd quarter	11·4	13·0	24·4
September	*9·6*	*8·6*	*18·1*

* * *

Investment in Transport

The planned control of investment, as it has been practised in this country in recent years, can be legitimately criticised on many grounds. To the extent that it is effective, it bears all the marks of political compromise, arbitrary decision, and competitive auction among rival claimants. Over a wide field of individual decisions, control can hardly be said to work at all in the detailed way that the annual exercise in balancing investment resources against demands for new capital might be taken to suggest. It is significant that the nationalised industries—which at first sight would seem to be particularly favoured claimants in the investment pool—become more and more critical of the treatment they are accorded. The British Electricity Authority might not be able to speed up its generating programme even if it were nominally allotted a greater share of the physical resources that the statisticians and planners dedicate to the capital programme; but that fact does not prevent it from complaining loudly at the treatment it gets. There have been similar complaints from the Transport Commission, conceivably with better foundation, for transport certainly has not been treated as a favourite child. And this week, Mr A. B. B. Valentine, in his presidential address to the Institute of Transport, has argued the case that transport should be accorded a larger slice "not merely in the industry's interest but also in the national interest."

Mr Valentine showed that two-thirds of the present investment quota of British Railways has to be used for track and other works essential to safe running at existing speeds. He asserted that

> some of the most urgently needed capital expenditure on roads and railways could be shown to be more productive than much other capital investment now being allowed to take place in other industries.

He criticised the virtual suspension of all capital investment on roads and claimed that £10 million spent on road improvements would produce a bigger and quicker dividend in the

saving of man hours, equipment and resources than an equal expenditure by almost any of the major industrial users of capital today.

There is, no doubt, much in this case. But it is the weakness of controlled investment that cases are not weighed by relative economic merit so much as by absolute standards that vary according to the shift in economic circumstances year by year. The electricity industry cannot meet the full demand that it promotes by charging prices that are too low to enable it to replace its capital. It is therefore accorded, *pace* the BEA, an absolute priority for all the plant it is likely to be able to instal. The transport system creaks along, barely able to maintain itself and quite unable to improve its efficiency by the wise use of new capital ; but since the controllers can deal with only one crisis at a time, transport's claims must be deferred. But Mr Valentine, in emphasising these facts, also exposes wider issues. By what means can the total resources for new capital be increased ? Is the shortage that affects transport more than a reflection of a deficiency of capital resources as a whole ? And by what means other than new encouragement to save and the competitive mechanism of the market can they be expanded and economically apportioned ?

* * *

Steel Output Lower

If 16 million tons of steel are to be produced in Britain this year, the industry will have to produce roughly 4,280,000 tons in the final quarter, or 110,000 tons more than it produced in the last three months of 1950. This may not be beyond the powers of the industry ; but since output so far this year is 400,000 tons lower than in the same period of 1950, a final output of slightly less than 16 million tons must perhaps be considered more likely.

The falling trend of steel output this year has resulted entirely from shortages of steel-making materials. In September steel output was at an annual rate of 15,749,000 tons, well above that in the holiday month of August but more than a million tons a year lower than the rate achieved in September, 1950. Pig-iron output, however, was higher than during the first six months of this year and somewhat higher than in September, 1950. Higher pig-iron output, upon which steel output depends increasingly as supplies of imported scrap dwindle, in its turn makes additional demands upon coke. Supplies of coke have not dropped from the level that was previously adequate, but the blast furnaces could now use 5,000 to 10,000 tons more a week than they are receiving, partly in order to smelt an even greater proportion of low-grade home ores than they are now using. It may be noted, however, that supplies of imported ore have recently improved considerably ; stocks are not yet at the million-ton level that is hoped for, but they are still rising.

Unfortunately the reverse is true of scrap. Stocks at the end of August fell to 314,000 tons, the lowest level since the war. A decline in imports of scrap from Germany had been taken into account: but the pressure for a higher scrap price at home this summer, which eventually had to be conceded, caused for a time some withholding of the home scrap supplies upon which the industry depends. It cannot yet be said that the higher scrap price has had any marked effect in improving deliveries to the steelworks. Good results from the scrap drive early this summer seem to have come largely from a faster "turn-round" in scrap supplies within the industry itself, and among those industries that are normally large scrap suppliers. It does not seem yet to have called out the hidden resources of obsolete equipment upon which the organisers of the drive based considerable hopes. The campaign is continuing with vigour, and such marginal results as it may still achieve will be of great value. But their effect upon steel output in the remainder of this year and in 1952 is not likely to be very considerable.

Bleak Prospects for Rubber?

Lean times seem to be in prospect for rubber. Mr S. Symington, the head of the US Reconstruction Finance Corporation which controls, among other things, American production of synthetic rubber, stated last week that synthetic rubber had been developed to the point where it could replace natural rubber in almost every field. As much as 65 per cent of synthetic rubber can now be used in the manufacture of heavy-duty tyres compared with only 13 per cent "a year or so ago." He added that the United States is independent of natural rubber except for "small tonnages used in the production of surgeon's gloves and a progressively smaller amount needed for heavy duty truck tyres."

It is sometimes necessary to make allowances for Mr Symington's enthusiasms, but the recent progress of the synthetic rubber industry should not be underestimated merely on that account. It threatens to have a serious effect on the consumption and demand for natural rubber. Sir John Hay gave a different warning in his annual statement as chairman of the Kamuning (Perak) Rubber and Tin Company. Sir John pointed out that American purchases for the stockpile will not continue indefinitely and that when they stop a fall in price must be expected. In fact the United States announced some months ago that it should complete its stockpiling purchases for rubber early next year. Sir John's main point was that the price of rubber would fall at a time when production costs were rising ; "industrial efficiency," as he emphasised, "cannot continue to be maintained under conditions where security of person and property is lacking." Malaya has been involved in bandit warfare for three years and there is little sign of any improvement. High wages and shortage of labour are only two of the problems which confront estate managers. Many of the security measures designed to protect the labourers are irksome to them and encourage them to seek employment elsewhere. Production in Malaya is falling and in the first eight months of this year it has amounted to only 409,500 tons compared with 445,500 tons in the same period of 1950. World output, on the other hand, has increased from 1,167,500 tons to 1,267,500 tons.

More serious are the prospects of a decline in tapping care and skill and in the upkeep of replanted areas. The Malayan Government is now proposing to take over the control of replanting which would be put into the hands of a government-sponsored committee, financed by a levy on the volume of rubber produced. This will mean that the more efficient producers will finance the less efficient ones. Sir John adds that "according to this topsy-turvy, upside down economic theory, it seems that the way to encourage and accelerate replanting is to penalise those who have practised it and reward those who have not." The principle of "levelling-down" is now apparently to be applied to the rubber industry, at the expense of those growers who have been sufficiently far-sighted to see that most of their area has been replanted with high-yielding stock.

* * *

Wool Levels Out

Britain has decided to stockpile raw wool ; an announcement to this effect was made as this issue was going to press. The total quantity of 40 million lb. (clean), representing 9 per cent of Britain's current annual consumption, is to be spread over the whole season. Buying is to be done through the normal trade channels by private brokers. The United States has already acquired about three-quarters of its initial programme of 100 million lb. (clean). The British stockpile is clearly not envisaged as one on the same scale as the United States was considering nine months ago, but under present conditions it could have an appreciable effect on the market.

Before the announcement was made the wool market had

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SUMMARISED CONSOLIDATED BALANCE SHEET OF GESTETNER, LIMITED AND SUBSIDIARIES
based on figures as at 31st August, 1951

AFTER GIVING EFFECT TO ISSUE OF "A" ORDINARY SHARES IN ACCORDANCE WITH RESOLUTIONS PASSED AT EXTRAORDINARY GENERAL MEETING HELD ON 15th OCTOBER, 1951.

	£		£
Issued Capital	1,574,170	Fixed Assets, at Cost	1,489,181
Capital Reserves	306,647	*Less :* Accumulated Depreciation	804,414
Revenue Reserves and Unappropriated Profits	916,873		684,767
Outside Shareholders' Interests	866	Patents and Goodwill	1
		Subsidiary Companies not Consolidated	110,424
		Excess of Current Assets over Liabilities and Provisions	2,003,364
	£2,798,556		£2,798,556

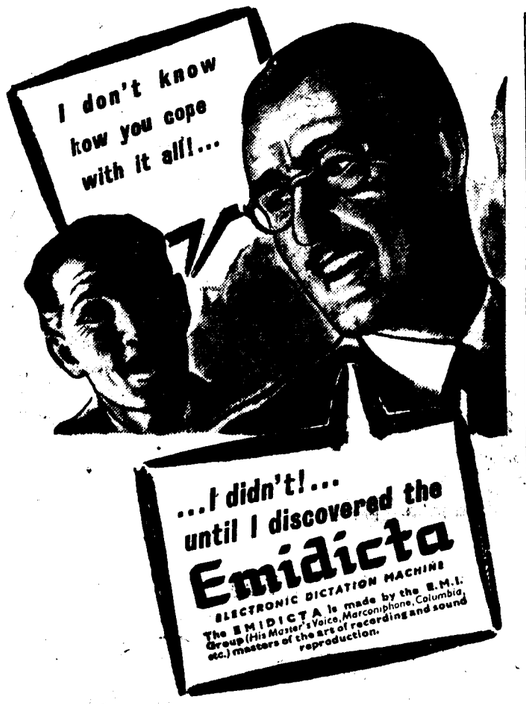
SUMMARISED APPROPRIATION ACCOUNT OF GESTETNER, LIMITED.

		£
Profit for year, after providing for Taxation, Staff Insurance Schemes, etc.		215,786
Distribution for year :		
Preference Dividends	Net £11,304	
Ordinary Dividends	Net £84,591	
		95,895
Retained in the business		£119,891

Extracts from the Directors' Report are appended :—

"In the year under review both Home Market and Export Sales showed very substantial increases. The percentage of your Company's products exported [illegible] higher than ever before. The value and volume of shipments to hard currency countries were extremely gratifying and exceeded your Directors' expectations.
"The first year's trading in the United States of America has shown that your Company's products can more than hold their own in that country.
"Research has been expanded and remains in the forefront of our programme. It is interesting to recall that this year marks the 70th anniversary of the firm by the late David Gestetner, the inventor of the stencil duplicating process."

The permission of H.M. Treasury having been received, and the necessary resolutions of the Company having been passed, forms for subscription at par for 250,000 4½% Cumulative Preference Shares of £1 each have been sent to Ordinary, "A" Ordinary and Preference Stockholders of the Company.



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Editorial reputation and influence higher than ever before.

By Sales Confidence—yes
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Every major advertising campaign so far launched in 1951 appeared in Picture Post.

Picture Post must rank among Britain's chief advertising media

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become notably steadier. Prices fell a further 10 per cent on Monday but the decline on Tuesday was only about 2½ per cent with merinos 64's quoted at around 123d. a lb. On Wednesday and Thursday another rise was started and merinos recovered to 138d. a lb. The interesting point is that the market turned this time at a price some 20 per cent above the trough of 103d. a lb. touched last month. That does not signify the advent of an era of stable prices; but equally it is difficult to discern from current trends of consumption another scramble for supplies, unless the United States suddenly decides to buy more wool for the stockpile. Because of the low level of stocks in consuming countries and the uncertainty about retail sales, increased buying by one of the major countries could conceivably start another sharp rise, and the experience of the past three weeks might become a regular feature this season until the bulk of the clip is offered.

* * *

The House Tells the House

In matters of public relations, the London Stock Exchange has since the war made some notable departures from its prewar tradition of silence—though it still appears both diffident and parsimonious by contrast with its sister in New York. Now the tempo of change is rising, accelerated by the recent crop of ignorant comments and criticisms from left-wing orators, by the odd reporting of market movements in certain newspapers, and, of course, by Dr Dalton's irresponsible "good fun." Hard on the heels of Mr John Braithwaite's pungent retort to the Doctor comes the Stock Exchange's most venturesome effort yet. It has circulated to all candidates in the general election a newly-prepared ten-page "child's guide" to the work of the Exchange. There is, of course, nothing novel in the information presented—most of it is recognisably drawn from a public address given by the chairman earlier this year, from his reply to Dr Dalton, and from the small book sponsored by the Stock Exchange some years ago. But there is most welcome novelty, and courage too, in the decision to disseminate home-truths about the Stock Exchange in this way. Very sensibly, since the occasion is political, the chairman prefaces the pamphlet with the explanation:

> The Stock Exchange is a national institution. It adheres to no party; it subscribes to no party funds; it does not engage in party politics. But an organisation so intimately concerned and bound up with the national economy must at all times play its part in the affairs of the nation.

He adds that the purpose of the pamphlet is "to correct certain misconceptions about the Stock Exchange which may exist in the public mind." Certainly, if all would-be members of that other House will thoughtfully read and remember these simple and objective answers to common questions about Stock Exchange matters, the new Parliament, whatever its predominant colour, ought to see the need for removing some of the grit these postwar years have thrown into the machinery of industrial finance.

* * *

Cheap Air Travel

The special winter excursion fares announced by Aer Lingus make this one of the first airlines, at least in Europe, to bring its day fares really close to rail fares for the same journey. A first-class monthly return rail ticket from London to Dublin costs £8 7s. 7d.; Aer Lingus is introducing a winter excursion ticket, valid for 17 days, costing £9 18s. Similar excursion fares are being introduced for the company's services outside Ireland. The railway fare does not include meals or cabin accommodation, and the journey takes about 10½ hours. The air fare includes light meals, and transport to and from the airport; the journey takes four hours. Like other airlines, Aer Lingus has increased its normal fares; but at the same time it has reduced these special winter fares in an attempt to attract passengers during the off-season winter months. When an airliner has to fly on a scheduled service, it is better to carry passengers than to fly half-empty. But Aer Lingus hopes that the lower excursion rates may do better than this, by attracting sufficient extra traffic to make up for the immediate loss in revenue per passenger.

This is something of an innovation in excursion fares because the tickets are valid for any flight. Airlines have been testing a number of different methods of fare reductions to attract more traffic, the most promising being the "tourist" fare for long journeys. The economics of tourist travel depend on carrying more passengers and less fuel and making more frequent re-fuelling stops than on a normal journey. There is less scope for tourist flights of this kind on short and medium length journeys and some lines, including British European Airways, have followed railway practice by offering cheap off-peak travel. If the inconvenience of early or late travel is discounted, these rates compare even more favourably with rail fares than those of Aer Lingus. The first class monthly return rail ticket from London to Paris costs £13 0s. 6d. Even after the recent increase, the BEA off-peak fare for the same journey is £12 compared with £15 6s. for the normal fare.

* * *

Less Meat Again

The meat ration is to be cut again from next Monday from 1s. 10d. to 1s. 7d. This decision marks a display of courage for election week, but it was tempered by an official announcement claiming that

> on the best assessment of the supply position that can be made at present, we are reasonably confident of maintaining the weekly ration throughout the winter and spring at not less than 1s. 5d. The ration will have to be progressively reduced to sustain this position.

Last year's experience, when the ration was kept high in the autumn to bluff the Argentine Government, only to be reduced to a miserable eightpennyworth (about 7 oz.) early this year, is not to be repeated; the cut this year is to be spread over a longer period.

A one-and-sevenpenny ration at current prices means a little under a pound of meat a week for each adult. It is not known whether the Ministry's forecast of a minimum of 1s. 5d. a week is calculated at current prices or at future prices when the newly increased prices for Australian and New Zealand meat are passed on to the consumer. The difference in the actual quantity of meat would be between 11 and 13 oz. a week for each person. If this level can be maintained it will certainly be an improvement on the 7 oz. a week distributed earlier this year. Last year meat consumption was the highest since the war, amounting to 75½ lb. per head of population compared with 91½ lb. before the war. In the first six months of this year, the annual rate of consumption per head of population was only 41½ lb. Admittedly the average for the whole year will be higher, but it is unlikely to be much more than 1 lb. a week or about ¾ lb. less than the prewar scale.

It is simply not true that exporting countries are not letting Britain buy more meat—a claim made by many government spokesmen during their election campaigns. Producing countries have been exporting less because Britain would not pay what to them was a reasonable price. And they are particularly annoyed with the Ministry of Food for selling their meat at a higher price to the British public in order to offset the large subsidy paid to British meat producers. The announcement of a new fifteen-year agreement with Australia shows that Britain is intent on developing meat production in the dominions. But there is little cause for optimism. In the first place it will take at least five years before supplies increase to any noticeable extent.

The fact that the new agreement guarantees minimum prices at the 1950-51 level for six years for beef and veal and for three years for mutton and lamb underlines this point. The Queensland project has now been going for some time and yet shipments from Australia have fallen. Britain's more immediate concern is to get shipments from Argentina resumed, and according to reports from Buenos Aires 2,000 tons of meat will be shipped immediately. But unless Argentine exports to this country reach a monthly figure of about 20,000 tons, the Ministry's forecast of the ration level in the winter and spring months may prove to have been only a pious hope.

* * *

Branded Garages?

More than three-quarters of the garages in this country, apart from the smallest "one-pump" filling stations, have now entered into "sponsored" sales and service agreements with one or other of the companies distributing motor fuels. Since last Easter, when *The Economist* drew attention to this development in the garage trade, it has been accelerated by unobtrusive but keen persuasion upon the part of the oil companies: in the past fortnight this has come into the open. What is emerging cannot fairly be described as a "tied garage" system, since garage ownership is not in question. Here the British trade will continue to differ from the American and some of the Continental garage industries, where filling stations are often owned by the oil suppliers. Most of the British agreements, moreover, are unwritten. But the various forms of "sponsorship" generally require exclusive sales of one or a specified range of branded petrols. In return, they offer assistance, mainly in kind, to bring the garage up to the standard of performance of the chain associated with (though not owned by) the oil company. Such assistance may take the form of structural alteration, the services of an architect, repainting in standard chain colours, aid in local advertising, overalls for forecourt operators, and—most important of all—training for garage staff.

The common motive of the oil companies' efforts is their need to rationalise distribution of oil products by increasing the size of the "drop" at each point of delivery, thus using their fleets of road tankers to the best advantage. There is little doubt that the British road system has too many garages for the motor traffic it carries, and that many of them are poorly sited, requiring too frequent separate halts by the road tanker to deliver small supplies of petrol. Though one-pump garages dwindled in number during the war, they still account for nearly a quarter of all the garages in the country. Many of them are run, as the Waleran Committee showed, as sidelines of small country establishments primarily concerned with a variety of quite different trades. By this and other measures now in hand, the oil industry is confident that it can cut distribution costs; if so, the movement is to be welcomed.

* * *

Squeezing the Pump?

So far the oil companies in Britain are not refusing to supply garages that have declined to become attached to one or other of the national chains. Nor have they gone to the length of employing special representatives to assist the nominated distributors with their book-keeping and accounting problems. The special assistance given to the "sponsored" garages towards the provision of improved service will certainly make the lot of an independent, poorly sited garage without such advantages even harder than a superfluity of competitors has done already.

How quickly such assisted competition may effect a worthwhile rationalisation by "shaking out" some of the smallest garages is difficult to judge. When petrol is offered merely as an additional convenience to promote and supplement other business, the commercial return that it earns directly may not be of decisive importance. Where a small garage is operated entirely by the owner's family, on the other hand, its economic staying power will often be remarkably high. It is worth noting that in selecting garages for "sponsorship" some at least of the companies are aiming at a geographically "national" service, covering remote areas and some of the one-pump sites as well as flourishing garages on busy roads.

When the six catalytic crackers included in the present British refinery programme are all in operation, the oil companies will have impressive technical arguments to reinforce their commercial eagerness to reintroduce branded petrols, for these units produce high-grade motor spirit without the refining losses involved in the thermal cracking units that alone existed here until this summer. When the decision comes to be made, competition in the British petrol market is likely to grow, and the new links with "branded" garages may be significant moves in this connection. The question is inevitably being asked in the garage trade whether these links are likely to become closer. Present assistance in kind obviously costs money; and as competition grows it may be that financial inducements such as preferential discounts or credit terms may come in to supplement it. But any further spread of the oil companies' influence, even if they intended it, would probably be counterbalanced by an important influence on the other side of the garage business—the arrangements with motor manufacturers for repair service, which are in any case rather longer-established.

* * *

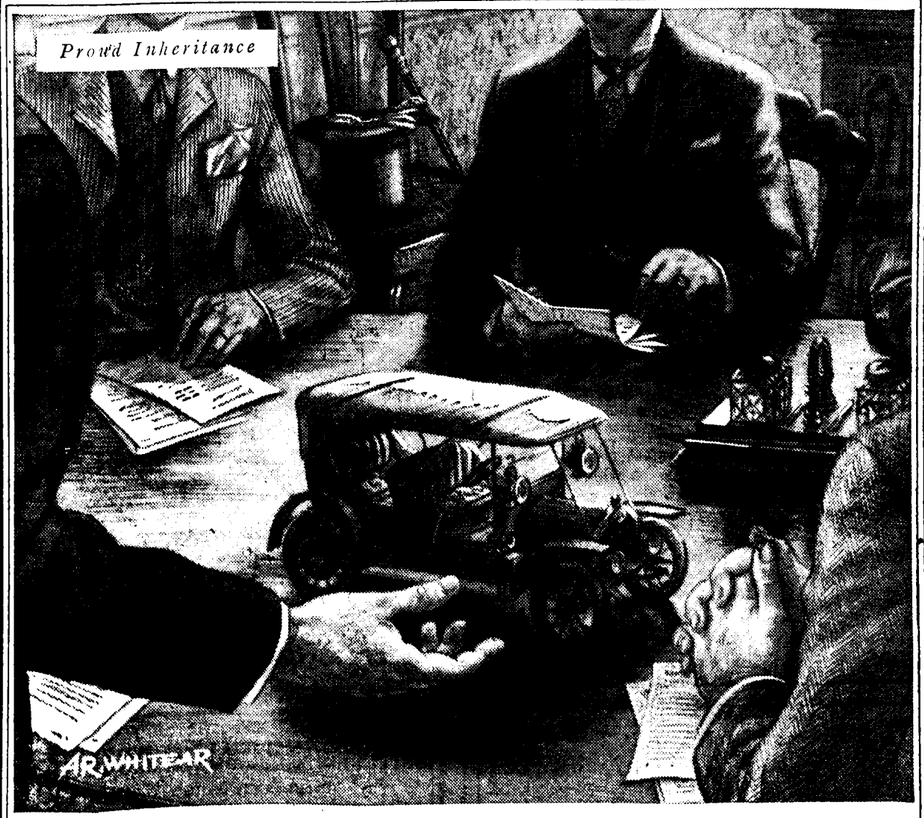
Trends in Prices

Prices of basic materials in Britain have been falling for the past six months. The decline in September amounted to only one per cent and was the smallest for any month since the downward trend started in April, but it leaves prices 19 per cent below the peak of last March and only slightly above their level of last December. They are still some 40 per cent higher than in June, 1950. Of the textile materials, cotton, wool and sisal were cheaper, jute showed no change and silk and flax became dearer. Wool is the only material of which the price was below that of June, 1950, when the Korean war started. The Ministry of Supply's price of copper to home manufacturers declined during the month, the price of tin rose, and prices of the other metals were the same as in August. Hides and skins and rubber increased sharply.

BRITISH WHOLESALE PRICES

	1930 = 100	June 30, 1949 = 100		
	Total All Articles	Basic Materials*	Materials Used in Mechanical Engineering Industry	Materials Used in Electrical Machinery Industry
1950:—				
June	256·9	126·6	111·6	131·2
1951:—				
January	300·0	197·5	127·1	143·5
February	305·6	209·3	126·6	142·0
March	313·6	220·4	128·3	143·1
April	318·8	209·1	130·4	147·8
May	319·7	201·8	130·8	149·6
June	321·0	193·0	131·2	151·9
July	319·9	187·6	131·4	152·8
August	323·6	179·4	137·1	156·4
September	325·1	177·6	141·7	158·7

* For non-food manufacturing industry, excluding fuel.
Source: Board of Trade.



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Throughout the years the fame of Crossley cars increased, and their position in the automobile world was pre-eminent by the end of the nineteen-twenties. When it now became obvious that the industry as a whole had accepted mass-production methods, another bold decision was made—and in order to safeguard the ideals of the Company a change-over to the commercial vehicle market was affected. Today the magnificent buses and coaches that ride the roads bearing the Crossley name are a tribute to a company that has never made compromises where craftsmanship is concerned.

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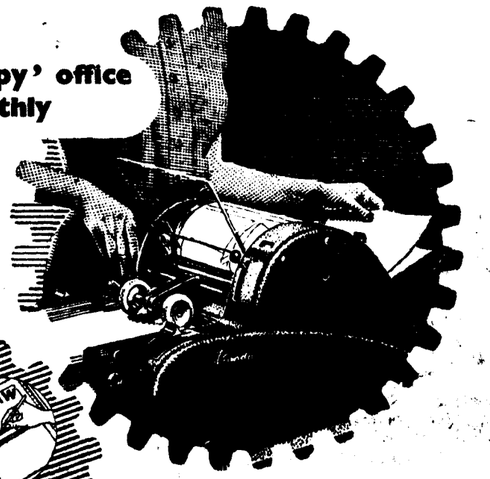

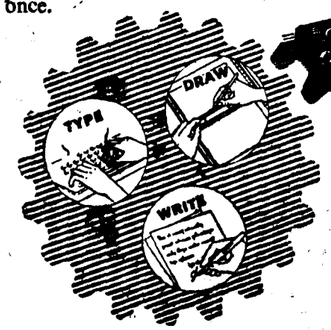

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(Incorporated in the Union of South Africa)

AUTHORISED CAPITAL £3,300,000
ISSUED CAPITAL (£4,000,000 Shares of 2/6 each) £3,000,000

Extracted from the Annual Report for the Year ended 30th June, 1951.

Tonnage milled, 1,093,000.

		Per Ton milled.
Total Working Revenue	£10,007,728	£9 3 2
Total Working Expenditure	2,481,078	2 5 5
Working Profit	£7,526,649	£6 17 9
Total Profit for the year		£7,584,083
Balance unappropriated at 30th June, 1950		600,648
		£8,074,291
This amount has been dealt with as follows:—		
Taxation	£3,140,988	
Mineral Lease Consideration	789,304	
		3,930,352
Dividends declared during the year—No. 10 of 1s. 4d. per share and No. 11 of 1s. 4d. per share		4,143,939
Leaving a balance unappropriated of		3,289,000
		£943,899

The ore reserve was re-estimated as at 30th June, 1951, as follows:—

Reef.	Available			Shaft and Safety Pillars			Total		
	Tons	Value, Dwt.	Width, Inches.	Tons	Value, Dwt.	Width, Inches.	Tons	Value, Dwt.	Width, Inches.
Carbon Leader	5,817,000	13.0	46.2	1,132,000	12.9	48.6	6,949,000	12.9	46.1

Compared with the previous year the available reserve decreased by 443,000 tons, the value was 0.1 dwt. per ton lower and the stope width unchanged.

Satisfactory progress has been made on the work in connection with the sinking of Nos. A1, A2 and A3 Sub-incline Shafts, although the work was retarded by a shortage of steel.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., 4, London Wall Buildings, London, E.C.2.

An interesting comparison can be made between movements in British wholesale prices for basic materials and in world commodity prices as shown by Moody's index. In September, British prices were 40 per cent below their peak of last March but 40 per cent higher than in June, 1950. In September, the Moody's index was 15 per cent below its peak of last February and 15 per cent higher than in June, 1950. But the peak touched by British prices was 74 per cent above the level before the Korean war began, while the peak in the Moody's index was only 36 per cent higher. Thus, despite government trading, bulk purchase and all the other devices at the government's disposal, British prices of basic materials have been subject to more violent fluctuations.

Despite the fall in the cost of raw materials, the index of prices of those materials used in the mechanical engineering industry increased by 3 per cent in September, while prices of materials used in the electrical machinery industry increased by 1½ per cent. The rise in both index numbers (which include prices of intermediate products) has been almost continuous since April, 1950, two months before the invasion of Korea. The index of all wholesale prices in September rose by under 1 per cent; it, too, has been climbing continuously since July, 1949, with but one exception, last July, when it fell by a fraction of one per cent.

* * *

Petroleum Equipment

The manufacture of petroleum equipment is a fairly recent development of British engineering; it is not as yet a distinct industry, since only a handful of firms specialise entirely upon petroleum equipment, though something over 400 manufacturers produce certain items for the oil industry. Such equipment forms a comparatively modest proportion of the oil companies' purchases for use overseas—perhaps 25 to 40 per cent of the yearly £50 million, according to varying definitions; though it may constitute a somewhat larger proportion of the £25 million purchased annually for refineries and other operations inside Britain. Its producers have enjoyed during the dollar shortage a large degree of "protection" in supplying the British companies; and since the agreements last year that ended petrol rationing here, certain American-controlled companies have also had a special incentive to purchase as much equipment for sterling as possible.

The manufacture of petroleum equipment, and particularly of oilfield equipment, is a highly specialised branch of chemical engineering; in the United States it has grown up as a substantial ancillary of the oil industry. Few British manufacturers can yet afford to risk specialising in it; this inevitably means that they can seldom afford the elaborate consulting and after-sales service that the American industry gives and oil companies are accustomed to receive. Nevertheless, the dollar shortage and devaluation have both assisted manufacturers outside the United States; and both have influenced a number of American manufacturers to license manufacture to their designs in Britain in the last two years. In deliveries, the British makers cannot match American makers, and the onset of raw material shortages this year prompted the Ministry of Fuel and Power to enquire whether the existing system of scrutiny prior to dollar purchases by oil companies should be revised. The Council of British Manufacturers of Petroleum Equipment, which co-ordinates the producers, advised that these could handle existing and prospective orders, possibly with the aid of the "Preferential Treatment" certificate for steel supplies.

How secure the prospects may be for the manufacture of such equipment in Britain has often been questioned. At the Council's first annual general meeting at the beginning of this month Mr Howard Page, of Standard Oil, was cheering:

> The British manufacturers' opportunity is not dependent upon any arbitrary exchange rate, or on Government controls of currency or of imports. The potential volume outlet should, in most cases, be adequate for low cost manufacturing—that is, sufficiently low to be fully competitive with American suppliers in the overseas markets.

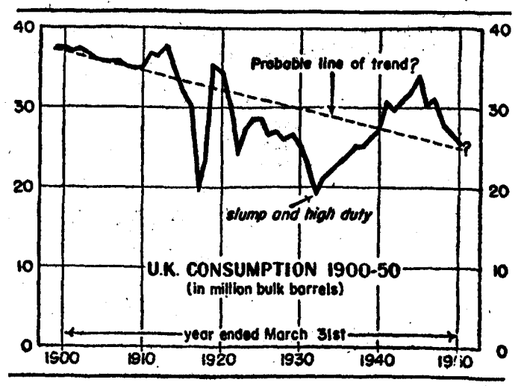
But he added that such manufacture is a very competitive business, not only in price but in quality and design: in both of these aspects the British manufacturers have a potentially rewarding but an arduous task before them.

* * *

Back to Normal in Beer?

In the first eight months of this year, output of beer amounted to 16,770,000 bulk barrels, compared with 17,020,000 bulk barrels in the period January to August, 1950. This represents a decline of only 1.5 per cent, compared with 3.5 per cent for the same months from 1949 to 1950 and 7.4 per cent from 1948 to 1949. It seems likely, therefore, that the Chancellor's pessimistic forecast in the Budget that revenue from the beer duty in 1951-52 might be 5 per cent lower than in 1950-51 may be falsified. Consumption, moreover, has not suffered considerably from the increase in the price of beer that mounting costs impelled most brewers to risk. Not all did, incidentally; some brewers in industrial areas did not raise prices.

But it is too early to conclude from the slackening rate of decline that demand may soon be stabilised. The downward trend apparent before the war, as shown by the chart, showed an average annual fall of about 1 per cent between 1900 and 1938, and this may persist. Output is generally back to 1938-39 levels. Most brewers are too cautious to venture an opinion whether it will stay there, but two who have made prophecies—Lord Courthope of Ind Coope last year, and Mr Combe of Watney, Combe, Reid last month—both spoke of further declines. After the effects of war conditions died



away, sales of beer might have been expected to settle near the immediate pre-war level. Beer prices have nearly trebled, a greater increase than for most staple consumer goods except tobacco, but there are nearly a million more men in civil employment, and there must have been an increase in the incomes of beer drinkers as a class. But social habits have continued to change, and new amenities are being consumed by the working classes; television, to mention only one, is not a rich man's toy. Further expansion of these rival demands may continue to be felt in the public house.

The outlook for the brewers, however, is not necessarily grim. It is true that costs—not least unit overhead costs—continue to rise; that while rearmament may stimulate demand in some areas, there is no slack of unemployed to whom it might give the chance to buy beer anew; that the chances of a cut in the duty are not high; and that disinflation might affect demand as well as costs. But there must be room for cost reduction in an industry so long sheltered by secure retail outlets. The expanding demand for bottled

beer, which now accounts for one-third of total output and might be replacing draught beer faster if bottling plant and supplies of bottle caps were adequate, is a hopeful sign. The potential market for light packaged beers among women and the salaried classes has probably not been fully plumbed. And even if draught beer sales continue to decline, the public house, in which change has been held up since 1939 by building restrictions, may yet offer possibilities of adaptation to changing social habits.

* * *

Safe Landing

A year ago a Viking aircraft owned by British European Airways crashed while attempting to land in fog at London airport and all but two of the 30 people on board were killed. The report of the Court of Investigation into the probable cause of the tragedy has recently been published. It concludes that

> this accident would have been avoided if the pilot had not brought his aircraft down as low as he did in spite of the information several times supplied to him that the meteorological visibility as measured on the ground was as low as 40 or 50 yards.

The aircraft was identified on the London Airport ground control approach system when it was 25 miles from the airport. This equipment is used to "talk down" the pilot in bad weather to a "break-off" point about 140 feet above the runway where, if it is safe to land at all, he can see the runway sufficiently clearly to make a visual landing. The pilot made a normal approach on GCA for the last eleven miles of the flight. From the break-off point he continued to make what appeared to be a normal landing, then said he was going to over-shoot the runway, but the aircraft crashed and caught fire.

The flying manual, the disciplinary code for pilots, lays down certain minimum weather conditions below which a pilot may not attempt to land—in this case, a cloud base of 200 feet and a visibility of 600 yards. But the regulations were worded in such a way that the conditions were not absolute. Visibility, for example, was understood to mean visibility from the cockpit, which can never be measured with precision, and not visibility on the ground, which can. If one condition was present and the other was not, the pilot could use his own discretion whether this combination met the spirit if not the letter of the flying manual's minimum conditions. Regulations of this kind date from the days when a pilot was obliged in the last resort to base his decisions on what he could see for himself. Ground control equipment like GCA has taken time to reach its present degree of accuracy and it has also taken time to train the crews to a peak of efficiency where the pilot can place complete reliance on what he is told from the ground. In the next few years it is likely that flying regulations will become stricter and more detailed. The Court's report says that "such an accident is unlikely to occur again if it is made an offence for a pilot to come down to so low a height when visibility reported from the ground is so seriously lower than the prescribed minimum." The BEA flying manual is being re-worded to remove any ambiguity about minimum weather conditions. Visibility will in future mean visibility on the ground and as soon as the ground controllers report that it is below the minimum the pilot will be bound to divert to another airport.

Shorter Notes

During August the "metals, engineering and vehicles" group of industries, which include those taking most of the burden of rearmament, gained 25,000 workers, increasing their manpower to 4,130,000: during the first seven months of the year their labour force had risen by only 19,000. Manufacturing manpower as a whole rose by 42,000, and the building and contracting industries added 7,000 workers to their total of 1,446,000. These increases formed part of the aggregate addition of 84,000 to the nation's labour force, which totalled 23,449,000 at the end of August: the seasonal increase resulted largely from the entry of children leaving school into industry. Unemployment, at 217,000 on September 17th, was very slightly higher than a month before, but still represented less than one per cent of the national labour force. The month's figures would thus indicate a slight quickening in the growth of manpower in industries that may be concerned with defence. But at the same time manpower in the coal industry continued to decline, and that in transport showed only a very slight increase; and unemployment in the distributive trades rose once again.

*

Very considerable deposits of coal in the Ruhuhu river area of South Tanganyika are indicated by the report of a geological investigation carried through in the last two years by a team from the Colonial Development Corporation. Diamond drilling has indicated a gross tonnage of more than 200 million tons, of which more than 40 million tons are considered extractable. The coal compares favourably with most South African and Rhodesian coals, and the quality in one part is better than any previously known in Tanganyika: seams vary from a few feet to over 20 feet in thickness. Two possible schemes of exploitation are being considered; both would require close collaboration with the Tanganyika Government. One is for a small colliery producing about 500,000 tons a year for East African consumption; the other is for a larger colliery producing perhaps 2,000,000 tons a year, of which three-quarters might be processed into petrol and fuel oils.

*

Industrial output in August, as shown in the London and Cambridge Economic Service index, showed the usual seasonal fall in August, when production is most affected by holidays. The "B" series showed an August figure of 125, compared with 131 in July and 120 in August, 1950. The "motors, cycles and aircraft" component of the index showed a drop of from 187 in July to 144 in August; this was largely seasonal, but compared with 152 in August last year. August's figures of industrial production as a whole would still be consistent with the official estimate of an increase of 4 per cent in industrial production this year.

*

Agreement has now been reached between the government of the Union of Burma and Burma Corporation providing for the formation of a new company, Burma Corporation (1951) Limited, in which the Burmese Government will subscribe half the issued share capital. The new company will take over the whole of the Corporation's undertaking in Burma and will issue fully paid shares in exchange to shareholders in the present company. The Burmese government will subscribe for an equivalent number of shares in instalments to provide the new company with additional working capital and with funds for the rehabilitation of the mines and plant. The agreement is subject to ratification by the Burmese government and by Burma Corporation shareholders.

*

The Treasury have had second thoughts in the question of United Molasses' capital. Last February when the company applied to CIC for permission to capitalise £3,909,000 from reserves in order to restore the 13s. 4d. cut off the £1 ordinary shares in 1934, it was given half of what was asked. Consent has now been given to a further capitalisation of £1,954,500 from reserves, which will restore the nominal value of the existing 11,727,000 ordinary stock units from 6s. 8d. each to 10s. each.

In the workroom of Walpoles of Bond Street

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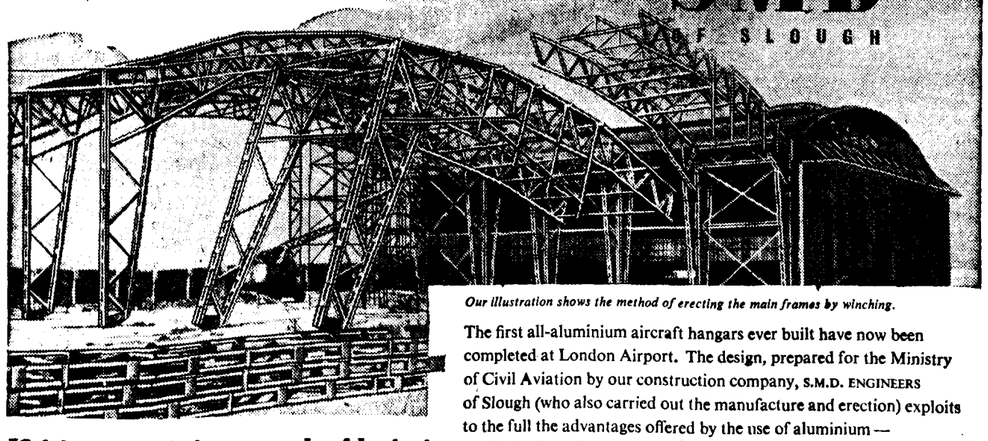

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The first all-aluminium aircraft hangars ever built have now been completed at London Airport. The design, prepared for the Ministry of Civil Aviation by our construction company, S.M.D. ENGINEERS of Slough (who also carried out the manufacture and erection) exploits to the full the advantages offered by the use of aluminium — prefabrication of main components, rapid site assembly, no painting.

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Company Notes

Fairey Aviation.—This company has concentrated on the development of a highly specialised aircraft, the Fairey Gannet, a coupled engine anti-submarine aircraft; a contract for building these aircraft was secured against strong competition last January. This fact alone does not necessarily imply a rapid increase in profits, much less in dividends. But it should certainly bring some recovery from the trading setback recorded for the financial year to March 31st when group trading profits fell from £381,719 to £321,123. The prospect suggests a steady, but not unduly high, level of earnings in the rearmament period. Not only have trading profits fallen, but profits brought in from earlier years are down from £404,074 to £248,981; there is, however, a big offset in the fall in development and research expenditure from £447,690 to £83,786.

The completion of one stage of development and research will probably mean a higher level of disposable profits, but it will also mean bigger claims by the tax-collector and a greater emphasis, no doubt, on the building up of reserves. These factors may have had their bearing on the directors' decision not to be "restricted by proposals for legislation which might never be enacted" and to maintain the ordinary dividend of 25 per cent instead of cutting it back to 22½ per cent as would have been necessary if the White Paper proposals were obeyed to the letter.

	Years to Mar. 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	381,719	321,123
Prior years' profits	404,074	248,981
Total income	785,793	570,104
Development expenditure	447,690	83,786
Taxation	85,000	80,276
Ordinary dividends	141,316	134,892
Ordinary dividends (per cent)	25	25
Retained by subsidiaries	28,529	57,363
Development reserve	100,000	...
General reserve	...	150,000
Added to carry forward	*Dr 73,052*	12,399

10s. ordinary share at 36s. yields £6 10s. per cent.

The yield on the 10s. ordinary shares at the present price of 36s. of nearly £7 per cent appears to measure reasonably well the immediate risks inherent in an aircraft share of this calibre. Long-term forecasts for the aircraft industry are open to doubt for the fortunes of the companies largely depend upon defence contracts and upon forward-looking development. So far as this second factor is concerned Fairey Aviation have already acquired much research experience on the latest developments in delta-winged aircraft and rocket propulsion for aircraft.

★

Calico Printers.—The ordinary dividend of Calico Printers is to be maintained at 12½ per cent, although the "standard" dividend under the White Paper proposals is only 10½ per cent. Accompanying this announcement is a statement that "in view of the low average return received in the past by ordinary stockholders and in the absence of legislation limiting dividends, the directors consider they are fully justified in recommending a dividend, at the same rate as last year." To speak of a "low average return" is no exaggeration, since for a good number of years before 1947 no ordinary dividend was paid; in 1947 and 1948 ordinary shareholders received a dividend of 5 per cent, of 8 per cent in 1949 and of 12½ per cent in 1950. In view of the considerable advance in profits from £3,563,003 to £5,241,101 some shareholders may indeed feel that the mere maintenance of the ordinary dividend errs too much on the side of caution. Admittedly tax charges have mounted from £1,367,564 to £2,320,867 and the provision for depreciation and maintenance from £834,793 to £1,004,549, but the ordinary dividend is covered more than six times by the parent company's distributable earnings alone.

Uncertainty about prospects in the current year may have influenced the directors in deciding against a modest increase in ordinary distribution, which on the evidence of last year's prosperity was possible and not unjustified. The company has a considerable export trade and, therefore, its fortunes are particularly sensitive to raw material price changes and to the growth of Japanese competition, about which the chairman expressed anxiety in his statement last November. It will be some time before the textile mill, now under construction in Uganda and in which Calico Printers has a majority holding, will make any contribution to profits.

	Years to June 30, 1950	1951
Consolidated Earnings :—	£	£
Profit	3,563,003	5,241,101
Depreciation, etc.	834,793	1,004,549
Taxation	1,367,564	2,320,867
*Earnings on ordinary stock**	*888,571*	*872,990*
Ordinary dividends	158,238	151,954
Ordinary dividends (per cent)	12½	12½
General reserve	600,000	700,000
Added to carry forward	*Dr 69,667*	40,436

£1 ordinary stock at 45s.xd. yields £6 6s. per cent.
* Parent company only.

★

Great Universal Stores.—The full accounts of Great Universal Stores amply confirm the suggestion made in a company note on October 6th that the advance of nearly 40 per cent in group trading profits from £5,896,913 to £8,161,150 has been accompanied by much heavier investment in current assets. The year's increase in aggregate sales by 29 per cent is due to some extent to higher prices. The rise in sales, higher prices and the consolidation of new acquisitions are responsible for the increase in stocks from £13,029,821 to £15,971,735 and in hire-purchase debtors from £15,914,989 to £20,651,570, which has taken place despite "restrictions upon borrowing or raising money for the purpose of financing hire purchase debtors to curb inflationary tendencies, to which extent the hire purchase turnover of the group is controlled." Such large-scale investment in current assets has imposed a considerable strain on liquid resources and although reserves have been reinforced by the appropriation of some £1,800,000 from profits, bank loans have risen from £7,230,976 to £8,687,403.

	Years to Mar. 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	5,896,913	8,161,150
Total income	5,951,107	8,218,461
Depreciation	461,508	658,485
Taxation	3,019,367	4,489,415
Group earnings for ordinary stock	*1,257,240*	*1,982,700*
Ordinary dividends	292,744	284,631
Ordinary dividends (per cent)	40	40
Added to group general reserve and carry forward	964,496	1,798,069
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	11,813,686	11,948,135
Net current assets	14,747,371	17,976,178
Stocks	13,029,821	15,971,735
Hire purchase debtors	15,914,989	20,651,570
Cash	2,901,763	3,168,707
Reserves	7,780,983	10,980,358
Ordinary capital	1,319,979	1,335,513

5s. ordinary stock at 32s.xd. yields £6 5s. per cent.

The chairman, commenting on the year's results, remarks that public demand continues at a high level but there are some indications that purchasers are showing greater discrimination in the face of higher prices. Some goods, in fact, "have almost priced themselves above the capacity of the public to pay." Recently there have been signs of "a healthy recession" in prices which may have "the effect of restoring sales, where they have declined, to their normal levels." Turnover in the current year to date is in excess of last year and the company's expansionist policy of acquiring new retail outlets—there are already 815 in Britain—suggests that under present conditions a high level of profits should be maintained.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 10, 1951	Price, Oct. 17, 1951	Net Yield, Oct. 17, 1951 (a)	Gross Yield, Oct. 17, 1951
			£ s. d.	£ s. d.
War Bonds 2½%... Mar. 1, 1951-53	101⅜	101⅜	0 4 9	1 10 7
War Bonds 2½%... Mar. 1, 1952-54	101⅜	101⅜	0 13 3	1 18 1
Exchequer Stk. 2½% Feb. 15, 1955	102	101⅜	0 12 3	1 14 5
War Bonds 2½%... Aug. 15, 1954-56	103½	102⅜	0 6 0	1 10 10
Funding 2½%... June 15, 1952-57	102⅜	102⅛	0 14 3	1 18 6
Nat. Defence 3%... July 15, 1954-58	103⅜	103⅛	1 2 5	2 10 0
War Loan 3%... Oct. 15, 1955-59	103⅜*	103⅛	0 8 1	1 16 8
Savings Bonds 3%... Aug. 15, 1955-65	97⅜	97⅛	1 0 10	2 9 11
Funding 2½%... April 15, 1956-61	98*	97⅛	1 1 9	2 9 8
Funding 3%... April 15, 1959-69	92⅜*	92⅛	1 16 10	3 5 11
Funding 3%... Aug. 1, 1966-68	94⅛	94⅛	2 13 0	4 2 10
Treasury 3%... May 15, 1966-68	103¼*	103⅛*	2 1 5	3 11 3
Savings Bonds 3%... Sept. 1, 1960-70	92⅜*	92⅛*	2 0 8	3 10 9
Savings Bonds 2½%... May 1, 1964-67	90⅛*	90⅛*	2 13 10	4 1 5
Victory Bonds 4%...	104⅛	104⅛	2 4 6	3 16 0
Savings Bonds 3%... Aug. 15, 1965-75	90⅛	90	2 9 1	3 14 11
Consols 4%... (after Feb. 1, 1957)	97⅛	97⅛	2 2 6	3 15 11
Conversion 3½%... (after Apr. 1, 1961)	87⅛	87⅛	2 3 2	4 2 6
Treasury Stk. 2½%... (after Apr. 1, 1975)	64⅜	64⅜	2 1 1	3 19 10
Treasury Stk. 3%... (after Apr. 5, 1966)	64⅜	64⅜	2 0 8	3 17 6
Treasury Stk. 3½%... June 15, 1977-80	76⅛	76⅛	2 1 3	3 18 7
Redemp. Stk. 3%... Oct., 1986-96	95⅞	96⅛	2 1 3	3 16 3
War Loan 3½%... (after Dec. 1, 1952)	84	84⅜	2 2 6	3 16 0
Consols 2½%...	87⅛	87⅛	2 2 1	3 14 2
Consols 4%... (after Dec. 1, 1957)	97⅛	97⅛	2 2 6	3 15 11
Brit. Elect. 3%, Gtd., April 1, 1968-73	65⅛	65⅛	1 19 11	3 16 2
Brit. Elect. 3%, Gtd., Mar. 15, 1974-77	90⅛	90⅛	2 6 7	3 16 0
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	95⅛*	95⅛*	2 2 1	3 15 2
Brit. Tpt. 3½ Gtd., July 1, 1978-88	84⅛	84⅛	2 0 9	3 14 9
Brit. Tpt. 3½, Gtd., April 1, 1968-73	90⅛	90⅛	2 7 9	4 0 1
Brit. Gas 3%... May 1, 1990-95	82⅛*	82⅛*	2 6 5	3 15 2
Brit. Gas Gtd. 3½%... Sept. 10, 1969-71	98⅛	98⅛	2 2 9	3 13 3
Brit. Iron & Steel 3½%... Feb. 15, 1979-81	95⅛	96⅛	1 19 5	3 13 3
			2 1 4	3 16 0
			2 1 1	3 15 2

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Oct. 10, 1951	Oct. 17, 1951	Yield on Last Year's Div.
%	%				£ s. d.
40	...	Anglo-Am. 10/-	8½*	8⅝	3 11 8
30	30	Anglo-Iran £1	5⅜	5⅛	5 10 4
20	17½	Assoc. Elec. £1	90/-	91/6	4 7 5
37½	35	Assoc. P. Cem. £1	111/10½*	111/3*	4 18 11
35	30½	Assoc. Sug. 5/-	53/9	53/9	5 5 6
25†	23·4†	Bass £1	149/4½	150/7½	6 7 0
40	20 m	Boots 5/-	26/3	26/3	3 16 2
10	9	Br. Celanese 10/-	41/9	41/-	2 3 11
20	20	Br. Oxygen £1	99/-	98/6	4 1 5
12½	12½	Coats £1	61/3	60/-	4 3 4
11½	9½	Courtaulds £1	51/-	50/7½	4 8 11
22½	21½	Distillers 4/-	23/6	23/6	3 16 7
17½	16½	Dunlop £1	68/-	67/-	4 6 5
12½	11½	Ford £1	58/1½	56/10½	4 7 11
22½	20	Gen. Elect. £1	96/6	96/6	4 13 3
32	30½	Guinness £1	143/1½	144/4½	4 8 11
8½ m	8½ m	Hawker Sid. 5/	38/6	38/3	5 4 7
12	11	Imp. Chem. £1	51/10½*	52/3	4 11 10
32	32	Imp. Tobacco £1	103/9	102/6	6 4 10
12½	11½	Lancs. Cotton £1	47/6	48/3	5 6 1
13½	11½	Lever £1	58/3	56/3	4 16 0
15	15	Lon. Brick £1	62/6	63/9	4 14 1
75	65½ m	Marks & Sp. A 5/-	100/-	98/6	3 16 2
16	11	P. & O. Def. £1	46/-	48/-	6 13 10
25	25	P. Johnson 10/-	44/6	45/6	5 9 11
12½†	9·7†	"Shell" Stk. £1	96/10½	96/3	4 19 2
25	25	Tube Invest. £1	65	65	3 15 5
20	17½	T. & Newall £1	100/7½	100/7½	3 19 6
10	9	Union Cattle £1	40/-	40/-	5 0 0
50	53†	U. Sua Betong £1	72/6	71/3	14 0 8
12½	9½	Vickers £1	51/-*	50/6	14 19 0
42½	38†	Woolworth 5/-	48/9	48/6	4 7 7

(a) Yield basis 20%, after capital bonus. (b) Yield basis 10%. (m) Allowing for capital bonus. (n) Yield basis 9%. (p) Yield basis 10½%, after capital bonus.
* Ex dividend † Free of tax.

(e) To earliest date. (f) Flat yield. (t) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 15 years 4 months.

Statistical Summary

EXCHEQUER RETURNS

For the week ended October 13, 1951, total ordinary revenue was £51,048,000 against ordinary expenditure of £69,097,000 and issues to sinking funds £1,114,000. Thus, including sinking fund allocations of £10,732,000 the deficit accrued since April 1, 1951, is £56,556,000 compared with a surplus of £56,499,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Oct. 14, 1950	April 1, 1951 to Oct. 13, 1951	Week ended Oct. 14, 1950	Week ended Oct. 13, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	401,969	469,740	6,499	8,898
Sur-tax	128,000	37,100	37,800	1,000	1,000
Estate, etc., Duties	180,000	98,750	101,400	3,600	2,500
Stamps	55,000	26,600	33,600	1,100	1,100
Profits Tax & E.P.T.	312,650	145,620	167,200	6,800	4,800
Other Inland Rev.	500	60	95	...	...
Special Contributn.	1,500	3,000	1,780	100	40
Total Inland Rev.	2302400	713,099	811,615	19,009	18,338
Customs	930,500	473,342	532,162	17,634	21,125
Excise	720,500	360,200	388,200	6,000	6,500
Total Customs and Excise	1651000	833,542	920,362	23,634	26,625
Motor Duties	62,000	10,784	12,645	179	415
Surplus War Stores	20,000	24,244	22,119	657	519
Surpl's from Trading	50,000	30,974	65,927	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	4,850	5,000	...	...
Sundry Loans	27,000	18,148	19,023	74	43
Miscell. Receipts	105,000	52,320	46,997	3,237	5,108
Total Ord. Rev.	4236400	1687761	1903687	46,690	51,048
SELF-BALANCING					
Post Office	179,431	87,200	96,200	2,500	2,600
Income Tax on E.P.T. Refunds	4,900	5,249	2,816	289	86
Total	4420731	1780210	2002703	49,479	53,734

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Oct. 14, 1950	April 1, 1951 to Oct. 13, 1951	Week ended Oct. 14, 1950	Week ended Oct. 13, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	264,307	267,322	2,795	3,015
Payments to N. Ireland	38,000	18,686	19,051	...	...
Other Cons. Funds	11,000	4,444	5,340	11	382
Total	584,000	287,437	291,713	2,806	3,397
Supply Services	*3425640	1334262	1657798	51,900	65,700
Total Ord. Expd.	*4009640	1621699	1949511	54,706	69,097
Sinking Funds	...	9,563	10,732	369	1,114
Total (excl. Self-Bal. Expd.)	4009640	1631262	1960243	55,075	70,211
SELF-BALANCING					
Post Office	179,431	87,200	96,200	2,500	2,500
Income Tax on E.P.T. Refunds	4,900	5,249	2,816	289	289
Total	4193971	1723711	2059259	57,864	72,897

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £198,831 to £3,120,465, the other operations for the week increased the National Debt by £26,927,279 to £26,532 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	10
Housing (Temporary Accommodation) Act, 1944, s. 8	844
Receipts under ECA Article 4(6)	1,000
	1,854

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	700
E.P.T. Refunds	104
Local Authorities Loans Act, 1945, s 3(2)	5,600
New Towns Act, 1946, s. 12(3)	90
Cotton (Centralised Buying) Act, 1947, s. 21(1)	3,000
Finance Acts, 1946 and 1947: Postwar Credits	324
	9,818

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	45,886	Nat. Savings Certs.	100
3% Def. Bonds	515	2½% Def. Bonds	1,570
Tax Reserve Certs.	975	3% Ter. Annuities	1,650
Ways & Means Advances	9,040	Other Debt :— Internal	969
		Treasury Deposits	25,000
	56,416		29,489

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Oct. 14	3140·0	1789·4	469·9	...	555·0	5954·3
1951						
July 14	3230·0	2129·1	373·2	...	344·5	6076·8
" 21	3230·0	2161·9	335·4	...	344·5	6071·9
" 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
" 11	3220·0	2164·2	280·2	...	379·5	6043·9
" 18	3230·0	2212·0	296·6	...	355·0	6093·6
" 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3240·0	2277·7	326·7	...	290·0	6134·4
" 8	3240·0	2301·5	306·9	...	290·0	6138·4
" 15	3240·0	2368·4	328·2	...	265·0	6201·6
" 22	3240·0	2364·7	354·6	...	265·0	6224·4
" 30	5596·3		342·4	...	290·0	6228·7
Oct. 6	3240·0	2425·2	347·6	...	250·0	6262·8
" 13	3240·0	2471·1	356·6	...	225·0	6292·7

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Oct. 13	250·0	312·3	250·0	10 3·23	74
1951					
July 13	250·0	345·2	250·0	10 2·81	61
" 20	250·0	323·8	250·0	10 2·84	60
" 27	250·0	342·8	250·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	80
" 10	260·0	354·1	260·0	10 2·78	62
" 17	260·0	341·4	260·0	10 3·02	68
" 24	260·0	318·7	260·0	10 3·36	77
" 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
" 14	250·0	332·1	250·0	10 3·07	67
" 21	240·0	335·9	240·0	10 4·87	25
" 28	260·0	338·7	260·0	10 2·98	68
Oct. 5	250·0	327·4	250·0	10 3·13	69
" 12	260·0	365·5	260·0	10 2·64	58

On October 12th application for 91 day bills to be paid from October 15 to October 20, 1951, were accepted dated Monday to Saturday at a to about 58 per cent at £99 17s. 5d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on October 19th. For the week ending October 20th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 27 Weeks ended Oct. 7, 1950	Totals 27 Weeks ended Oct. 6, 1951	Week ended Oct. 6, 1951
Savings Certificates :—			
Receipts	44,700	89,400	2,200
Repayments	69,400	73,400	2,500
Net Savings	*Dr24,700*	16,000	*Dr 300*
Defence Bonds :—			
Receipts	9,040	28,134	1,325
Repayments	26,944	36,991	2,490
Net Savings	*Dr17,904*	*Dr 8,857*	*Dr 1,165*
P.O. and Trustee Savings Banks :—			
Receipts	335,868	354,757	16,369
Repayments	363,169	426,242	12,895
Net Savings	*Dr27,301*	*Dr71,485*	3,474
Total Net Savings	*Dr69,905*	*Dr64,342*	2,009
Interest on certificates repaid	15,167	17,905	637
Interest accrued	65,046	65,323	2,460
Change in total invested	*— 20,026*	*— 16,974*	+ 3,832

BANK OF ENGLAND RETURNS

October 17, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:— In Circulation	1349,238,289	Govt. Debt	11,015,100
In Bankg. Department	51,118,534	Other Govt. Securities	1385,860,450
		Other Secs.	610,644
		Coin (other than gold coin)	2,513,806
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 24s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	350,217,853
Rest	3,169,243	Other Secs.	39,055,396
Public Deps.:— *Public Accts.**	19,708,070 *15,166,312*	*Discounts and Advances*	*14,557,097*
H.M. Treas. Special Acct.	*4,541,758*	*Securities*	*24,498,299*
Other Deps.:— *Bankers*	403,785,171 *307,813,036*		
Other Accts.	*95,972,135*	Notes	51,118,534
		Coin	823,701
	441,215,484		441,215,484

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Oct. 18	1951 Oct. 3	1951 Oct. 10	1951 Oct. 17
Issue Dept. :—				
Notes in circulation	1278·6	1352·3	1352·1	1349·2
Notes in banking department	71·7	48·1	48·2	51·1
Government debt and securities*	1345·3	1396·7	1396·7	1396·9
Other securities	0·7	0·8	0·8	0·6
Gold and Coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·1	18·3	18·8	15·2
Treasury Special Account	266·4	1·1	0·1	4·5
Bankers	309·3	297·2	300·2	307·5
Others	88·9	94·9	94·2	96·3
Total	677·7	411·5	413·3	423·5
Securities :—				
Government	544·2	336·2	342·2	350·2
Discounts, etc.	61·2	21·3	15·8	14·6
Other	25·6	23·7	24·3	24·5
Total	631·0	381·1	382·1	389·3
Banking dept. res.	74·4	48·9	48·9	51·9
	%	%	%	%
"Proportion"	10·9	11·8	11·8	12·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

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

	Oct. 17, 1950	Oct. 2, 1951	Oct. 16, 1951
Cereals and meat	153·5	170·9	170·8
Other foods	162·5	182·4	180·1
Textiles	278·8	261·5*	257·2
Minerals	307·8	361·7	362·9
Miscellaneous	180·5	197·9	198·4
Complete Index	**205·9**	**223·5***	**222·6**
1913=100	*283·3*	*307·5**	*306·3*

* Revised.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 11	77·0	88·00	186 5	107 12
" 12	77·0	Closed	185 9	106 14
" 13	Markets	Closed	184 12	106 5
" 15	77·0	88·00	185 1	106 9
" 16	77·0	88·00	185 6	107 11
" 17	77·0	88·00	186 9	108 3

COMPANY MEETINGS

ODEON THEATRES AND SUBSIDIARY COMPANIES

STEADY AND HEARTENING PROGRESS

MR J. ARTHUR RANK'S STATEMENT

The fourteenth annual general meeting of Odeon Theatres, Limited, and the annual meetings of its subsidiary companies, British and Dominions Film Corporation, Limited; Gaumont - British Picture Corporation, Limited; Odeon Associated Theatres, Limited; and Odeon Properties, Limited, were held on October 12th at the Dorchester Hotel, London, W.1, Mr J. Arthur Rank, D.L., J.P., the chairman, presiding.

The following are extracts from his statement, which was circulated with the report and accounts: I am happy to inform you that the financial year covered by the audited accounts, namely that ended June 23, 1951, has been one of steady and, I think, heartening progress.

The net result of the year's operations in Odeon Theatres, Limited, is a profit of £277,980, which absorbs the debit balance of £91,818 brought forward from the previous year and, after deducting transfers to reserves of £30,325, leaves £155,837 to be carried forward. The consolidated balance sheet also shows a further marked improvement in the financial position.

I am glad to say that a further substantial reduction of £3,736,290 has been made in bank indebtedness during the year. As compared with the position at June 25, 1949, bank indebtedness has been reduced by approximately £7,000,000. I anticipate that a further reduction in bank indebtedness will be achieved during the current year.

Consolidated trading profits, less losses, subject to depreciation, interest, etc., amounted to £5,125,230 for the year, as compared with £3,293,426 for 1949-50. This satisfactory improvement is due to two main factors. First the profits of the exhibition and the manufacturing companies have increased; and, secondly, the amount to be provided for film production losses has been reduced.

As regards profits earned on exhibition in the theatres, the improvement is almost entirely due to economies and improved efficiency resulting from the policy to which I have already referred. The number of patrons attending the theatres during the year was approximately the same as in the previous year. As regards film production, it has been necessary to make further reductions in the stock values of certain films which were produced during the period of extensive production in 1949. Films released during the financial year under review also showed a loss, but on a greatly reduced scale, as compared with previous years.

The amounts provided for net film production losses, after taking into account distribution revenue, are £1,300,000 in respect of the Odeon and G.C.T. group, and £135,000 in respect of the Gaumont-British and Gainsborough group, as compared with £1,750,000 and £575,000 respectively in 1949-50. I am confident that such provisions for the next financial year will show a very substantial reduction. The net group profit subject to tax amounts to £2,769,949, as compared with £552,264 last year. Taxation requires no less than £1,709,846 (last year £1,215,010).

GAUMONT-BRITISH PICTURE CORPORATION

The trading and financial position of the Gaumont-British group shows a substantial improvement. The net profit, subject to taxation, amounts to £1,994,999 (after providing £542,522 for depreciation), as compared with a net profit of £813,362 a year ago. This marked improvement is due to a substantial reduction in the provision for film production losses and to increased profits earned by the theatres and the manufacturing subsidiary companies.

The group is faced with a heavy charge for taxation at £1,228,456 and after allowing for outside shareholders' interests the net profit applicable to the Corporation is £426,920. Special profits realised from the sale of properties, etc., £284,261 have been added to this net profit, bringing the total net surplus for the year up to £711,181.

In view of the substantial profits for the year and the satisfactory financial position, the directors recommend the payment of a dividend of 5 per cent. less tax on the ordinary shares absorbing with the preference dividends, etc., £209,040, leaving the carry forward at £1,538,614, as compared with £1,036,473 a year ago.

BRITISH AND DOMINIONS FILM CORPORATION

The trading profits at £389,114 show a decrease of £132,789 as compared with the previous period. The previous accounting period included 14 months results for one subsidiary and fifteen months for another. Apart from this factor, the decrease arises from the reduction in rentals received from the studios at Denham and Pinewood, as it has been necessary to continue the arrangements with J. Arthur Rank Productions Limited in view of the grave difficulties through which the production industry has been passing during the whole of the year under review. The net profit subject to taxation amounts to £311,970. The fixed dividend on the 5½ per cent. preference shares requires £110,000 less tax and taxation £189,901, leaving the balance of net profits carried forward at £587,063 as compared with £506,648 last year.

FILM PRODUCTION

I referred last year to the voluntary scheme which was instituted from September 11, 1950, whereby a contribution would be made to film production out of the box office receipts and which subsequently became known as the "Eady Plan." I said then that whilst this plan was a help, the sum involved was insufficient to render the making of films an economic proposition. I am afraid that the view which I expressed has proved correct.

The British Production Industry, whilst making some fine films during the year, has, nevertheless, been faced with many problems and whilst the losses incurred have been less, it has not, in my opinion, been possible to make a group of films at a profit. There have, however, been a number of events during the year which I hope will lead to more stable conditions and enable serious producers to produce in the future a group of films which will show a profit.

Last autumn the National Film Finance Corporation came to the conclusion that their then policy of financing Independent Producers was not likely to lead to continuity of production and the creation of a healthy British production industry for which purpose the Corporation had been formed. They therefore proposed in addition to financing Independent Producers to create three groups of producers, who, whilst retaining creative independence, would work together to ensure a properly planned and continuous production programme. We are co-operating with one of these groups, a company called British Film Makers Limited being formed to operate this scheme. We believe that this scheme will assist in stabilising production and have wholeheartedly supported its development.

I am of the opinion that the extension of the Eady Plan for a period of three years from August 5, 1951, will do much to assist in solving the immediate production problems and placing the industry on a satisfactory basis. It is, however, essential that although a levy is available to assist producers in recovering the cost of a negative, speculative production should not be allowed to become general. To produce films of merit production must be in the hands of experienced producers and directors.

There is, however, one point which I must emphasise. If the Eady Plan were withdrawn at the end of three years without the substitution of some similar scheme agreed upon by the whole industry then the problems which have up to recently beset the industry would immediately recur, although they might not show immediately, and the good work which I hope will by then have been done would be undone very quickly.

I have over the years expressed my faith in the British film production industry. I can only reiterate that in my view a stable British production industry is essential in the national interests and is necessary to the film industry of the country. Under these new conditions I shall do all I can to assist in endeavouring to achieve the aim for which I have been working since 1940, namely, to see a healthy programme of quality entertainment films being made by our group, but always with the proviso that we shall carefully ensure that it is limited to the creative talent which is available to us.

ENTERTAINMENT TAX

During the last year the industry has had to spend once again a great deal of time in wrestling with this unreasonable burden and the unfair discrimination in the rate of tax it has to bear as compared with other forms of entertainment. In the 554 theatres operated by this group, the public paid £27,918,192 by way of admission prices, and of this total no less than £10,527,761 was drained off as Entertainment Tax, representing 7s. 6½d. of every pound taken at the box office, or 37.71 per cent. of the total takings. If we had been taxed on the same basis as the live theatre we should have paid £2,660,460, a reduction of £7,867,301 or 75 per cent. These figures clearly bring out the unreasonable burden carried by this industry, which provides a large portion of the country's wage earners and their families with healthy entertainment.

The Chancellor of the Exchequer in his original budget proposals made provision for a further substantial increase in Entertainment Tax, the bulk of which increase was to pass to the Treasury, a very small sum to exhibitors and a larger sum to producers. I am glad to be able to report that as an outcome of negotiations the industry has received some relief but unfortunately the basic problem of discrimination as against other forms of entertainment has not been dealt with. I hope the industry will continue actively its efforts to secure the removal of this discrimination and some relief of this burden which I am convinced in the long run will harm the whole industry and in addition lead to reduced revenue for the Exchequer.

EXHIBITION

The motion picture theatre is in many ways a local and communal institution and its success is dependent upon the standing of its manager and his staff in the local community. Our personnel who are loyal, keen and enthusiastic men, have taken a leading part in the social and economic problems of the communities in which they operate.

DIRECTORATE

I must refer particularly to Mr John Davis, the principal executive of the group. In June, 1949, he set out to overcome the very great difficulties which then confronted the group. His confidence and enthusiasm have never faltered and his brilliant administration and leadership have been of the highest order. It was with particular pleasure that I was able to announce, earlier in the year, his appointment as deputy chairman of Odeon Theatres Limited, thus demonstrating the confidence the board have in him and their appreciation of his work during the last two difficult years.

PERSONNEL

I and your managing director are firmly of the opinion that an organisation is as good as its personnel. Ever since I entered this industry it has been my aim to build up a team of men who were hard workers with integrity and loyalty. This policy has been actively developed by your managing director who has in conformity with this policy brought into our group a number of young men who have been trained for this purpose. I am happy to say that we never have had at any time a more efficient and loyal team at all levels who are working together in the closest co-operation and harmony. Their hard work and enthusiasm are reflected in the improved trading results for the last year. I wish to thank them for all they have done.

THE DIVIDEND POSITION

You will have seen that it has been possible for Gaumont-British Picture Corporation to recommence the payment of an ordinary dividend.

The position of Odeon Theatres Limited has materially improved and we have given careful consideration to the position of the dividend on the 6 per cent. preference shares. The approximate results of the current financial year to date are available and having regard to these, to the prospects for the remainder of the year and the present financial position of the company, the board felt justified in paying one year's preference dividend less tax on the 2,750,000 6 per cent. pereference shares of Odeon Theatres Limited, thus bringing the payment of the cumulative dividend up to July 1, 1950. Your directors would not have made the payment on account of the arrears of preference dividend unless they felt there was a reasonable prospect of being able to clear the arrears in due course and resume the payment of regular dividends.

With the close of the financial year in June, 1951, we reached an important stage in the rebuilding of the group's financial position which suffered so severely in 1948-49. There is still much to be done, but provided the cinema industry is given reasonable conditions in which to operate and attendances are maintained at their present level I am confident that steady progress will be made.

At the meetings of Odeon Theatres Limited and subsidiary companies the report and accounts were adopted.

RANSOME AND MARLES BEARING COMPANY, LIMITED

INCREASED PLANT CAPACITY

The thirty-fifth annual general meeting of Ransome and Marles Bearing Company, Limited, was held on October 12th at Newark, Notts, Mr F. W. Baker (chairman of the company) presiding.

The following is an extract from the chairman's circulated statement for the year to June 30, 1951:

Production and sales have broken all previous records. The capacity of the plant has steadily increased and higher figures can be established provided materials, adequate labour and power are available.

Some difficulties have been experienced in keeping up the flow of raw materials and supplies, but for the most part these have been overcome. Whilst all possible steps have been taken to ensure the future position, any reduction in supplies must affect our production.

The balance of orders on hand is the greatest in the company's history and we are compelled to quote very protracted delivery dates for new business. It was in anticipation of such a situation that the project for the new factory at Annfield Plain was initiated some twelve months ago.

BALANCE SHEET ITEMS

The highly liquid position shown by the balance sheet is partly due to the recent capital issue. The reasons for making this were fully set out at the time and work on the new factory is well in hand. Most of the plant is ordered and considerable payments have been made on account. It is hoped that production will commence towards the end of 1952. This is dependent on completion of the buildings and deliveries of machine tools and equipment according to schedule.

The reserves on capital and revenue account are each in excess of the nominal capital and have been provided by the shareholders, either from share premiums or profits retained in the business. The capital reserves are, of course, restricted to application for capital purposes but the general reserve and profit and loss balance are derived from taxed profits and are therefore available for any purpose, thus making it unnecessary to create specially earmarked reserves.

Opinions have been taken as to the application of the White Paper on control of dividends to our case and we are satisfied that it is in order to make the same final distribution of 17½ per cent. on the increased capital.

THE OUTLOOK

Under existing world conditions it is impossible to say very much as to the future. Costs of raw materials and other supplies continue to increase and, despite improved technique to reduce production costs, some of this increase must inevitably be passed on. The very heavy demand for bearings for ordinary civilian use, not only from this country, but from all parts of the world, has been increased by the armament programme. This programme will naturally postpone many normal industrial developments, so that a large market would seem to be assured for many years to come. The production from the new works is therefore required at the earliest possible date.

The report and accounts were unanimously adopted and the dividends as recommended were approved. The retiring director, Mr E. W. Senior, was re-elected.

ANGLO-DUTCH PLANTATIONS OF JAVA

MR W. H. DAUKES ON REHABILITATION PROGRESS

The forty-first annual general meeting of this company was held on October 16th in London, Mr W. H. Daukes (chairman and managing director) presiding.

The following is an extract from his circulated statement:

Between the two wars great progress was made in the development of the properties.

The company was deprived of its properties until August, 1947, firstly, through occupation by the Japanese, and afterwards owing to the civil strife between the Dutch and Indonesians. When we returned to the estates, the picture presented was an extremely tragic one.

The great expansion of the company's interests was achieved despite the company having to pay a "company profits tax" far in excess of anything which was being levied in other countries growing tropical produce. I regard security of the person and of possessions to be an inherent part of a Government's undertaking in return for the taxes paid, and, consider that, in the event of a Government proving unable to implement this undertaking, compensation for loss incurred should be a definite obligation. We have had no compensation for any of our losses nor do we see any prospect of receiving any, and at the present moment as you are well aware, taxation in Java, if one takes into account the Government favoured rate of exchange, the heavy export duty and company tax, is an oppressive burden which hinders both expansion and reconstruction.

REHABILITATION PROBLEMS

I come now to the progress made from the moment of our return to the properties in August, 1947, up to the present time.

One of our greatest problems has been finance. In contrast to the immense programme of rehabilitation which lay before us, the financial means we had at our disposal were extremely meagre. Although our cash reserves were very small, fortunately the company's credit was first-rate.

When we returned to the properties in 1947 the directors had a very difficult decision to make: on the one hand, to spend as little money as possible, extract the maximum revenue, and distribute the profit made—this meant sacrificing the ultimate capital value for the sake of immediate returns—on the other hand, to rebuild the capital value of the properties so far as possible, although this of necessity, would mean a postponement in making any distribution to stockholders. The board decided on the latter course.

By the end of last year, six tea factories had been rebuilt or repaired and, in some cases, extended, while most of the tea gardens had been renovated and brought back into first-class condition; nine rubber factories had been, for the most part, rebuilt and nearly all the gardens are now restored to good condition.

The statement having dealt with the labour position and with individual cultures, continues:

You will, naturally, wish to hear something regarding the prospects for the current year. Difficult as it is to forecast either crops, sell[illegible]ces, or cost prices, under present conditions. Figures received for the first half-year give promise of satisfactory results for the whole year, but with still some months to go, more than this I dare not say.

Our next task, with the bulk of the rehabilitation work behind us, must be to strengthen our financial position, and as soon as possible to see our banking accounts in credit.

The report was adopted.

JAMES HOWDEN AND COMPANY, LIMITED

(Boiler, Auxiliary and General Engineers)

INCREASING DEMAND FOR PRODUCTS

IMPROVED PRODUCTIVE CAPACITY

MR CRAWFORD W. HUME ON THE DIVIDEND FREEZE

The forty-fifth annual general meeting of James Howden and Company, Limited, was held on October 12th at 195, Scotland Street, Glasgow, Mr Crawford W. Hume, M.I.N.A. (the chairman), presiding.

The secretary (Mr James S. Niven) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which has been circulated with the report and accounts:

The accounts for the year ended April 30, 1951, are in the usual form and do not, of course, show the change in the capital structure which was approved at the extraordinary general meeting on August 13, 1951. To meet the increasing demands for the company's products considerable additions have been made over the last few years to the factories and new and improved plant and machines have been brought into use. At the same time much attention has been given to methods of increasing the volume and quality of production. These accounts show that the policy of the board has been justified and is successful.

THE YEAR'S RESULTS

The profit, after taxation, amounts to £257,458 as compared with £148,787 for the previous year and is a reflection of the increased output. Provision has again been made for profits tax for the year ended April 30th last and a reserve for income tax on the profits for the same year due in 1952-53. These two together amount to £322,019.

£161,585 has been transferred to the general reserve account bringing this to £511,585 as shown in the accounts for the year ended April 30, 1951. Since then, however, as a result of the extraordinary general meeting already referred to, £111,585 has been capitalised together with the capital reserves of £161,415, so that today the general reserve stands at £400,000 and the capital reserves item disappears from the balance sheet, with a corresponding increase of £273,000 in the issued capital.

An appropriation of £30,000 has been made for the extension of the pension schemes for employees. While this has been set aside from taxed profits it is expected that as a result of negotiations now taking place with the Inland Revenue Authorities tax relief will be allowed in due course.

This year the directors feel that they would have been justified in recommending a total dividend on the increased capital of at least 20 per cent. and it is a great disappointment that under the Chancellor's proposed legislation this would not be allowed.

DIVIDENDS AND WAGES

Three years ago when the Government appealed for restraint in dividends they also asked for a corresponding restraint in wages, knowing well that the effect of wages on inflation was then 4½ times that of dividends and interest. Published figures show that during these three years wages have increased by 26 per cent., but dividends and interest have remained practically stationary, the increase being less than 0.4 per cent. The increase in wages is actually well over 300 times the increase in dividends and interest and the inflationary pressure has obviously not been affected by the income from these sources. On the other hand, if the increased cost of living justifies increased wages, it also justifies increased income to shareholders, many of whom are entirely dependent on the dividends from their savings which they have invested in industry. It is for reasons of this kind that the Chancellor's proposals have met with so much criticism and it may be that no Act of Parliament will be passed giving effect to them.

Over the past three years the company accepted the Chancellor's suggestion with regard to freezing of dividends, although larger dividends could have been paid. It is unfortunate that companies such as ours who accepted the recommendations are now to be penalised, if the proposals become law, by having a lower dividend standard than others who increased their dividends.

BOARD'S DECISION

In the present circumstances, however, the directors feel that they must act in accordance with these proposals and recommend a final dividend of 10 per cent., which keeps the distribution the same as in the previous year and which, less income-tax at 9s. 6d. amounts to £28,665. At the same time they have also recommended that £21,138 be transferred to a dividend reserve. This sum represents the net amount of a further 5 per cent. dividend plus the estimated amount required to meet the net tax on distributed profits and will be used as circumstances may allow. After making these and the other appropriations shown in the directors' report, the balance carried forward will amount to £48,259, as compared with £46,522 in the previous year.

It is satisfactory to note that the consolidated balance sheet this year shows a reduction of £171,512 in sundry creditors and accrued charges and an increase in the cash in hand and tax reserve certificates of £170,940.

The usual care has been taken throughout the year to ensure that the buildings and plant are being kept up to the high standard which is necessary for efficient production. The research buildings are now in full use and are proving to be of great value to the company. An ample provision has been made for depreciation of the fixed assets in the accounts for the year.

DEMAND AND SUPPLY PROBLEM

The greatly increased output is accompanied by a correspondingly increased rate of orders and the company thus continues to have on hand orders representing several years' work. Here, however, a note of warning is necessary. So far the company has not experienced any great difficulty in obtaining the supplies of steel necessary for its increasing output, but with the growing shortage of steel it is difficult to see as far ahead as one would like, and if the supply continues to be as restricted as it has been in recent months it will necessarily have an adverse effect on future output. A very considerable part of the company's production is for power stations and the fact that the country must have power to enable it to produce armaments (or indeed almost anything else) ought to ensure an adequate allocation of steel.

It is satisfactory to note that while the demand for the company's products for land power stations continues unabated, not only at home but abroad, and is likely to do so for a long time, the marine business has recently touched new high levels and the export orders are also more than encouraging. In this connection, close personal touch has been maintained in overseas markets with buyers of our products and the relationships so formed have led to good results.

The company has again enjoyed the loyal support of the administrative and executive staff and all employees, and I should like to express on your behalf to every employee our warm appreciation.

The report and accounts were unanimously adopted and the final dividend of 10 per cent. and the transfer of the sum to dividend reserve were approved.

The retiring directors, Mr Norman Burke and Mr Archibald Macfarlane, were re-elected, and the remuneration of the auditors, Messrs Wm. Hart, Jnr., and Wilson, C.A., having been duly fixed, the proceedings terminated.

THE KAMUNING (PERAK) RUBBER AND TIN COMPANY

EFFECT OF LAWLESSNESS ON INDUSTRIAL EFFICIENCY

SIR JOHN HAY'S STATEMENT

The forty-second annual general meeting of the Kamuning (Perak) Rubber and Tin Company, Limited, will be held on November 13th, at 52-54, Gracechurch Street, London, E.C.

The following is an extract from the statement by the chairman, Sir John Hay: The opening sentence of my last statement to you was in the following terms:

"It is melancholy to reflect that this is the third successive year in which I have had to begin my annual statement to you with a reference to the disturbed conditions in the area in which our property is situated, involving all who serve us in personal danger, as well as the risk of destruction to property."

Another year has elapsed. Violence, destruction, extortion, intimidation and lawlessness, euphemistically termed "a State of Emergency," still continue. So inured has the country become to this state of affairs that murder is now officially categorised as an "incident." As a company we must count ourselves exceptionally fortunate that during the period under review we suffered directly nothing more serious than the loss of three lorries. But the consequences of a continuance of a state of lawlessness such as has existed in Malaya for over three years are not to be measured by the recorded extent of material damage done, nor by the number of what in official jargon are termed "incidents." Industrial efficiency cannot continue to be maintained under conditions where security of person and property is lackihg. In the discharge of their duties estate managers and their staffs have not only to encounter personal danger: they have to accept considerable responsibility for the administration of orders designed by Government to deal with the "Emergency." Concentration of labour, the control of foodstuffs and the enforcement of a curfew are well-conceived measures, but their purpose is not always understood by the labourer whom it is designed to protect. Moreover, these measures interfere in many respects with his former habits and customs; they involve a curtailment of liberty and are not accepted without demur. At a time when labour is in such short supply that the worker can pick and choose his job, when wages are so high that he is relieved of the necessity of continuous work, the hard-pressed managers and their staffs have to exercise immense tact and patience if they are to retain the good will of the worker and win his co-operation in the carrying out of such Government orders.

Continuing dangers and mounting difficulties involve a strain on the diminishing ranks of the planter which in some cases has reached the limits of endurance. Hope, too long deferred, and multiplying frustrations are increasingly taking their toll.

Our present abnormal prosperity, regarded by some, not without reason, as both precarious and temporary, should not be allowed to mask the true condition of the rubber plantation industry in Malaya. In the circumstances briefly recorded here a growing loss of efficiency, most marked, of course, in areas subject to the greatest disturbance, is inevitable. The immediate results are expressed in declining outputs, rapidly mounting costs and, in the worst areas, a partial cessation of productive operations. In the long term a decline in tapping care and skill and a deterioration in upkeep, particularly of replanted areas, must, if not quickly arrested, result in serious and irreparable loss.

ILL-DEVISED OFFICIAL SCHEMES

Not the least disturbing feature of the situation is the apparent lack of a realisation of the facts in official quarters. The present time is singularly ill-chosen for the advancement of schemes already outmoded and discredited and based on no intelligible economic theory. We are officially bidden to extend and accelerate replanting, at a time when the bare upkeep of existing replanted areas is very difficult owing to an inadequacy of labour and supervision. It is proposed that the control of replanting is to be taken out of the hands of private enterprise and transferred to a Government-sponsored committee financed by an enforced levy on the volume of rubber produced. On this basis the producer who has been most progressive in replanting and consequently has a high output will pay more, while the unprogressive will pay less. According to this topsy-turvy, upside down economic theory it seems that the way to encourage and accelerate replanting is to penalise those who have practised it and reward those who have not.

Rubber owned by smallholders, which is a considerable proportion of the Malayan total, has all along been the special responsibility of Government. For over 20 years replanting has been the main feature of the policy of progressive elements in private enterprise, yet over that long period it is doubtful whether smallholders, operating under Government ægis, have planted up more than 1 per cent. or 2 per cent. of their total area with high-yielding stock. In this company over 70 per cent. has been so planted, and no less than 31 per cent. in the difficult postwar years. In the face of these contrasting achievements it is hard to understand what justification there can be for the claim that replanting can be better regulated by a committee presided over by a Government official who has acquired a short nodding acquaintance with a rubber tree. In economic matters one is entitled to look to official quarters for sound leadership and enlightenment; instead we receive misguidance and confusion. An industry which has achieved so much in a trying postwar period and has made such an outstanding contribution to the balance of payments, is surely deserving of more serious and responsible treatment. Government's first duty is the establishment and maintenance of law and order. It is to the performance of that urgent and overriding task that official energies should be directed. Until the present lawless condition has been brought under control and the rapid decline in confidence arrested, plans for big-scale replanting are irresponsible irrelevancies.

POSTSCRIPT

The foregoing was written before the announcement of the murder of the High Commissioner for Malaya, Sir Henry Gurney —a tragedy which gives a deeply distressing emphasis to the opening paragraphs of this statement.

OLYMPIC PORTLAND CEMENT COMPANY, LIMITED

RECORD TRADING PROFIT

The fortieth annual ordinary general meeting of this company was held on October 16th in London.

The Hon. Gerald H. G. Williamson, the chairman, in the course of his speech, said: The profit on trading for the year ended March 31, 1951, before charging depreciation and depletion, has increased from £117,709 to £172,757, which is an all-time record for the company. Production of clinker and cement, as well as shipments of cement, exceeded all previous records with the exception of those of 1939, when the Coulee Dam was under construction. Cement shipments amounted to 784,365 barrels, compared with 647,060 barrels in 1949-50.

In spite of increased costs in both labour and materials, manufacturing costs per barrel were again reduced, the decreases being 7½ cents on standard cement and 5 cents on High Early cement. The net selling price of cement was, however, lower than a year ago and the increase in profits is mainly due to the big improvement in deliveries.

The higher profits realised attract additional taxation, and after providing for income tax at the increased standard rate of 9s. 6d. in the £, and for profits tax proportionately higher at 50 per cent. in respect of distributed profits, a total of £73,714 has been charged to profit and loss account, against £44,357 a year ago.

It is interesting to note that approximately 57 per cent. of our assessable profits is absorbed by taxation, 30 per cent. is ploughed back into the business by way of reserves or carry-forward, and 13 per cent. only is paid in dividends.

The report was adopted.

D. & W. MURRAY

MR C. J. JONES ON A SUCCESSFUL YEAR'S TRADING

The fifty-fourth annual general meeting of D. & W. Murray, Limited, was held on October 15th in London, Mr C. J. Jones (the chairman) presiding.

In the course of his speech the chairman said: At the last annual general meeting I referred to the prosperous conditions, arising mainly from higher prices for primary products. You will realise from the accounts that this satisfactory state continued throughout the year, a profit of £245,811 being disclosed, after providing for all taxation. I feel sure you will consider that the accounts may be regarded as indicative of a successful year's trading.

On numerous occasions during the past year, the attention of the public has been directed to the spectacular rise in wool prices, which followed the opening sales last year, reaching its peak in March. Since then the trend has been downward, and, at the opening sales this season, prices were down approximately 20 per cent. on last season's closing rate, but recent sales show a marked upward tendency, and although much below their all-time peak of last March prices have risen 45 per cent. to 50 per cent. above levels at the close of the September sales at Sydney.

The 1951-52 wool clip is expected to be 3,625,000 bales—about 64,000 more than the previous season, but there is a possibility that this may not be realised owing to lighter yield in some districts.

Present indications point to less favourable trading than experienced last year, although sales to date show an increase.

The report was adopted and the total distribution of 17½ per cent. was approved.

TAP AND DIE CORPORATION LIMITED

PROFIT ESTIMATE EXCEEDED

The first annual general meeting of The Tap and Die Corporation Limited, was held on October 18th in London.

Mr D. G. N. Lloyd-Lowles, the chairman, in the course of his speech said: The profits for the year under review amounted to £307,807, compared with the figure of £235,542 mentioned in the particulars advertised in June, 1950. The net profit, subject to tax, is £295,125, but this "subject" is a very large one absorbing, as it does, nearly £173,000.

In July the Chancellor of the Exchequer announced his party's intention to bring in statutory dividend limitation and it appeared that the Corporation might be precluded from paying more than 7 per cent. (as a new company) on its issued capital of £312,500.

It is by no means certain when, if ever, the White Paper will reach the Statute Book, nor in what form. Your board decided to pay the full dividend forecast, even though, should we be restricted in our future payments to you, it may entail some temporary adjustment in the rate of dividend paid.

The business is suffering, in common with most other industries, from shortages of raw material and it is only by dint of unceasing pressure on our suppliers and by the exploitation of every known source that we have been able to increase production. Owing, however, to the great importance of our products to industry, both in peace and in war, we ought not to meet with any serious hold-up in production on that account. The past year has been one of progress. The current year shows still further expansion of turnover.

The report was adopted.

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London Office: 9, Gracechurch Street, E.C.3

London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, H. A. Mabey, O.B.E.

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October 18, 1951.

AMENDED

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The Verdict

THESE words will be read when the result of the British general election of 1951 is known. They have to be committed to print when the poll has been declared in only a minority of constituencies. But the early results have made it virtually certain that Labour has been defeated and probable that the Conservative government will have an adequate working majority in the House of Commons. And thereby it will have, what Labour in the past seventeen months has lacked, the first qualification for success. It is free, without too much thought for electoral consequences, to do what is necessary for the solvency and security of the nation in the next four years.

The election has thus fulfilled its primary function of making firm government possible; but it remains to be seen whether it has done any more. The campaign has shown how acutely the stalemate has demoralised both parties. Whether the change will be a change for the better will now depend on how far the new Conservative ministers will be able to shake themselves loose from the false attitudes of two years of continuous electioneering and confront their tasks as a government and not as a candidacy. It should not be imputed to them for blame that they did not campaign on a precise policy worked out in detail. With the strain of the international situation so great and with renewed financial trouble in the offing, they were justified in asking in effect for a doctor's mandate. The test is whether they can produce the policy now that they are in power. It cannot consist simply of undoing some of the things that the Socialists have done. Nor can the pretence be kept up that more than half the country's troubles are the simple consequence of bad administration that can be corrected with no hurt to anyone. Now they must act, and know how to act.

Britain is immediately faced with two inter-connected crises, the crisis of solvency and the crisis of respect. Something has been heard during the election of the latter, but very little of the former. It cannot be escaped any longer; the country will have to be told that it faces a foreign exchange crisis fully as severe as any that has gone before. The remedial measures will have to be sharp; they will have to be prompt; and if they are to have a chance of being effective, they will have to be novel. The new government will have to address itself to this task at the same time that it sets about the reconstruction of British foreign policy from the humiliating mess that it has got into.

Neither of these enormous tasks can be tackled by men who start at the slightest frown of displeasure from the electorate. We must therefore pray that the new ministers will conceive it their job to be successful rather than to be popular. British political history provides many instances where courage has been rewarded, not in heaven but in the earthly coin of political advantage. Certainly it should be quite clear in the present state of the country that if ministers stand still they will be lost, and the country with them. Courage and self-confidence are not only their duty but their best political gambit. The only means of escape from much more austerity for the people is a full measure of audacity in their rulers.

Rhine or Elbe?

IN a remarkable and sinister way the politicians of Germany are once again shaping their people's destiny. It is they, not the western allies, who are arguing about how and when free Western Germany should be united with Soviet Eastern Germany. The future of western integration—indeed, of the whole North Atlantic defence strategy—depends, not on Paris or Washington, but on the struggle in Bonn between Dr Adenauer the Chancellor and Dr Schumacher the opposition leader. And the duel of will and wits across the Elbe between the Catholic Adenauer and the Communist Grotewohl may decide the future balance of political power between the Rhine and the Vistula. For if the 50 million West Germans are not clasped into partnership with free Europe before they achieve unity with the 17 million East Germans, there will be no European army, no Schuman Plan, no Council of Europe worth speaking of. There will be instead an independent Germany—a third force—at the heart of the Continent, its internal politics dominated by the Communist effort to suffocate Social Democracy and its foreign policy by the game of playing the Russians off against the Americans. Six years after victory over Hitler this is a prospect to bewilder the mind and make the heart ache.

Yet the prospect is far from certain; the Russians are still further from winning Germany for their Communist empire than they may believe. Dr Adenauer might yet win the struggle if the issues are clearly seen in London, Paris and Washington—and by the Germans themselves. At the moment the situation is critical because German opinion is bewildered and in a mood for reckless decisions. Everyone concerned wants to achieve German unity for different reasons and by different methods. The Russians want it because they calculate that unification would wreck the whole plan of allied rearmament and German contribution to Europe's defence. The East Germans want it because they believe they can in time master a united people with their monolithic party, their indoctrinated youth and the power of Moscow behind them. West Germans of all parties want it because all are patriots and because unity means to many—especially to nine million refugees from the East—a step towards the return of the lands beyond the Oder-Neisse frontier. A year ago they were in no hurry; indeed, they were afraid of unity. Now that American and British strength in Germany and the pace of western rearmament have alarmed the Russians into offering easier terms for unity, they have become confident and impatient. Bit by bit, the terms offered by the Communist Grotewohl have come closer to those laid down by Bonn itself.

It now seems that free elections throughout Germany could be held. If they were, Dr Schumacher and his Social Democrats would expect to win with the help of the Protestant and working-class vote of the East. By an irony of history, the Social Democrats are now the leaders of German nationalism, the isolationists of Europe. To strengthen themselves against Dr Adenauer's European policy they have ranged themselves unhesitatingly with the ex-servicemen, with the extremists of the Right, with the passionate discontent of the refugees from the east. Against the European army they insist on a national German army—or no army at all; they treat the Schuman Plan as a device for French domination; when Dr Adenauer speaks for a united Western Europe they denounce him as a tool of the Anglo-American victors. Against such a campaign the Christian-Democrat party and the men of Right and Centre who support Dr Adenauer are losing ground fast. They cannot oppose unity; but they want a united Germany to be free—free from the Russian shadow looming across the Polish border. They want to see it associated with, and protected by, Western Europe and America. In short they want integration first, and German unity afterwards.

What are the Americans, British and French to say in a situation that has grown up so much faster than they believed possible? They, too, cannot oppose unity, for by doing so they would make Dr Adenauer's precarious position even weaker. They have themselves insisted that they wanted free all-German elections as a way of ending the division of the country. Moreover, they have promised Germany a freer and more dignified staus in Europe which the Germans persist—quite wrongly—in believing will give them the right to do anything they like. In face of these facts the western attitude is divided and uncertain.

If everyone wants the unity of Germany, the crucial question is clearly when and how it is to be attained. Dr Schumacher's Socialists say that the Adenauer policy of integration with the West will delay unification and so increase the risks of war. They say: unity first, and—perhaps—integration with the West afterwards, but on German terms. Dr Adenauer says integration with the West first and unity afterwards—on European terms. There is a world of difference between these two attitudes. If the Americans, British and French are to check Russian designs and rescue their German policy from the collapse that threatens, it is on this question of timing that they must concentrate. If they are serious about integrating Germany with Western Europe, they must press on with the institutions that are to offer a real and useful membership. If they intend to delay unification they have to make Schumacher think again.

One way of doing this is to expose the bold and clever game that the Russians are playing. Their strategic aim is clear. It is to sabotage the whole western policy of organising political and military defence by making the Germans believe that to join in this policy will cost them their unity, the recovery of their territories and the hope of peace. The first threat has already been made. The second is, for obvious reasons, still held in reserve because for the moment Moscow can denounce the French grip on the Saar but dare not question the Russo-Polish annexations in the East. The Russian tactics are less obvious and have already deceived the majority of Germans. The plan is to get West German representatives round a table with Communist Germans to discuss terms on which free elections could be held. Once they had met it would be made clear to the assembled Germans that Moscow was ready to offer a peace treaty and the withdrawal of Russian troops—provided that American, British and French troops would leave the country, too. There is no reason for any doubt on this score. Week in and week out for years past Russian propaganda has offered the Germans "unity, peace and the withdrawal of foreign troops." For Moscow the simple and obvious way of expelling Americans and British from the marches of the Communist empire without a war is to support German nationalism; it is the method that is being tried against the British in the Middle East and Asia. Once the troops of the Atlantic Pact powers had left Germany, the Russians would reckon that economic inducements, the skill and discipline of the Communist party, and the presence of their army in Poland only forty miles from Berlin would bring a united but disarmed nation slowly but surely into the Communist sphere. The balance of power in Europe would then have swung back to where it was in 1946, when America demobilised.

To understand the Russian method and intention is to realise that the invitation to a conference of West and East Germans is nothing less than a snare for Schumacher. Dr Adenauer has seen the danger. No German could refuse the offer of a peace treaty with the Russians, still less oppose the withdrawal of foreign troops. The task before the western powers is, therefore, twofold: to work out their own terms for unity, freedom and security and, while they argue and hesitate over them, to help Dr Adenauer as he plays desperately and skilfully for time.

Perhaps the most effective assistance they can give at the moment is to make it clear to the Germans what the consequences would be to them if they decided, with Dr Schumacher, for nationalism. There is a tendency among the Germans to assume that they can have the benefits of association with the western powers regardless of what they do themselves. It is true that the Allies have only themselves to blame if this impression has been given. They have taken so little pains to conceal the strength and urgency of their desire to do a deal with Western Germany that they have seemed to be soliciting as a favour what is really a bargain highly favourable to Germany, and it has not been made clear that the one side of the bargain depends on the other. The Germans have heard a great deal about the advantages to them of co-operation with the West, but very little about the disadvantages to them of a refusal.

This should now be corrected. It is for the Germans themselves to decide whether they will negotiate with Grotewohl and on what terms; the time has passed when the occupying powers can impose that decision. But there still are two very important points on which the decision still rests wholly in the hands of the Americans, the British and the French. One of these is when their troops of occupation shall be withdrawn; and it needs to be made very clear that they will in no circumstances whatever be withdrawn so long as the present international tension continues. If the Russians offer to withdraw their troops, well and good; they have less than a hundred miles to go. The troops of Nato will stay. And if Germans ask why, the answer is that the peace of Europe depends on Americans and Russians facing each other at its heart, on opposite sides of the Elbe. To leave a vacuum between the Elbe and Rhine is to invite another miscalculation by the Kremlin.

The second decision that the western occupying powers will keep in their own hands is whether their occupying troops are to regard Western Germany as the territory of a friendly ally or of a potentially hostile and expendable people, as land to be defended or as no-man's land. If Germans will not co-operate in the defence of Western Europe, then their land can be regarded in war as nothing more than a forward position to cover the defence and mobilisation of the nations of the North Atlantic Treaty. And if they refuse to associate themselves with the institutions of an integrated Europe, they need expect none of the economic and political benefits of membership. Germans will call this brutal reasoning; but it is nothing more than a statement of the facts. It is the European Dr Adenauer, not the nationalist Dr Schumacher, who is the realist.

We repeat what was said in these columns six weeks ago. If there is any common sense left in Western Germany, a bargain can still be struck. And the Allies, since they are seeking something of value to themselves, must be prepared to pay a price. They must be willing to take risks in withdrawing the restraints on German sovereignty in advance of the German *quid pro quo*—but only if they have good reason to believe that the *quid pro quo* will be forthcoming. Whatever the German decision—and it depends largely on Dr Schumacher—the allied troops will not leave. If the German decision is for partnership with the West, those troops will defend Germany as part of Europe; if it is for isolation they will be compelled to regard it as nothing more than a *glacis*.

A Free Man

After two or three false rumours the Madrid was signalled at Southampton about two o'clock on Thursday, and a crowd of people of all classes rushed down to the pier and the docks to greet Kossuth. Wearing his insignia of office, the Mayor went instantly on board, and found the long-expected hero, his wife and children safe and well. Taking the hands of the gentlemen introduced to him by the Mayor in both his own, Kossuth exclaimed, "Ah, *now* I feel I am free. I am free when I touch your soil." . . . As the vessel entered the dock, the crowds at the pier heads cheered loudly, and M. Kossuth, with uncovered head, bowed in acknowledgment. There were, perhaps, 800 or 1,000 persons stationed at these points; but opposite the mooring-ground of the Madrid, some 2,000 or 3,000 persons were collected, foremost amongst whom were the refugees. . . The enthusiasm on shore as the Madrid came alongside, and the exiles beheld Kossuth, was tremendous, and in their anxiety they nearly pushed each other into the water. At length he landed, and preceded by a band of music, the American and English ensigns waving in front, mingled with the Hungarian colours, was driven in the Mayor's carriage to his house. The bells rang, the crowd cheered, Kossuth bareheaded stood bowing at the back of the carriage. On reaching the house of the Mayor, Kossuth appeared at the balcony, and spoke as follows:—"I beg you will excuse my bad English. Seven weeks back I was a prisoner in Kiutayah, in Asia Minor. Now I am a free man. (Cheers.) I am a free man because glorious England chose it. (Cheers.) That England chose it, which the genius of mankind selected for the resting monument of its greatness, and the spirit of freedom for his happy home. May England be ever great, glorious, and free!—(Cheers)—but let me hope, by the blessing of Almighty God, and by your own steady perseverance, and by your own generous aid, that England, though she may ever remain the most glorious spot on earth, will not remain for ever the only one where freedom dwells." . . . The cheering lasted several minutes. "Three groans" were given for the Austrian tyrant; and afterwards the Mayor, giving a sketch of its history, presented to Kossuth a flag worked by some Hungarians in New York.

The Economist
October 25, 1851

Lords and Universities

AN article in last week's issue of *The Economist* discussed some of the questions that would arise in the distribution of offices among the members of a Conservative government. It was necessarily based on the hypothesis that there would be such a government when the general election was over, though it was made clear that the hypothesis was not being treated as a safe assumption. The present article is, in a sense, a continuation of the first, in that it discusses two more constitutional points that will arise if there is a change of government, and it is subject to the same qualification. If, by the time these words are in print, it is clear that there is no change of government, then the article is pointless. But if there is to be a change, then these constitutional matters may perhaps gain by being discussed in the calm limbo of a preliminary hypothesis.

The Conservatives are pledged to restore the university vote. Their manifesto says—

> We shall restore the University constituencies, which have been disfranchised contrary to the agreement reached by all three Parties during the war.

The wording is important. It is the constituencies, not merely the university graduates' second vote, which are to be restored. And the reason for doing so is a desire to adhere to the tradition of recent years that changes in the franchise are made only with the consent of all major parties. If this doctrine is adhered to, it follows that everything connected with the university vote and constituencies must be put back to exactly the state that existed before the Representation of the People Act, 1948, since any change would be in breach of the doctrine.

Nevertheless, it will be a great pity if the door is considered to be closed against the discussion of possible variations in the university vote, and if a Conservative government were to put forward proposals for amendment, within the framework of a decision to restore some sort of university vote, it is not inconceivable that the other parties would agree to them. This is the justification for the discussion that follows.

The university vote, as it existed before the Act of 1948, suffered from two defects, even in the eyes of some of those who most firmly defend the principle of a separate vote for graduates. In the first place, it gives the university graduate a second vote, additional to his residential vote ; many people think this is undemocratic. In effect, it more than doubles his electoral weight, since the university vote is a more valuable vote than an ordinary one ; at the election of 1945 the total of votes cast divided by the number of members elected gave a quotient of less than 10,000, while in the other constituencies the figure was 40,000. It is at least worth considering whether the university vote should not be alternative to the residential one, those graduates who choose to be placed on the university register losing their residential vote. The disadvantage of this would be that it would make the university constituencies even smaller than they are ; it is therefore closely connected with the suggestion made in the next paragraph. An alternative way of meeting the same point would be to deprive the university members of their right to vote in divisions in the House of Commons. Members entitled to sit but not to vote are known in the legislatures of other countries and there is nothing impossible about the suggestion for application in this country ; but it is a little difficult to imagine the House taking kindly to the idea.

The second objection to university representation as it was is that the constituencies were too small. They were too small in the sense of electors on the register or votes cast—the seven constituencies, with 12 seats, had a total register in 1945 of 217,755 and 115,847 votes were cast. As a result, several of them tended to be almost pocket boroughs. It is true that, in recent years, this was becoming much less true. The Act of 1918 extended the franchise, in effect, to all persons graduating thereafter, and the gradual swelling of the registers in the following years was undermining the power of the resident caucuses and beginning to return independents of real eminence and distinction. Sir Alan Herbert and Sir Arthur Salter broke the caucus at Oxford, and if at Cambridge the caucus was never defeated, it was because in 1945 it wisely chose to contest only one of the two seats. Some of the others had hardly reached the stage of emancipation. Furthermore, the constituencies were too small for the system of proportional representation to work properly, since only two of them had three members and two more had two members each. Proportional representation is the ideal system for a special, additional academic franchise. The objections to it as a system for electing a whole parliament became arguments in its favour when applied to the university constituencies, where the desire surely is to secure representation for independents, special views and minorities rather than additional members for the major parties.

The suggestion may therefore be made that, if university members are to be restored to the House of Commons, they should represent not seven separate constituencies but one nation-wide university constituency returning twelve members by the system of the single transferable vote, so that any candidate who could secure the votes of one-twelfth of the university graduates of the country could make his voice heard in Parliament. As a very tentative additional suggestion, it might be thought reasonable to add to the register any person holding, as a result of examination, a recognised qualification from one of the chartered professional institutions—though the difficulties of definition would obviously be great, even if the principle were accepted.

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The Conservative manifesto also proposes to call "an all-party conference to consider proposals for the reform of the House of Lords." One might answer "but will they come when you do call for them ?" Labour's attitude towards the House of Lords is likely to be more root-and-branch in opposition than it was in office and there is likely to be a retreat from the proposals which so nearly secured agreement in 1948. It will be remembered that the Parliament Act of 1911 gave the Lords the power to delay a Bill passed by the Commons for two years dating from the time that it first received its second reading in the Commons. The Labour Government's Parliament Bill of 1947 proposed to change this period of delay to one year. In a three-party conference, the Labour party were willing to extend the period to nine months from the *third* reading in the Commons, and the Conservatives to shorten it to twelve months, also dating from the third reading. But on this difference of three months (which has more importance than might appear) the conference broke down and the government pushed their Bill through ; it is now the Parliament Act of 1949. The Labour party having, after the breakdown of the conference, stood upon their original proposals, it would not be unfair of the Conservatives to repeal the Act of 1949 and revert to the two-year delay under the original Act.

More significant than the three-month divergence over the delaying power was that the conference agreed both on the other powers of the House of Lords (namely, that they should neither be extended nor reduced) and, in principle, on its composition. The agreed proposal was that a certain number of persons should be nominated by the Crown to be members of the House of Lords ; that they should include some hereditary peers, but that possession of a hereditary title should not by itself confer a right to a seat ; that the other persons nominated should be created life peers ; and that all hereditary peers not nominated to the House of Lords should be enabled to vote for, and stand for election to, the House of Commons.

Any fresh proposals for the reform of the House of Lords must at least start from this basis of agreement. Many people, however, will think that they did not go far enough in departing from the hereditary principle. The ideal for the House of Lords is that it should be a sort of moving average of the whole people, faithfully mirroring public opinion, but after a certain delay. The delay can be secured by nominating a House for life and leaving it to the Crown—that is, the government of the day—to fill up vacancies. But the faithful mirror cannot be secured so long as every member of the House of Lords is required to take a title, even if only for life. There are many excellent potential members of the second chamber, especially in the Labour party, who would be debarred by this provision.

Is it not possible to make a complete separation between the peerage and the House of Lords ? It should be no more difficult for Mr Smith to be a Lord of Parliament than to be a Lord of the Treasury or a Lord of the Admiralty. The peerage would then be left as a purely honorific body, whose members would be neither more nor less eligible to be nominated to one House or elected to the other than commoners. On the first occasion after such a reform of the House of Lords, the Crown should be moved to appoint, for life, nominees of the various parties in proportion to the popular vote accorded to them at, say, the last two general elections in combination. Thereafter, ordinary vacancies would be filled up, as they occurred, on the recommendation of the government of the day. It might be considered advisable, in addition to the royal princes, the bishops and the law lords to have a small number of members nominated for the life of one Parliament only, in order to enable the government of the day to find seats for Ministers.

If such a reform of the House of Lords were carried through, it might, finally, open the way to a solution of the problem of university representation to which the Labour party itself might possibly agree—namely that the university members should sit in the House of Lords.

Lancashire faces Japan

PRESENT evidence points to serious trouble for the Lancashire textile industry in two or three years' time. By then, if the current trends of Japanese recovery from the war continue without any counterpoise, competition from Japan will be so severe that Britain's export trade in textiles must decline, with all the crippling consequences to the nation's economy that that would entail. It is true that Lancashire's doom has been predicted often enough in the past five years, and that even so, at least until two or three months ago, there was no real sign of a break in the flow of postwar trade. But today there is a new factor in the situation—the signature of the Japanese peace treaty. Coming at this stage in the reconstruction of the Japanese textile industry and in the gradual balancing of world demand with world production, the regaining of independence by the Japanese is likely to bring about a crucial phase of competition within from two to three years from now.

In an article last week the immediate problem of reparations was dealt with, and two questions were posed for the future—what in fact may be some of the developments in Japanese trade and what might be done to meet the competition which they represent. The answers to these questions are certainly not as immediate a problem as that of reparations, but they will become more and more urgent during the next few months. In tackling them, moreover, two powerful facts will have to be borne very carefully in mind. First, there is an even greater difference between Japanese and British production costs today than there was before the war ; the difference is probably over three times as great, and British costs are certainly much more rigid than Japanese. Secondly, on the other hand, no workable answer to Japanese competition can be found on purely restrictive lines—the world does not owe Lancashire a living.

There are several reasons why Japanese textile competition has not yet been severe and in them may be found the seeds of the trouble which is brewing for the future. Apart from the sellers' market—which in any case must be adjudged a temporary factor—the main reason has been a co-operative attitude on the part of the Japanese themselves. It is true that there was alarm in Lancashire when the Japanese succeeded in June, 1950, in getting the American occupation authorities to remove the limit on capacity, which had been set at four million spindles, but from a national point of view their action was perfectly understandable, particularly in view of their possession before the war of nearly three times that number of spindles. In general, co-operation has so far been a matter of Japanese government policy in order to curry favour with the victors and to work Japanese passage towards a peace treaty and independence. This attitude cannot, however, be expected to continue for long after the peace treaty is ratified or once Japan has become an accepted member of the international community. The Japanese will then have much to gain and little to lose from an all-out trade drive.

Japanese manufacturers have so far acted in line with their government's policy, partly because the Japanese are a disciplined people and partly because it suited the

manufacturers to do so. They were, and are, making very substantial profits by selling at prices which are based more on Lancashire's production costs than on their own. Home and export demand has readily consumed the relatively limited output available; in the second quarter of this year Japan spun only 184.9 million pounds of cotton compared with a quarterly average of 269.8 million in 1939 and produced, in the first quarter, only 461.9 million square yards of cotton piece goods compared with a quarterly average of 1,198.5 million in 1937 (the last year for which comparable figures are available). With Japanese production still low but profits high, there is an enormous incentive to invest in the industry. It is only a matter of time—about three years at the present rate—before Japanese textile capacity is sufficient to enable Japan not only to catch up on home demand—for a larger population than before the war—but to break export records as well and actually to ship abroad more than Britain does.

Two other reasons for the lack of competition so far have lain in the structure of the British and Japanese textile industries, and in the retailing of Japanese exports by the same merchants who handle Lancashire's. Thus Britain bought 177 million square yards of Japanese grey cloth for further processing in 1949, 91 million last year and 57.5 million in the first eight months of this year. This is because it does not pay to produce low-earning cloths here and because, while the output of British weavers has fallen to only a little more than half the 1937 level, the printing and dying industries have maintained their prewar capacity, so that they are now just beginning to top their 1937 output figures. However, as the Japanese also develop their own finishing industries, they will have less grey cloth to feed to this part of the trade in Britain, except at prices which will prevent the finished British product competing with direct shipments of finished goods from Japan. On the merchanting side equally, the sands will be running out as Japanese export houses and consuls once again take over more of Japan's own overseas representation.

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All this adds up to a formidable flood of competition. Obviously, to meet it, the British textile industry can afford neither to stand still itself nor to fail to press for any measure of help that it can obtain from the government in terms of Britain's foreign commercial policy. In both respects, nevertheless, there are considerable difficulties. It is certainly no longer easy to keep ahead of the Japanese in the technical aspects of either production or marketing. And the government is always bound to consider the many objections to any policy designed solely to safeguard Lancashire's, and so Britain's, standard of living at the expense of the underdeveloped territories which need cheap Japanese goods. For, whether successful or not, such a policy would be bound to clash with America on the issue of fighting Communism, would be inconsistent with Britain's own efforts to raise living standards in south-east Asia and Africa, and would invite retaliation against other British exports.

In these circumstances, any proposed measures to deal with the situation must be qualified in scope and moderate in execution. This does not, however, make it unreasonable to assess the means whereby Britain could and should in principle seek to maintain a world market for the products of the great textile industry which has been built up in Lancashire over several generations. Indeed, the first line of attack on the problem is already being pursued. Whatever the Japanese government may decide to do and whatever the long-term dangers, it is a British as well as a Japanese interest in the short-term that Japanese manufacturers should be persuaded to continue to sell at world market prices as established by the turnover in European and American goods. They are certainly in no position at the moment to supply even the markets of south-east Asia with a flood of cheap textiles; it would in fact be unfortunate if they were, in so far as this would enable them to buy up all the rice exports of the area. By reducing the already modest available supplies, this might produce a shortage of food in south-east Asia which would play into Communist hands and more than offset the favourable effects of better supplies of other goods. It is easy to exaggerate this kind of argument in either direction, but its existence at all implies that even in these days Japan's sudden entry into a particular market could do as much harm as good.

Again, in dealing with Commonwealth, colonial and possibly other governments, Britain might well be justified in making a bilateral approach. As some measure of defence against the eventual invasion of Japanese goods, the argument might be used that, if Britain buys the products of countries such as Australia at prices which are based on labour's "western" standards of living, there is a case for asking them to sign a long-term contract to buy from Britain. Where Lancashire's case falls down, of course, is in the relative inability to supply some lines not only at the prices but in the quantities required. As Sir Raymond Streat emphasised to the Cotton Board last week, Lancashire's problem in meeting competition is partly "to raise our production high enough to make sense of a progressive export and home trade policy."

It would be idle to build much hope on such things as the clauses in the peace treaty whereby Japan surrenders its rights under the Congo Basin treaties; by regaining most-favoured-nation treatment through GATT and as a result of individual trade agreements, it is only a matter of time before Japan makes good this kind of discrimination. In the last resort, Britain's main defence against the Japanese textile competition which is certainly coming is to concentrate as much as possible on the finer products where the skill of Lancashire labour puts it at the least disadvantage to Japan. It can also improve its own competitive capacity by superior marketing methods and by scientific progress. None of this will be easy. Much has been done in the past to offset differences in price by building up goodwill in British trade names—so much so that the Japanese have attempted to copy particular brands. If, however, this is to continue, there is a case for keeping to the system of resale price maintenance on the home market. Again, this will run counter to current trends towards liberalisation, and, if an exception is to be made for certain kinds of textiles, Lancashire will have to be moderate and realistic as well as insistent in its demands.

Lastly, Britain can and must maintain part of its position by the sheer merit of scientific progress. Lancashire is still ahead of Japan but by no means as far ahead as it used to be. Moreover, the Japanese have turned to copying from the most modern American processes and the quality of some of their products already beats the British. If competition from Japan is to be met, the need is for a sensible partnership between London and Manchester.

NOTES OF THE WEEK

Deadlock in Egypt

Politically the situation in Egypt shows no improvement; militarily it is better than might have been expected. Though excitement is still high in Cairo, the government has made genuine and successful efforts to keep order; and in the Canal Zone the picture of relations between Egyptians and British is far from uniform. Between the two armies relations remain friendly and the area can hardly be described as being in a state of siege. Indeed, at the time of writing, reports reaching London show that the Egyptian police have co-operated well with the military authorities. If there is trouble to come, it will be from intimidation tactics by the "Commandos" of the Moslem Brotherhood and from the new liberation militia that is said to be forming in the Cairo area.

Where there is friendliness and order the British should take pains to cultivate it, for the temperature of feeling is still lower outside than in the Egyptian capital. There is every reason to believe that what has been said by the Americans and done by the British has given Nahas Pasha and his advisers second thoughts; though how and when they will be translated into action remains to be seen. At the moment there is deadlock and the basis for negotiation still does not exist. Even if it did, election week is not a time when British policy can be expected to function effectively.

It cannot be emphasised often enough that the British aim is to reach an agreed policy for the defence of the Middle East, not to stage a trial of strength with Arab nationalism. The military purpose is to stay in the Canal Zone until an agreed—if necessary an international—solution is found. Interference in Egypt's civil affairs beyond what is necessary for strictly defensive purposes would merely make it more difficult to convince Cairo and other Arab capitals that British aims are thus limited. It would also be most unwise to encourage any talk of passing tankers through to Haifa in the name of the Security Council or the international company. The Arabs of Iraq and Saudi Arabia would be at once enraged by the thought of their oil going to Israel and would be convinced that Anglo-American policy was using the dispute to advance the cause of Israel. And that would be the end of any hopes of a defence agreement. If Mr Eden is in the Foreign Office next week, it is precisely this possibility that will worry Cairo, in view of what has been said in the past by the Conservatives in the House of Commons.

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Moscow and Washington

Full texts of the exchanges between Mr Vyshinsky and the American Ambassador to Moscow earlier this month confirm the impression briefly stated in these columns last week. The Soviet Foreign Minister, while offering no hope of assistance in stopping the fighting in Korea, said that his country

> agrees to examine with the participation of the Government of the United States all important and unsettled questions and to discuss measures for the improvement of international relations including relations between the Soviet Union and the United States.

On what basis this would be possible is made clear in earlier parts of Mr Vyshinsky's statement. On Germany, on control of atomic weapons, on Japan, on "a five power pact of peace" he lays down the full demands of the Communist peace campaign. But it is most unlikely that he expects any American—or for that matter European—government to accept them. Why then does he put the price so high? Surely because he expects the Americans and their partners, if they wish to negotiate seriously and in secret, to set a high price too. It must seem inconceivable to Moscow that there could be any serious negotiation with the West unless it demanded impressive changes in the present favourable position of the Soviet Union. Being in the position of "haves" the Russians expect their rivals to talk like "have-nots." When they refuse to do so the Russians become suspicious. They read that the West will negotiate from strength, and they see that the strength is growing. They naturally assume that when the West feels strong enough to negotiate it will make demands. They want to know what they are.

Mr Vyshinsky scored a legitimate point when he complained of Mr Truman's statement that agreements with the Soviet Union are not worth the paper they are written on. The accusation is true enough in some cases but untrue in others; but to make it at a time when there is talk of negotiation is silly. Much time and patience will be needed before Moscow and Washington find common ground and a manner of talking that each understands clearly.

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Prospects at Panmunjom

The fact that cease-fire talks in Korea are being resumed after an interval of over two months is in itself to be welcomed; so is the fact that the Communists have at last agreed that the meetings shall take place at Panmunjom, which is to be policed by both parties, instead of at Kaesong, where the Communists exploited their control of the area both for propaganda purposes and for the staging of "incidents" most of which the United Nations could not verify. But the move to a more satisfactory site has not been accompanied by any corresponding improvement in the mood of the Chinese and North Koreans. Two of their generals have, indeed, been removed from their truce team, but there is no evidence as yet that this indicates a shift of policy. On the contrary, Mao Tse-tung's speech on Tuesday was a trenchant restatement of the Peking Government's unconciliatory attitude to the Korean question.

This was the first public statement that the Chinese Communist leader had made about the Korean war since he threw his armies into it a year ago; and it was the more significant for being made to the national committee of the Chinese People's Political Consultative Conference, the nearest thing to a Supreme Soviet in Communist China, which meets but rarely and has the primary function of creating popular support for the policies announced by the regime. On this occasion Mao made it clear that the main task of the meeting was to mobilise the Chinese people to continue, and indeed to "strengthen," the struggle in Korea, in particular by increasing production and practising "rigid economy in support of the Chinese volunteers."

The meeting duly obliged by passing a resolution on these lines, in which special emphasis was placed on the collecting of more funds for the purchase of aircraft, tanks and guns. Meanwhile there is no sign of any ebb in the flow of hate-propaganda against America and its allies in the Korean war which the Chinese and North Korean press and radio are emitting daily; and the United Nations negotiators must have found little comfort in Mr Vyshinsky's recent statement to the US Ambassador in Moscow that the USSR could do little to influence the course of the truce talks, since it was no party to them. It is now reported that the new negotiation area in Korea is to be encircled by brightly coloured balloons; they are to be interpreted merely as warnings to aircraft, and not as any indication that the talks are being resumed in a spirit of optimism.

The Coy Election

If the 1950 election was, as Mr Churchill said "demure," this week's election must surely be characterised as coy. Both sides were essentially on the defensive ; they were unwilling to score points against their opponents lest they should thereby be trapped into implying something positive about their own policies. Even on the point that was pressed most vigorously, the supposedly more responsible of the Labour leaders contrived to insinuate that the Tories are warmongers while denying that they were saying so. Some other Labour propagandists were less inhibited in what will surely be remembered as one of the most dishonest and damaging acts of mud-slinging ever performed by the government party in a British election. Such propaganda, whether effective or not, certainly made no contact with realities. Yet it did more than anything else to give life to the campaign. It may not have won Labour many votes, but it stirred up Labour's supporters to greater efforts to match the better-oiled machine of its rivals. There could be no sadder commentary on the state of feeling, and the lack of ideas, inside the Labour party.

As a struggle between party machines, the election was more intense than ever. The only innovation in methods was the use of television ; since that notable battle of graphs and charm left both sides with the illusion of victory, it will undoubtedly encourage wider experiments in political television which may radically affect the conduct of future elections. But this time it hardly disturbed the traditional rituals of a campaign carried out more efficiently than ever by the major party machines. On the organisational side, the most notable development was the greatly increased attention to the postal vote ; the lead given in this direction in 1950 by a considerable number of Conservative agents has been widely followed on both sides. As a result the postal vote more than doubled and it seems probable that the Conservatives secured an even greater majority among these electors than they did in 1950.

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The only other major change in the local conduct of the campaign stemmed from the pressure of greatly increased costs on a budget fixed by law. Fewer leaflets were distributed and the number of posters was cut ; the visible evidence that an election was in progress was very small. But the appearance was deceptive. In fact the parties were fighting with more vigour than before. The proportion of the electorate canvassed seems generally to have been considerably larger than it was last year, thanks to the better weather and the increased number of volunteer workers. Meetings were as numerous as ever and better attended. In general they were very quiet. Heckling appears to be in most parts of the country a dying art. Most audiences had little patience with interruptions, and there was certainly no decline in the public interest and earnestness shown last year.

Many candidates seem to have tried honourably, though generally unsuccessfully, to respond to the mood of their hearers by saying something serious about the balance of payments and even occasionally about its relation to inflation. But they soon slipped off into more well-worn political themes. The question "Can the Tories be trusted with guns ? " was answered with dignity and effect by Mr Churchill and Mr Eden, but at the local level in the constituencies it was more often met by the counter-question, "Can the Labour party be trusted with Bevan ? " The Conservatives hit hardest and evoked most response on the cost-of-living issue, but even there the real argument was slight. Essentially, the campaign can perhaps best be said to have consisted of five sets of rival assertions: on the one hand "the good old days," or on the other hand "the good new days" ; "the sinister Bevanites" or "the warmongering Tories" ; "the extravagance of bureaucracy" or "the benefits of the welfare state" ; "the high cost of living here" or "the high cost of living abroad" ; "the betrayal of Abadan" or "the preservation of British lives." It remains to be seen what contribution all this has made to future policy.

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Educating the Masters

The election campaign ran true to form to the end. Its most marked characteristic was the way in which both the contenders for power pitched their appeals in a key well below the mental level of the electorate. They did not so much talk down to their audiences, as talk below them. The classic examples of this process were provided by parts of the broadcasts of Mr Morrison and Dr Charles Hill. But in some form the process extended to most levels of the election campaign. This, more than any other fact, explains the apparent quietness of the election. Two years of electioneering had made people familiar enough with the old arguments. They were quiet because they simply did not get from the politicians what they had come to want—some clear thinking and real guidance for the days ahead. The people of this country are certainly not well aware of what is wrong with their affairs today ; but they are well aware that something is wrong. During the past four weeks they gathered in the chilly school halls or round their wireless sets in the hope of hearing someone propound an answer. But now it is all said and done the answers have been woefully lacking. Again and again the earnest seeker after truth has been put off with abuse of the other side or a discussion of problems long since past.

It seems that the politicians and the party organisers, caught up in their own party battles and tied to their own traditional methods, are largely unaware of the wide process of education in public affairs which has been so active in this country during the past twelve years, and which now calls for a new and more intelligent approach to the electorate. This process has been effected partly by the BBC, whose educational and current affairs talks have exercised a steadily increasing influence. (To take only one example, the morning news commentaries for schools have a considerable adult eavesdropping audience.) Army education helped, and for all its shortcomings part of the press has done much to get the facts to the public despite the shortage of newsprint. If the politicians wanted a sign close at hand they had it in the increased circulation of Hansard, now five times its prewar size, as well as of other papers and journals. Above all, the facts themselves have provided a constant spur to public attention.

This education has not given the country the right answers to the questions, but it has certainly put the questions into the public mind. The politicians' lamentable failure to help it towards the answers will long be remembered as the hallmark of this election. The Tories failed because they feared that they might check the swing of the pendulum in their direction, that by saying too much they might lose power or tie their hands once they got it. Labour failed because it simply has not thought out its policies for the future. The electorate may well say of the politicians, as Robert Lowe in 1870 said of the electorate, "we must educate our masters."

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The Final Arithmetic

The public opinion polls have attracted more attention than ever during this election campaign. The steady reduction in the lead they have predicted for the Conservatives has stimulated a horse-racing interest. Many people will want to know just how true the estimates were in the end. Of the two best-known polls, that published by the *Daily Express* showed this week a dramatic reduction in the Conservative lead, from 7½ per cent to 4 per cent of the poll. The last estimate made by the British Institute of Public Opinion, and published by the *News Chronicle*, gave the Conservatives 49½ per cent of the poll, Labour 47 per cent, the Liberals 3 per cent, and others ½ per cent. Since the previous week the gap had narrowed once more, but by only a further ½ per cent. Compared with the 1950 election results, this estimate implied that there would be a direct swing of about 2½ per cent from Labour to the Conservatives or, alternatively, a somewhat smaller direct swing plus some net gain of ex-Liberal votes in those constituencies where there was no Liberal candidate this year. The poll forecast for the Liberals was raised from 2½ per cent last week to 3 per cent ; this implied that Liberal support would be approximately unchanged in those constituencies where there was again a candidate.

Methods of trying to forecast the election results have been discussed in *The Economist* in the past two weeks. By those methods, the final poll published in the *News Chronicle* indicated a Conservative majority over Labour of about 70 seats. The calculation depended, of course, mainly on the reliability of the public opinion poll, but also on the degree of uniformity of behaviour in the different constituencies. But for those who enjoy post-mortems it should be recorded.

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Security Council Scuttle

A helpless lethargy has descended on the protagonists in the Anglo-Persian dispute. Dr Mossadegh has neither won nor lost his contention that the Security Council had no business to interfere. London and Washington have successfully scuttled away from the threat of a Russian veto. The refinery is still idle and nobody but the Americans is showing any active desire to get it going again—and even they are reduced to doing little more than running to and fro between the disputants (they hardly qualify to be called interested parties any more) with cries of distress and anxiety. The only signs of activity come from the Russians, who have persuaded Teheran to resume trade and financial talks, signed an agreement to supply 6,000 tons of sugar (cut off by the British) and have given a promise to supply a further 26,000 tons under their existing barter agreement with the Persians.

If nothing has happened to change the outlook in Abadan, something grave has happened to the United Nations. This was the first and vital trial of the authority of the International Court ; and it was the first major dispute that had been brought to the Security Council since Mr Acheson's plan to remove the stifling effect of the veto. But, far from drawing courage from the Acheson plan, the Council not only failed to rise to the occasion ; it failed to rise at all. It just sat in its seat, wished it was anywhere but where it was, and scolded the British for having put it in that predicament.

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No one can deny that Mr Morrison's timing was a gross and clumsy blunder ; he was asking the Council to prevent what was already a *fait accompli*. Yet the British deserve some credit for going to the Security Council because they, with fifty-three other nations, at San Francisco, had agreed that that was the right way to settle disputes which could not be settled through diplomatic negotiation. They and the world must conclude from the performance in New York that the Security Council is not more but less able to resolve international differences than national diplomats working through traditional channels.

What went wrong ? This time it is no good pretending that the Security Council is potentially a fine instrument, rendered useless only by the existence of the veto. It was not the veto, or even the threat of the veto, that produced the mental paralysis in the council room. It would have been just the same if there had been no power to veto ; for what people really feared was the psychological effect of an adverse Russian vote. If the members of the Council had believed in the rule of international law and the authority of the International Court, they would have been bound to feel that the value of upholding these institutions outweighed any local effects in Persia. But they did not believe this ; and the most disturbing thing of all is that the countries whose faith was weakest and who led this second "scuttle" were the young countries and the small countries who would have gained most from a firm stand.

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Loyalties in the Sudan

The dust stirred up in the Sudan by Nahas Pasha's denunciation of the Anglo-Egyptian condominium shows little sign of settling. In the past week an already complex situation has been further complicated by the Sudanese themselves. Three sets of proposals for the country's future are now in the field. Nahas Pasha demands for Egypt a dominant voice in Sudanese affairs ; Britain, while maintaining that the Sudanese themselves must soon choose between full independence and association with Egypt, suggests that until they are ready to do so their political progress should be watched over by an international commission ; and now the Sudan Constitutional Commission, a body created by the Governor-General to represent the views of all Sudanese parties, has proposed that a United Nations commission should actually assume sovereignty over the country for about two years, during which time the Sudanese would work out their own constitution.

The superficial similarity between the British proposals and those of the Constitutional Commission is not enough to make it easy to find a compromise between them. The membership of the proposed international commission is a crucial problem. In the British view the members should include Britain, Egypt and the United States ; but the Umma (Independence) Party, which is the most powerful force in the Constitutional Commission, has already declared that it would prefer the Sudan to be supervised by such "neutral" states as Sweden and India. Moreover, the problem is not merely one of reconciling the views of Britain and of the Constitutional Commission. Unfortunately the Ashigga Party, and other groups which favour union with Egypt, have boycotted this Commission, so that its proposals do not represent the opinions of all Sudanese.

There are, however, signs that Nahas Pasha's intransigence is losing him allies in the Sudan. Between the Ashigga Party and the other pro-Egyptian groups differences have emerged as to the extent to which Egypt should be allowed to interfere in Sudanese affairs. The most striking of these developments was last week's declaration of support for the Governor-General by Sir Ali El Mirghani, one of Umma's most bitter opponents, whose influence dominates the Gabha El Watania, an important party hitherto sympathetic to Egypt. If the Egyptian Government does not modify its demands, it may find, when the dust clears, that the extremist Ashigga Party is the only friend left to it in the Sudan.

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France Confused

It is more than the French franc that is now in danger. The seriousness of the economic situation in France can hardly be exaggerated and it has reached a point where it threatens to hold up the development of the western partnership. The prospect that during the next few weeks the French will once again be in the throes of a government crisis, the causes of which are described by our Paris Correspondent on page 985, is particularly alarming. These are crucial months in the cold war, in the Middle East and above all in the particular arena of Germany ; and the time has come when the western peoples, including the French

themselves, simply cannot afford any longer to see their interests sacrificed to the frustrations of government in Paris.

Beneath the rising price indices and the collapsing political alliances in Paris lies the fundamental proposition that France, in its present mood and in its state of incomplete recovery from the war, is finding itself unable to face the burden of rearmament. That burden is so far slight compared with the load already pressing on the British economy; but it would be unrealistic simply to dismiss the thought that, if Western Europe can be thrown into its present confusion by the very first steps towards rearmament, the Russians could yet win a major victory in the cold war merely by keeping up the threat of force and without firing a shot.

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The French Assembly meets again on November 6th, only four months since a new parliament met after the general elections. But already people are talking of either fresh elections—which, even if constitutionally feasible, would mean again running the gauntlet of the Communists' vote in the country—or of seeing General de Gaulle come to power with the parliamentary backing of M. Paul Reynaud's conservative group and of half the Radicals. The general himself is said to be confident of getting in by the spring at the latest. So long as no one feels sufficiently interested to see that the Third Force—and an able Finance Minister like M. René Mayer—gets a chance to succeed, the now apparently inevitable swing to the right can offer neither political nor economic satisfaction to the main bulk of the people of France. By his speech at Marseilles last week, M. Pleven has again shown that he could give his countrymen a positive lead if they would only trust and support him long enough and thoroughly enough to make results possible. Unless he, or someone like him, can soon change the tone of its political life, France will become in every respect a difficult partner and an unpredictable ally.

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The Irish Gap

The report of the Central Bank of Ireland, published this week, helps to clarify the controversy about the balance of payments that has broken on the Irish public in recent weeks. The Irish trade balance has always been adverse but it has been compensated by large earnings on invisible account, from tourist expenditure, investments abroad (chiefly in the United Kingdom) and remittances from emigrants. In recent years, however, the balance has become more erratic. The deficit in the balance of payments was £30 million in 1947, £20 million in 1948, and £10 million in 1949. This progressive improvement has not been maintained. In 1950 there was a visible import surplus of £87 million, reduced by invisible earnings to a payments deficit of £30 million. This year the gap has opened still wider. Trade returns for the first nine months of the year show an import surplus of about £97 million, and there is no reason to expect invisible earnings for the twelve months to exceed £55 million to £60 million.

Soon after Mr de Valera's return to office in June, his Minister for Finance, Mr MacEntee, foretold a payments deficit of some £60 million for the present year. In recent weeks his colleague, Mr Lemass, has returned to the subject with speeches that have attracted much attention and caused some alarm. The estimated deficit has been raised to £70 million; and a warning has been given that at the present rate of running down its foreign assets Ireland will cease to be a creditor country within two or three years. The issue has become more controversial since Mr Lemass has accused Mr Costello's late government of spending sterling assets, as well as Ireland's loan under ERP, improvidently. The bank report, however, shows the underlying strength of the Irish position in sterling. Last July the net assets of the commercial banks amounted to £108 million. The bulk of the import deficit of the current year had been incurred by that time, while earnings from the tourist trade and the seasonal rise of exports in the autumn had not yet accrued. In recent months imports have fallen and there is some evidence of overstocking. Moreover, the net assets of the Central Bank and of the Post Office Savings Bank are £110 million, and there are also sterling investments held by private individuals in Ireland.

It is true that a continuing deficit on the scale of the early months of 1951 would soon make a breach in these last lines of defence. But at present there is still ample room for manœuvre and some reports that have appeared abroad seem excessively alarmist. The fundamental permanent difficulty lies less in Ireland's sterling position than in the dollar debt incurred under ERP, which to some extent swells the banks' sterling assets. The Central Bank's report deals primarily with the twelve months that ended on March 31st last, but its observations remain true. "The present economic picture is one of high consumption, high investment (with insufficient early output of the character most needed) and low savings." Mr Costello's policy of domestic investment was concerned with the restoration of soil fertility, an investment which was badly overdue and which should pay rich dividends when Anglo-Irish trade relations are put on a more sensible basis than recent British policy has allowed. The investment programme also paid special attention to things such as housing and rural electrification which did not contribute to immediate productivity and which increased the level of consumption. The task of Mr de Valera's government must be to discourage some forms of consumption that it is altogether beyond the country's capacity to afford. That will not be an easy task, particularly since the government's majority is slender. In the meantime the result of the British general election, which is expected to influence the future policies and fortunes of the sterling area, has been anxiously awaited in Dublin.

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Books or Slates

Some time soon the Minister of Education will have to decide whether standards in the schools are to go on being lowered day by day under the pressure of rearmament and inflation or whether they are to be maintained by attempting less. The latest evidence of this pressure is a leaflet sent out this week by the Publishers' Association to all local education authorities, giving information about the rise in the price of books. The diagram reproduced from the association's figures, illustrates the leap in prices of paper, binding and printing between 1950 and 1951. The effect on the price of books is obvious unless their size and quality are drastically reduced.

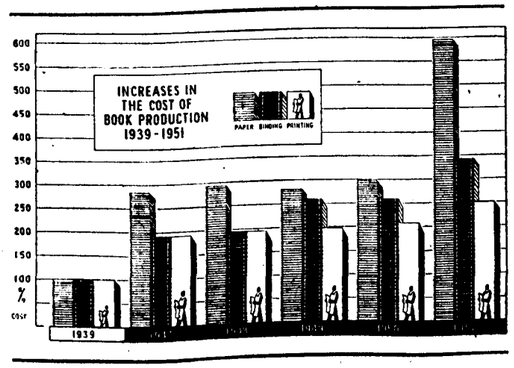
THE AGE OF INFLATION

The three articles by a correspondent, and a fourth article expressing the editorial views of *The Economist*, have been reprinted as a pamphlet, price 8*d*. (including postage).

Special prices for bulk orders: 1 dozen, 7/-; 6 dozen, £1.19.0; 12 dozen, £3.6.0.

THE PUBLISHER,
THE ECONOMIST, 22 RYDER STREET, LONDON, S.W.1.

The publishers have a vested interest in encouraging a generous expenditure on school books, but there is also a real danger that the local education authorities' allowances for books and stationery will not keep pace with the rise in prices, and that in the coming year schools will be unable to buy enough of the primary tools of learning. The Publishers' Association has selected this moment to make its appeal because most education authorities are at present preparing their estimates for the coming financial year, and many of them are considering whether they should grant supplementary allowances for the current year to cover the increases which have already taken place.



Fortunately the aggregate item of "books, stationery and materials" comprises only some 3 per cent of the expenditure per pupil in primary schools and some 5 per cent in secondary schools; but the dilemma with which local education authorities are faced is real. If it could be thought that the pressure would last only two or three years—until rearmament gets beyond its peak—then a temporary lowering of standards could be tolerated. But if, as seems more probable, economies will last for a longer time and each year some former gains will be lost, then it would be better to sacrifice one full-sized victim at the start and keep the rest intact.

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The Left and the Bright

The comprehensive school is being attacked from the Left as well as the Right. While the Conservatives were bound to make some political use of the controversy, they have committed themselves for election purposes only to the guarded statement that they "dispute the value of the over-large comprehensive school." But the current *Political Quarterly*, in whose editorial board the left-wing intelligentsia are heavily represented, devotes its leading article to an outspoken attack on the Labour party's recent pamphlet expounding "A Policy for Secondary Education."

The pamphlet wholeheartedly endorsed the comprehensive school on social and egalitarian grounds. It is attacked as a "shallow and superficial document" intent on the single object of obliterating the prestige and status of the grammar schools. The *Political Quarterly* declares unqualified support for the idea of an aristocracy of brains, of an educational elite based entirely on ability. It rightly stresses the real equality of opportunity that the 1944 Education Act has already given. In terms of practical educational policy, its attitude involves strong support for the grammar school tradition, coupled with rapid improvements in the secondary modern and technical schools—and, at this stage, carefully devised experiments with different types of comprehensive schools. These views will not be liked in the Labour party, but anything is to be welcomed that brings some light of reason to bear on the fog of prejudices covering this subject.

British Guiana and Self-Government

As each Colony in turn advances towards self-government, the complexity of the problems of transferring power becomes increasingly evident. The latest essay on this subject is the Report of the British Guiana Constitution Commission.* British Guiana has a small population of 400,000 and a vast undeveloped territory of doubtful potentialities. Whatever the merits of the old Crown Colony form of government, economic progress was halting and the people were becoming daily more restive. In constitutional reform Guiana has lagged behind other Caribbean territories mainly because of the division of the population between two races—Indian and African—not altogether on the best of terms. The Commission sent out from Britain to break the deadlock refused to hold back because of racial difficulties. They have therefore recommended the grant of universal adult suffrage; the existing limitation of a literacy test had disqualified many illiterate Indians and bred in them a sharp sense of resentment. They also propose the introduction of a ministerial system, with full executive responsibility for Ministers chosen from the elected members of the legislature. These elected Ministers are to be a majority in the "Cabinet." That they should be so is laid down as a key principle, for anything less gives the façade of responsibility without its reality; nothing could be more dangerous in the colonies today.

Serious difficulty arose over the composition of the legislature. If there is to be a wholly elected single house, all checks and balances are removed, and an inexperienced electorate is given unbridled sway. On the other hand the past system of holding the balance through a group of members nominated by the Governor has become the bugbear of Guianese politics, the people feeling that its will is thwarted by autocratic powers from above. The Commission, unanimous up to this point, here divided. The Chairman, Sir John Waddington, has proposed the continuation of the nominated system, but in reduced strength; the other two members—Professor V. Harlow and Dr Rita Hinden—recommend an all-elected Lower House, the check residing in an Upper House with powers not unlike those of the House of Lords. The stimulating argument as between these two opposing courses will have a relevance in all future colonial constitution-making. The Secretary of State for the Colonies has accepted the bicameral recommendation. British Guiana will thus have an adventurous new constitution, bringing yet another Colony to the very threshold of self-government.

* * *

The Hindu Code Bill

The shelving of the Hindu Code Bill, which was described by its chief promoter, the Indian Law Minister, Dr Ambedkar, as "the greatest social reform measure ever undertaken by the legislature of this country," has brought about Dr Ambedkar's resignation and a sharp public attack by him on both the domestic and foreign policies of the Congress Government. Dr Ambedkar is the leader of the Scheduled Castes Federation and his main political aim has been to win effective political and social rights for the depressed classes of Hindu society from which he has himself sprung. He played a great part in framing the constitution of the Indian Republic and hoped by his Bill to modify the whole structure of Hindu law relating to caste, family property, inheritance and the status of women. Mr Nehru at the outset gave him full support. He said that he would stand or fall by the Bill and that traditional Indian society, if it were not reformed to keep up with the times, would be swept away by revolution, as had happened to the old social order in China. It seemed that Dr Ambedkar could count also on a majority in the present Indian Parliament

* HMSO. 3s. 6d.

for the measure, and that it would go through, despite the hostile agitation of conservative religious leaders among the people at large.

Now, however, the Congress leadership has dropped the Bill like a hot brick. The reason is apparently to be sought in electoral calculations, for within three months India is to have its first general election on a basis of universal franchise. The Congress Party, led by Mr Nehru, will be opposed not only by the Socialists and a breakaway group from Congress on the left, but also by the Mahasabha, representing Hindu communalism, on the right. On general political issues Congress, as the party of Gandhi and Nehru, can be fairly sure of winning the great masses of peasant voters ; but the social reform legislation which seems so reasonable and progressive to the educated, middle-class politicians who make laws in New Delhi strikes at social customs of immemorial antiquity which still have strong roots in the villages, and the passing of Dr Ambedkar's Bill might well have swung millions of votes to the Mahasabha. Paradoxically, the extension of the franchise in India under present conditions is adverse to social reform.

Opposition to the Bill, however, has come not only from religious conservatives, but also from thorough-going secularists who object to any legislation which does not apply generally to all citizens. The Hindu Code Bill was applicable to Hindus—who have hitherto had their own system of law—but not to Moslems, Christians or Parsis. Mr Nehru wants India to be a secular state without discrimination between religions ; but in trying to make law specially for the Hindu community he has inevitably re-emphasised the distinctness of that community within the state, and brought religious issues into Indian politics in a way which he certainly would have wished to avoid.

* * *

Accuracy in Elections

The Representation of the People Act, 1949, provided a mechanism for keeping out of an election campaign what it describes as the "false statement of fact in relation to the personal character or conduct of the candidate." The speed with which it can work was shown last week. The Conservative candidate in one of the Nottingham constituencies was Mr Sheppard, managing director of a firm of clothing manufacturers which recently cut down production, because, as it explained, orders had fallen. At a public meeting on October 11th, the Labour candidate in an adjoining constituency, Mr Tom O'Brien, suggested (Mr Sheppard alleged) that Mr Sheppard's firm had been "playing at politics," that it had cut down production and laid off some employees to prove the folly of Dr Dalton's much publicised advice to housewives not to buy. Mr Sheppard's account was that the decision was taken, and explained to his workpeople, in August, and that it antedated by a month both the announcement of the election and Dr Dalton's original advice to his South Wales audience. Accordingly, Mr Sheppard last week took action under that section of the 1949 Act which authorises the High Court to grant an injunction to restrain any repetition of a "false statement of fact." The Court granted an interim injunction on Thursday and Mr O'Brien withdrew his suggestion even before he was served with a copy of the interim injunction. Thus, within eight days the whole business was over, settled amicably in court by the candidates and their counsel.

There is, it should be noted, another aspect of the section of the 1949 Act dealing with "false statements." The aggrieved candidate is allowed to seek individual relief, the injunction to restrain any repetition of the statement ; an earlier sub-section deals with the public aspect. It provides that a person making a false statement of fact about the character or conduct of a candidate, provided he makes it "for the purpose of affecting the return of any candidate at the election," is guilty of an illegal practice ; such a practice is punishable on summary conviction by a fine not exceeding £100 ; and if a successful candidate is reported by an election court as personally guilty of an illegal practice his election is void and he may not sit for that constituency for seven years. The legal armoury, at least, is formidable.

* * *

National Trust in Difficulties

The stately homes of England, after rocking the finances of their former owners, are now doing the same for the National Trust. Its latest annual report shows that the Trust's deficit for the year 1950 reached the formidable sum of £56,000, compared with £31,000 in 1949. Expenditure has risen with inflated repair and maintenance costs, while income from investments—largely in trustee securities and amounting in 1950 to less than £2,000,000—has not risen correspondingly ; and free legacies produced the disappointingly small sum of £27,000 in 1950, compared with £86,000 in 1949. The annual deficits since the war have been met by drawing on the Jubilee Appeal Fund, launched in 1946 when the Trust was 50 years old. What makes the future particularly critical is that this fund, which once stood at £90,000, will be exhausted this year.

There is no question, however, of the Trust's becoming dependent on a regular annual grant from the Exchequer. Other ways of solving the problem can be found. It is hoped that more can be obtained from annual subscriptions, which in 1950 brought in £18,050 ; but membership rises slowly and now numbers only 25,000. If necessary another special appeal can be made. And, on the other side of the account, expenditure will be less heavy now that the arrears of repair work left over from the war years are nearing completion.

The National Trust's finances might greatly benefit from the legislation, planned for last session but never introduced, to preserve historic houses. The Labour Government, while rejecting the recommendations of the Gowers report for income tax relief, proposed that the Ministry of Works should make grants or loans towards approved expenditure on historic houses. This assistance was intended chiefly for private owners, but the Trust had hoped to be eligible for it too ; it would not only help to solve present financial problems but would also make it no longer necessary to refuse all property offered without an endowment for maintenance. The Conservative party's attitude to these questions has never been defined, but it should certainly be sympathetic, and possibly less inhibited by fear of benefiting the rich. It is to be hoped that the government will see the need to take action quickly, for each year sees the decay of more great houses. If this generation continues to pay such a price for its social revolution, it will not, to quote the National Trust's report, "avoid the lasting censure of posterity."

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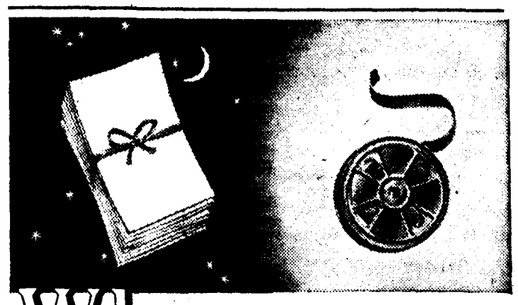

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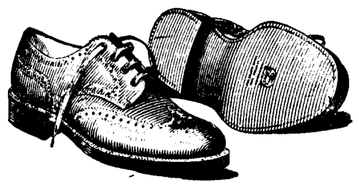

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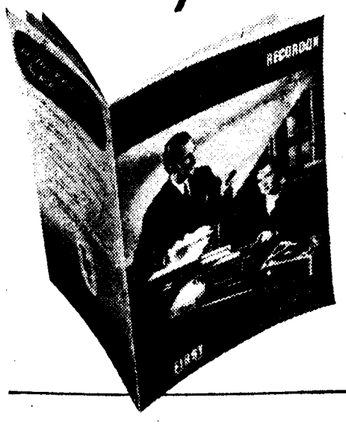

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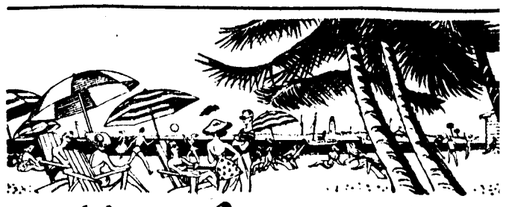

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Letters to the Editor

Apologia pro Vita Sua

Sir,—Your very just review of the Duke of Windsor's memoirs ended with a sentence which is a little unfortunate:

> The Baldwinian myth of the King's irresponsibility and selfishness, accepted so readily by the very public which had sentimentalised over Prince Charming, should by this book be demolished once for all.

Whether the qualities imputed to the King are a myth or not, the imputation is certainly not Baldwinian, if that means that it was propagated by Stanley Baldwin. Baldwin never in public called the King irresponsible or selfish, and I have yet to learn that he did so in private. It was not in his nature. He passed no moral strictures; on the contrary, he spoke in terms of sympathy and high respect of the King's bearing during the crisis.

That crisis, as Baldwin expounded it, arose from the King's determination to make a certain marriage. The marriage, in the opinion of Baldwin and indeed of the King's Prime Ministers throughout the Empire, was incompatible with the Throne. I suggest that the overwhelming judgment of history has confirmed this view. If it is correct, then there was only one possible resolution of the crisis. The whole of Baldwin's argument at the time reduces itself to the demonstration that abdication arose out of the inescapable facts, and had nothing to do with the King's personal qualities.

Nor, I think, did the public accept the decision so lightheartedly as is suggested. I had occasion during that week to read many hundreds of letters, which I believe to have been representative; and I can testify that public opinion accepted the abdication most reluctantly, under the compulsion of the facts, and with the utmost sympathy with King Edward. If there is any myth, it has been created subsequently, by controversialists who may claim to defend the Prime Minister's policy, but whose moral judgments would have been repudiated by Baldwin. Any dignity in the proceedings at the time of the Abdication was due to him, to other British and Commonwealth statesmen, to the Duke's family who behaved with extraordinary generosity, to his staff who were loyal, and finally to the public who accepted the fact, with patience and fortitude, that he wished to leave them.—Yours faithfully, DERMOT MORRAH
London

Germany and the West

Sir,—The article in your issue of September 8th described the actual situation objectively, on the one hand elucidating how the Germans are greatly overplaying their hand, but on the other hand frankly admitting that the follies of allied policy bear a large share of the responsibility for the present state of affairs. Now three German reactions have been published in your journal. After the outrageous letter of Herr Peter Lambertus and the gratifying reaction to this nonsense by Herr S. H. Frowein, "Mercator" provides a typical example of the Germans as described in your article and who fully answer to the characteristic: "wholly unable to see themselves as others see them."

One can hardly believe one's eyes, reading in Mercator's letter that both world wars had their origin in the struggle of Germans against the advancing forces from the East. This remark, which tries to eliminate the aggressive character of the wars of Wilhelm II and Hitler, will not have a reassuring effect on the free world and is not calculated to give Germany's neighbours a very comfortable feeling. The Germans invaded France three times during the last century, Belgium twice, and Holland once. There is much for which we blame the Russians, but does Mercator really believe that anyone in the occupied countries of Western Europe ever welcomed the German armies as a *nolens volens* occupation, prompted only by a holy struggle against advancing forces from the East?

Maybe it is the Germans' lack of political sense that is at the root of these errors. But then there is much to be cured; and the allied powers should be very careful indeed before paying a German price for the incorporation of Western Germany in the North Atlantic community. When Mercator says that Dr Adenauer's fight for equality of rights makes no sense to the average German, one can only hope that the future will produce more Adenauers than average Germans . . . or, rather, that other German readers of your journal will make clear that Mercator and the average German are not identical.—Yours faithfully,
E.B.F.R.G. WITTERT VAN HOOGLAND
Velp, Holland.

A Stand for Suez

Sir,—Your leading article remarks that "British pledges about the Sudan make it unthinkable that the results of honest and enlightened administration should be handed over to the corrupt regime tolerated by King Farouk."

May I observe that it is very regrettable that a similar policy has never been advocated in your columns when our honest and enlightened administration was to be handed over to the inexperienced and confusing regime of President Sukarno.—Yours faithfully,
The Hague E. HENNY

[Our correspondent has missed the point that the British purpose is to hand over the administration of the Sudan to the Sudanese.—EDITOR.]

Tax Evasion

Sir,—You refer, rightly, to the "discouragement to enterprise and hard work caused by the high taxation of incomes." But you say nothing about the people who evade taxation and thus throw their burden on others. Messrs Rowntree and Lavers ("English Life and Leisure," page 209) mention the earnings of certain women, which "seldom fall below £20 a day," and "they pay no income tax." Street bookmakers' runners, making about £7 a week, also commonly evade taxation.

Much more important than illegal evasion is the case of employees who "live in" and draw a large part of their remuneration in the shape of board, lodging, and perhaps perquisites. Why should they not be assessed on this part of their remuneration which is not paid in money? It would not matter if their board and lodging were reckoned at a figure below its probable value, for the whole extra assessment would be a gain to the Exchequer, and to other hard-pressed taxpayers.—Yours faithfully,
Cambridge J. E. ALLEN

Expenses and Inflation

Sir,—May I suggest that an important step in combating inflation would be to abolish tax-free expenses, particularly those for entertainment? It would first be necessary to prohibit paying any part of an emolument, salary or wage as a tax-free expense. (There should be no exceptions for Cabinet Ministers or Members of Parliament.) Secondly, all entertainment and certain other expenses should be excluded from what the Board of Inland Revenue consider legitimate expenses for income tax purposes. Those firms which have genuine entertainment and other expenses could claim a rebate from the Inland Revenue. But the onus of proving that they are genuine would be on the individual firms.

The growth of this subterfuge of tax-free expenses is a symptom of high taxation. It is not a symptom of inflation. It is itself part of the inflationary pressure, just as high taxation is, and it has a peculiar and particular incidence. It inflates the demand for restaurant meals, for hotel accommodation, for motor cars and for a number of other goods including, perhaps, mink coats. The fact that doubling the purchase tax on motor cars in the last budget only succeeded in increasing the price of second-hand cars is but one illustration of the effect of tax-free expenses. More important is their effect on the possibility of abolishing food rationing. The higher prices Britain has recently agreed to pay for its meat and butter (and presumably higher prices for cheese, bacon and eggs will follow) might raise retail food prices to a level where effective demand would be no higher (or at least not very much higher) than existing ration scales. In these circumstances food rationing could be abolished if the demand from catering establishments could be curtailed; and this can only be done by making certain business expenses come out of profits and salaries and not out of Government revenue.—Yours faithfully, MATTHEW

Books and Publications

A French Toynbee

The Sum of History. By René Grousset. Translated by A. and H. Temple Patterson. *Tower Bridge Publications.* 254 pages. 21s.

It is today a commonplace that events since 1914 have shattered the easy optimism about the permanence of Western civilisation and the automatism of human progress. The belief in progress, which is itself of no great antiquity, has been challenged by new theories of cyclical development in a plurality of civilisations, each with its own special qualities and each growing, flourishing and decaying like an animal organism. Spengler was the prophet of the new disbelief in continuous historical progress. Then came Professor Toynbee with a view of history also based on the theory of a plurality of separate civilisations with histories corresponding to a definite life-cycle, though somewhat more flexible and less grim than the philosophy of Spengler. Now we have in an English translation the work of a French writer who has been described as "the French Toynbee"; he is M. Grousset, a specialist in Oriental history, a Catholic and a member of the Academy. His book appeared in its original edition in 1946 under the title of *Bilan de l'Histoire.*

M. Grousset's book lacks the systematic and schematic character of the Spengler-Toynbee type of analysis—it is indeed a collection of essays rather than a single work—and he is much less addicted to basic pluralism in the conception of human civilisation; he sees a continuity of development from the Egypt of the Pyramids to contemporary Europe, where Spengler and Toynbee assert a series of separate civilisations linked only by "pseudomorphosis" or "affiliation." On the other hand, Grousset comes near to the Spengler-Toynbee outlook in his emphasis on the recurrence of catastrophe in history. Writing on the morrow of the Nazi eruption over Europe, including his own country, he refers to the "beast which has broken loose from its chains" and "destroyed, over vast areas, a civilisation which had believed itself immortal." Human progress, he declares, "has but served to make our periodical relapse into barbarism immeasurably more deadly." As a Catholic, however, he is neither surprised nor overcome with despair at the latest revivals of original sin. Indeed, for him the significance of human history lies ultimately beyond it, and in his last chapter, taking up Pascal's theme of the "silent universe," he contemplates the limits of possible human achievement.

As an Oriental scholar, M. Grousset is deeply interested in "the contribution of eastern Asia to the humanism of tomorrow." He declares that "mankind's spiritual peaks are few, and if half of them are grouped around our Mediterranean world, the rest are to be sought in the Far East and in India." This wide range of cultural sympathies gives a large horizon to a view of history which otherwise might be unduly Gallocentric, but there is no pretence of being the detached philosopher, without loyalties of his own and above the battle. M. Grousset affirms his own attachment to liberalism, as the modern outcome of the Hellenic-Christian tradition of Western Europe, and of Hitler's invasions he remarks that "the least we can say is that they belonged to the age of Alaric and Genseric." Of the contemporary "cold war" against Russian Communism he has curiously little to say, and his account of recent Russian history is strangely lacking in the critical comment which might be expected from a writer of M. Grousset's principles. But it has to be remembered that the book was written immediately after the liberation of France, at a time when hopes of postwar inter-Allied cooperation still ran high and any adverse criticism of Russia in France savoured of Vichy.

The American Inquisition

The Loyalty of Free Men. By Alan Barth. *Gollancz.* 253 pages. 16s.

This is the first book to deal comprehensively with the cult of loyalty which has arisen in the United States and its threat to the ideals of personal liberty. Mr Barth believes that the present Communist danger in the United States is a problem in counter-intelligence; in no other sense is it a real threat. By far the greater danger lies in the steps taken to fight off this bogy. These include not only the practice of character assassination in Congress, which Senator McCarthy has made such a fine art, but the well-intentioned inquisitions to which government employees are subject, the web of security regulations in which American scientists are entangled, and the growing demand that teachers and professors subscribe to special loyalty oaths.

Mr Barth is an unrepentant believer in personal liberty, and his view, with which it is hard to quarrel, is that whatever is gained in unmasking a few disloyal characters is lost many times over in other ways. The best men are discouraged from entering government service, scientific research, and the teaching profession; timidity prevents others from doing their best. Overt acts of spying and sabotage can and must be dealt with under the law. What Mr Barth is defending is the freedom of belief, whether it be right or wrong-headed, as a necessity for survival.

This is a highly readable and convincingly argued book; Mr Barth's views are sound and he is armed with the facts about the Hiss and Coplon cases, the dispute at the University of California, the use and abuse of the Federal Bureau of Investigation. Some of the most interesting passages are transcripts from the new inquisition, whether it is conducted by Congressional committee or government loyalty board. It will be read with profit even by those who feel that Mr Barth relies too much on the black and white in his paint-box.

The government's loyalty programme is so susceptible of abuse by fanatics, cranks, and the spiteful that he would reform it by abolishing it—something which even Professor Chaffee, in his introduction, admires for its breath-taking simplicity, but cannot quite accept. There is certainly no chance Congress would. The villains in Mr Barth's drama are the "Americanists," the McCarthys and McCarrans whose technique is so close to that of the Communists, and who, the author believes, are using the Communist scare quite cynically to stamp out all unorthodoxy. What British readers may not realise is that many intelligent, kindly, and progressive Americans are honestly in doubt as to many of the issues Mr Barth raises. Even if Americans do not always agree with him, his book should give them strength to resist the new tyranny.

Re-siting of Industry

Industry and Planning in Stepney. By D. L. Munby. *Oxford University Press.* 466 pages. 30s.

In 1939, Stepney contained 200,000 people in an area of 1,766 acres (much of it taken up by docks and industry), which represented a density of population and a degree of overcrowding without equal in England. The majority of its dwellings were terrace houses over 80 years old—the remainder were chiefly barrack-like flats. Today, thanks to the blitz, a third of the dwellings have been destroyed, but half the population has gone and conditions are slightly better. The London County Council's plan envisages a further reduction of the population to 75,000. Even so, in view of the space requirements for schools and for open space (non-existent before the war), this means net residential densities of 136 people per acre, with 60 per cent of the population rehoused in flats—contrary to their known wishes. In Mr Munby's view, Stepney "will be an area of sub-standard conditions even when re-planned by the LCC."

The key to Stepney's planning problems, as to those of the East End generally, is the dense concentration of industry in the borough. Before the war there was a net daily influx of perhaps 40,000 workers, and the figure is much greater today, since industrial dispersal has lagged far behind the outward movement of population. Thus even the LCC proposals for the borough compel a choice between accepting ever longer and costlier journeys to work or moving out a large proportion of local industry. It was to investigate the possibilities of the second alternative (the only socially satisfactory one) that Mr Munby has undertaken this fairly detailed survey of local industrial conditions. His pioneer work shows up the extent to which the LCC, and no doubt other local authorities as well, are making vital planning decisions on the basis of no more than a nodding acquaintance with basic economic conditions.

Mr Munby's findings are far from discouraging. The industry of Stepney is highly variegated, and only a small proportion is necessarily tied to the docks or a central location. Many firms could move, without loss of efficiency, to an outer suburb or (less commonly) to a new town, and an appreciable proportion are prepared to do so—given a lead and suitable assistance. This policy, however, needs careful advance planning and steps to enlist the co-operation and interest of local industrialists. The first, and not the last, requirement for replanning London is an effective and workable plan for industry; and it is certainly a sobering reflection that not even the sort of preliminary survey which Mr Munby has privately undertaken is available for other boroughs. It is these sort of deficiencies which show how jejeune the British attempt at social engineering must be still accounted.

Teaching Beginners

Earning and Spending. By E. E. Reynolds. *Cambridge University Press.* 103 pages. 4s. 6d.

Income Analysis. By Richard V. Clemence. *Addison-Wesley Press.* 182 pages. $2.50.

These two little books are both, at their respective standards, of considerable interest to the teacher of economics or of "social studies" generally. "Earning and Spending" might be described as a pre-primer of economics. Completely eschewing theory, it deals historically and descriptively with such matters as population (birth-rates and death-rates, age distribution, local distribution); occupations (skilled and unskilled; production, distribution, or service); trade unions, wages councils, time-rates and piece-rates, PAYE, and social insurance; the organisation of industry and the flotation of companies; forms of Government intervention; money; and international trade. Some of its generalisations and question-begging simplifications may well make a technically qualified reader blench; and the prospect of Mr Reynolds's innocent students discussing, as he suggests, the pros and cons of the nationalisation of the Bank of England, or the merits of the milk marketing scheme, or the advisability of a sliding-scale cost-of-living clause in wage agreements, without a single theoretical clue to help them, has its appalling side. Still, a wise teacher could do much to supplement its deficiencies; and it undoubtedly fills a gap.

"Income Analysis" is for the embryo specialist. Its author describes it as "a contribution to teaching method rather than to economic science," and it is amusingly easy to detect, in the lavish italics and frequent capitals, his attempt to reproduce in print the emphasis and cadence which he had found effective in the lecture-hall. It is a very neat job indeed, introducing the beginner, methodically and painlessly, to the main concepts of macroeconomics, relating these to available national income statistics, and thence passing on to the elements of trade cycle theory. Alas, it is American, and the British teacher using it would have a painful translation job; even those who boggle at that job, however, will not regret consulting it for their own benefit. For the benefit of teachers and other qualified readers using "Income Analysis" as a refresher, an excellent high-level bibliography is included.

The Steam-Roller

Russia's Soviet Economy. By Harry Schwartz. *Jonathan Cape.* 592 pages, 36s.

When faced with the figures on Soviet economic development provided in this volume, one is struck by the fact that real expansion took place only slightly more than a decade before the outbreak of the war and a few years after its end. The Soviet regime has been in existence for roughly one third of a century, yet during that time its economy has experienced three shattering blows: the civil war following close on the first world war, the peasant resistance to collectivisation, and, finally, the German invasion. Seen in this perspective, the achievements in basic industries assume their proper significance.

Under the constant fear of capitalist encirclement and war, the Soviet leaders decided to put the main stress on the development of heavy industry. They introduced new forms of government and economic organisation, and, in Stalin's hands, the state became a ruthless machine tolerating no obstacles and crushing all opposition. Yet, when considering the speed of Soviet economic development, which required an annual investment of about one-third of the national income, one wonders whether such a pace could have been maintained without ruthlessness and whether the limits on the freedom of the Russian people were not really the result of the decision to industralise at such a pace.

Mr Schwartz's book deals with this great and novel experiment. It may be regretted that, probably for lack of space, his chapters on the historical and the ideological background are rather sketchy. He could have shown in great detail how a system designed primarily for an advanced industrialised country had to be adapted to the needs of semi-feudal Russia. But his task was far from easy; facts on the Soviet economy are scarce and difficult to assess. In general, Mr Schwartz has succeeded in collecting and presenting intelligently a great wealth of material, both Soviet and foreign, on Soviet industrial and agricultural development, on transport and trade, the planning system and finance. It will be left to the reader to decide whether the author was too sceptical or too credulous in evaluating the Soviet sources. But the material is there and, by providing it, Mr Schwartz has helped his readers to strike a balance between the achievements and the drawbacks, the pros and cons of the biggest political and economic experiment of the twentieth century, so often distorted by the propagandist controversies of the cold war.

Rumanian Case-Study

Rumania: Political Problems of an Agrarian State. By Henry L. Roberts. *Yale University Press. (London: Geoffrey Cumberlege, Oxford University Press.)* 414 pages. $6.00.

Mr. Roberts clearly had two aims in writing this book. One was to study the general problems, economic, social and political, of a backward agrarian state when it is subjected to the influences of Western capitalism. The other was to interpret the history of Rumania in the last half-century in the light of its unsolved agrarian problems.

These two aims are closely related but not identical. Up to a point, Rumania can be used as an example of the backward agrarian state; it suffers from the typical ills of primitive and inefficient agricultural methods and low productivity. Rumania has, however, special characteristics of its own. Its peculiar method of government while under Turkish domination left it with an unbalanced social structure and a particu-

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larly unfortunate tradition of inefficiency and corruption in public life. Its enormous increase in area and population after the 1914-18 war set the Rumanian state special problems and diverted energies away from economic and social reforms. Most important of all, Rumania's geographical position has made the assertion of national independence against Russia the supreme purpose of all political groups, except the Communists. In these respects, Rumania is not typical, and to use Rumania as a yardstick would be both to overestimate the warping effect of western capitalistic influences and to underestimate the drawing-power of Soviet communism.

Mr Roberts is well aware of this danger, though he has sometimes a tendency to generalise on the basis of the Rumanian example. Nevertheless, his careful analysis of Rumanian problems is of much wider than purely Rumanian interest and his political analysis is depressing but also fair. Thus if Rumania is now entering the phase of collectivisation, this does not mean that it is an inevitable phase in the growth of a backward agrarian state; it is merely a by-product of power politics.

Cures for Indian Agriculture

Indian Agriculture and Its Problems. By A. N. Agrawal. *The Students' Bookshops Limited.* 184 pages. 4s. 6d.

The object of this sensible and readable little book is to explain in small compass the major problems confronting Indian agriculture and its reorganisation. The approach is realistic, and both the nature of India's food and agricultural problems and the choice between possible methods of reform are presented in good perspective. Emphasis is laid on the necessity for enlarging the units of cultivation and of securing the wholehearted co-operation of the cultivators before modern methods of cultivation can be introduced. It is suggested that the best long-term method of reform would be to introduce a system whereby ownership will be respected, but dissociated from actual land-use, whilst cultivation of the village land will be undertaken collectively. "Thus the income from land will consist of two parts: work income and ownership dividend." Joint management would make scientific cultivation (including some degree of mechanisation) possible, whilst rights of ownership and inheritance would not be ignored. Mr Agrawal faces the psychological aspects of the problem squarely, and realises that the necessary preliminary educational and propaganda work will take time.

He also gives a clear explanation of the failure of the government's "Grow More Food" campaign, which has resulted in a larger area under cultivation but a decline in the total output of foodstuffs, and criticises the Colombo Plan on the grounds that it is financially unrealistic and neglects practical problems, particularly those of priorities. It is interesting that the recently issued report of the Indian Planning Commission, entitled "The First Five Year Plan," admits and attempts to remedy these defects, whilst it also comes to much the same conclusion as Mr Agrawal about agricultural reorganisation; that the best long-term method of reorganisation will be to manage the land of a village as one farm, whilst paying an ownership dividend. In an otherwise excellent little book it is a pity that Mr Agrawal appears to give his blessing too readily to "deficit financing."

Austrian Diplomacy

Austria-Hungary and Great Britain, 1908-1914. By A. F. Pribram. Translated by I. F. D. Morrow. *Oxford University Press.* 328 pages. 25s.

The distinguished Austrian scholar, Dr Pribram, was born in London in 1859, and came back to die here in 1941. This book is the last token of his abiding interest in our history. It is a penetrating study of Anglo-Austrian diplomatic relations in the years immediately before 1914, and we owe its appearance to his friend and pupil Mr Ian Morrow.

In it he is chiefly concerned to examine the handling of three crises, which followed one another in quick succession; the Bosnian affair, the Balkan Wars and the outbreak of the First World War itself. For his material Pribram relied mainly on the mass of British and Austrian documents published between the two wars, but he had also lived close to the events he describes, and he knew many of those charged with the management of affairs in both countries. Sometimes his judgment of men seems to falter, but in the main his handling of these complicated problems is remarkably shrewd and dispassionate.

Pribram does not pretend that the dealings of Britain and Austria in these years were of first importance to either power, or that they were a main theme in the diplomatic history of pre-1914 Europe. Britain's principal concern was with Germany, while the Austrians were busied with Serbia and the looming menace of Russia over the Slav world. Yet these secondary relationships throw a curiously revealing light upon the whole diplomatic scene. Pribram holds that the British made an unnecessary fuss about the formal annexation by Austria of Bosnia-Herzegovina, but he admits that Grey was determined to prevent the crisis from exploding in a European war. During the Balkan troubles, 1909-1913, he also thinks that the British exerted themselves with considerable success to damp down the dangerous rivalry of Austria and Russia, but his most significant comments are reserved for the outbreak of the general war in 1914. Pribram is convinced that the Austrians were determined to fight Serbia whatever the consequences, and he recognises that the British tried hard to stave off the calamity. But he argues that Grey could and would have done more had he not unfortunately been convinced that a great struggle was unavoidable. Grey might well have been painfully surprised to learn that in the last resort the peace of Europe depended upon his own unflagging exertions.

Shorter Notices

Motorists and the Law. By K. McFarlane. *Stevens.* 116 pages and Index. 5s.

Rent Restrictions. By E. Dangerfield. *Stevens.* 130 pages and Index. 8s. 6d.

These are two further volumes in the "This is the Law" series by these publishers and both of them tackle subjects of wide public importance. That on motorists is as comprehensive as its title suggests. It begins with a short account of the law of contract (buying and insuring the car and the problems that may arise when it is parked or garaged) and continues with the various statutory requirements that govern, or should govern, the condition and maintenance of the car as well as its management on the road. It concludes with a short account of the procedure in magistrates' courts.

The law governing motor vehicles can be said to be detailed rather than complicated. The Rent Restriction Acts, and their attendant judicial decisions, are both. They are a monument to the ingenuity of lawyers and the moral cowardice of politicians. Miss Dangerfield does not fully solve the problem of arrangement. Probably no one could. Her chapters are long and an understanding of all they have to explain would have been helped if each had been given a short summary of the points dealt with in it and by a more detailed index. But a feature which is of the greatest value is her abundant use of imaginary instances to illustrate the more formal language of the main text. By now so much of the law of rent restriction is case law that no other method of explanation is anything like as good. Both these books can be recommended to the lay public—with one proviso; that is, if any book on rent restriction can do anything more for the layman than reinforce his belief that only a judge can say what the law is and that many of the points treated as settled are settled simply because there is no appeal from the House of Lords.

Issue, Control and Regulation of Capital. By F. P. Randall. *Heffer.* 117 pages. 12s. 6d.

This book, we are told at the outset, "is presented in six separate yet inter-related sections in which is contained subject matter of importance underlying (1) Company Finance, (2) The Power to Borrow and Increase Capital and Methods of Raising Capital, (3) Financial Control, (4) Treasury Approval and CIC Requirements, (5) Requirements of the Council of the Stock Exchange and (6) The Prospectus, which is considered in relation to Statutory and Stock Exchange requirements, responsibilities and liabilities in connection therewith, its preparation and publication, and the significance of important sections of the Companies Act, 1948." This gives a summary of the scope of the work; unfortunately it also gives some idea of the almost unreadable style in which the book is written. This is a pity, for Mr Randall ploughs a useful field, and he is clearly a man who knows his statutes down to their very last Capital Letter.

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A Different Civilisation.—Owing to a change in the date of publication, of which *The Economist* was not notified, a review of *Summing up on Russia*, by Stephen-Graham, appeared last week. We have now been informed that the book will not be published until November 15th.

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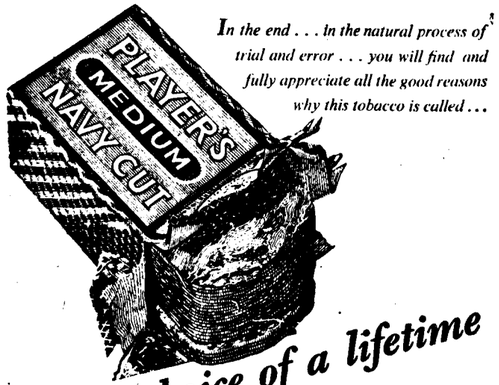

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[NCT 72D]

ELECTRICITY

Why is there a Plant Shortage?

DEMAND FOR ELECTRICITY is still increasing more rapidly than supply. There is still a severe shortage of generating plant.

The post-war plant shortage was inevitable. In 1941 the Government ordered that no new power stations should be built except for war emergency needs. They knew then that this would mean a plant shortage at the end of the war and exonerated the supply authorities from all blame. New power station construction started in 1945. But a gap of four years had to be made up.

If the gap was to be bridged by 1952, then, from 1945 onwards, it would have been necessary to have *doubled* the pre-war annual record rate of construction (765,000 kilowatts, in 1938). This was impossible. A modern power station takes four or five years to complete. Materials and manpower were short. Factories had to be converted back to peacetime needs. Exports had to have priority. The early post-war years were full of difficulties for the heavy electrical plant manufacturers.

The following figures show what was in fact achieved.

CALENDAR YEAR	NEW PLANT ACTUALLY INSTALLED kW (s.o.)
1946	307,000
1947	340,000
1948	566,000
1949	703,000
1950	965,000
	NEW PLANT PLANNED
1951 & 2 (Two years)	2,150,000—2,650,000

And now the new Rearmament Programme has increased demand still further. The gap will be closed. Industry is capable of attaining the higher rate of plant construction now required. If plans for new plant go through smoothly in the coming years, there should be an end of power cuts by 1956.

BRITISH ELECTRICITY

AMERICAN SURVEY

Diplomacy Under Difficulties

Washington, D.C.

IN the course of a statement made before leaving Moscow for the United States, Admiral Kirk, the American Ambassador, said to Mr Vyshinsky, the Soviet Foreign Minister:

> The Soviet Government must surely recognise that, as a simple statement of fact, the breakdown of armistice talks in Korea would add greatly to the explosive character of the situation and might stimulate a course of events which would be undesirable from the point of view of both our governments.

According to a credible account of this meeting within the Kremlin, now current in Washington, Mr Vyshinsky here stopped the translator and asked: "Is that a threat?" Admiral Kirk pointed out that he had already described it as merely a simple statement of fact.

Ten days later Mr Vyshinsky said in his reply:

> . . . Mr Kirk . . . made rather strange allusions to some sort of possible "unpleasantness" between the USSR and the United States of America in case of unfavourable results of these discussions. . . . Is it permissible first of all to ask exactly what "undesirable consequences" or "unpleasantnesses" the American Government has in mind? If it is a question of the possibility of a further worsening of Soviet-American relations then it is only barely possible to imagine that these relations can worsen even more after President Truman stated to the whole world that agreements with the Soviet Union are not worth the paper on which they are written.

Mr Vyshinsky was here recalling the President's speech at the Library of Congress in Washington on September 17th in which, after observing that the Soviet society was "a jungle through which the naked power of the government prowls like a beast of prey, making all men afraid," Mr Truman said, "A Bolshevik agreement is not worth the paper it is written on." Less than twenty-four hours after the details of the Kirk-Vyshinsky encounter had been revealed by the Moscow radio, the President said in reply to a question at his press conference that he stood upon his assessment of the value of an agreement with Russia.

All this is an unusually compact example of the sort of thing from America that makes statesmen and diplomats wince and nourishes the doubts which "neutralists" in the free world feel about American leadership and, sometimes, about American motives. There is something to be said in Mr Truman's defence. Of all the agreements the Kremlin has broken, including those under which it promised freedom to the satellite countries in Europe, none has more directly affected the United States than the Sino-Soviet agreement of 1945.

If the Russians had honoured the undertakings they gave to the Chinese Nationalists in that year a whole train of events which have badly hurt the United States might have been avoided, and the dreary inquest on American policy in the Far East which is now dividing the country and weakening the Truman Administration might never have begun. So Mr Truman must feel, with what may well be an understandable bitterness. A further truth is that though his blunt or spur-of-the-moment observations often tend to obscure the fact, there has never been any real cause to doubt that the President is utterly and genuinely intent upon the procurement of peace.

The proposition that the allies of America have no just cause to worry over American motives is one that can be advanced with conviction. But it is another thing to argue that there is no cause for worry over American methods, and a high proportion of those Americans in Washington who are able, by reason of experience or training, to take an objective view of what is now going on do not nowadays make the attempt.

*

In the United States today it is not only safe, but politically rewarding to confuse public opinion and obstruct the policy the government is pursuing abroad, provided only that this is done in the name of anti-Communism. And the phenomena which cause alarm and despondency among America's allies often turn out on examination to grow out of the confusion and obstruction which can be created under the prevailing rules.

Opinion is now sufficiently confused, for instance, to enable two Senators to announce, without any subsequent outcry, that they had voted against the appointment of a skilled diplomat, Dr Philip Jessup, as one of the United States delegates to the United Nations, not because they doubted his integrity and loyalty, but because, due to attacks made upon his integrity and loyalty, he no longer had the confidence of the country. "He is a controversial figure," one of the Senators said, in explaining his vote. "His confirmation, I fear, would divide the country at a time when above all else we need unity."

The view that the way to restore confidence in a man who had been unjustly attacked might be to support his confirmation does not appear to have exerted any wide appeal. Neither the Senator nor any substantial part of his audience seemed to be concerned with the question whether, in providing evidence that men of integrity could be barred from office simply because they had been unjustly attacked, they might be enunciating the doctrine that accusations without proof will henceforth be given as much weight as accusations with proof. If this is to be the case, national unity will be possible only so long as those who have never committed themselves on any issue (and thus cannot be controversial figures) are nominated for high office. Opinion has been sufficiently confused to make this sort of intellectual and moral cowardice pass for statesmanship.

How far is American policy being obstructed because American policy-makers fear to do or say anything which may attract the attention of those who see that it is no

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

longer necessary to prove, but only to make accusations? It is hard to say. Has American policy on the Anglo-Persian oil dispute been affected by an instinctive partiality in the State Department for attitudes calculated to cause the least political trouble at home? Was this what tipped the balance, produced the instructions which the American delegation followed in the Security Council, and made inevitable last week's decision to avoid the awkward consequences of upholding the rule of law? There are those who think it was.

And are the confusions of opinion and distortions of policy which American methods are now producing going, at the best, to set back and at the worst to remove any immediate prospect of a fresh examination in east-west relations? The question is one that can be asked with a full realisation that if American energy and initiative had not led the way to the present enhancement of western strength—and it did so while working under the rules which American methods impose—the opportunity for such an examination would have been most unlikely to occur at all.

As it is, there is no assurance that the access of strength on the western side has yet been great enough to produce on the Soviet side a state of mind that might make any fresh examination a profitable exercise. It is a tenuous argument that Mr Vyshinsky's query as to what the Americans mean by an undesirable course of events may indicate a new Russian anxiety to avoid such a course of events; and the thesis that there was an undercurrent of disquiet in Mr Stalin's statement on the explosion of the second Russian atomic bomb is one which, as the Americans sometimes say, you can take or leave alone.

The Kremlin must now be watching the United States with more than normal concentration and attempting with more than normal application to determine the significance of what it sees. Whether the Russians have yet learned enough about American methods to interpret the phenomena accurately is one of the questions of the hour. For example, there will doubtless have been flown to Moscow by now copies of the current issue of *Collier's* magazine, which is wholly devoted to a projection of "Russia's Defeat and Occupation, 1952-1960," replete with "artists' conceptions" of what Moscow will look like as atom bombs burst above it and imaginary eye-witness accounts by prominent writers of events before and after the victory of the United Nations forces. What construction are the analysts in the Kremlin going to place on this manifestation of American (journalistic) methods?

It is impossible to tell. It is possible only to say that if they know their business the analysts in the Kremlin will note at once that the editors of the magazine have been sufficiently well aware of the temper of the nation to call this excursion "Preview of the War We Do Not Want," and to see that this title, an insurance-policy against public displeasure, is repeated at the top of each successive article.

Cities Can be Good

[FROM A CORRESPONDENT IN OHIO]

LORD BRYCE remarked that the conspicuous failure of the United States was the government of its cities—a statement still generally true. But a conspicuous exception is the government known nationally as "The Cincinnati Experiment." The honest, efficient, non-partisan administration of Ohio's second city is no longer an experiment, having been established some twenty-five years ago. Yet it is still the pilot city for engineers of municipal reform. Interest in this phenomenon of a large American city which has never—well, hardly ever—had a political scandal in the past quarter-century is heightened by the fact that the municipal election on November 6th will reflect many cross-currents of state and even national politics. The current campaign reveals the difficulties, familiar to municipal reformers in America, of maintaining a local reform coalition when its members are divided along partisan lines in state and national politics.

The practical reformers who wrote Cincinnati's new City Charter in 1924 represented a coalition of independent Republicans and "regular" Democrats. Until then, for more than fifty years the city had been a notorious example of the boss-ridden American community, sometimes under Democratic rule, more often under Republican control. Several attempts at reform had been made, but their successes had been, as is so often the case in the United States, rare and lamentably brief. By 1924, however, a crisis had arrived. Weary of waste, poor service and dictation from a political boss who did not even trouble to reside in the city, the voters rebelled against paying more taxes, and essential services were threatened. Out of this crisis rose the Charter Committee, a fusion of Republicans disgusted by their party's local performance and Democrats whose political motives had been purified by long confinement to the role of opposition. Taking advantage of the home rule clause in Ohio's constitution, this committee drafted a plan calling for a small city council, of nine members, to determine all policies and appoint a non-party city manager to administer them through a civil service staff. Voting was to be non-partisan, too, through the Hoare system of proportional representation. The new Charter was approved by the voters, and the first City Council under it was elected in November, 1925. It took office the following January.

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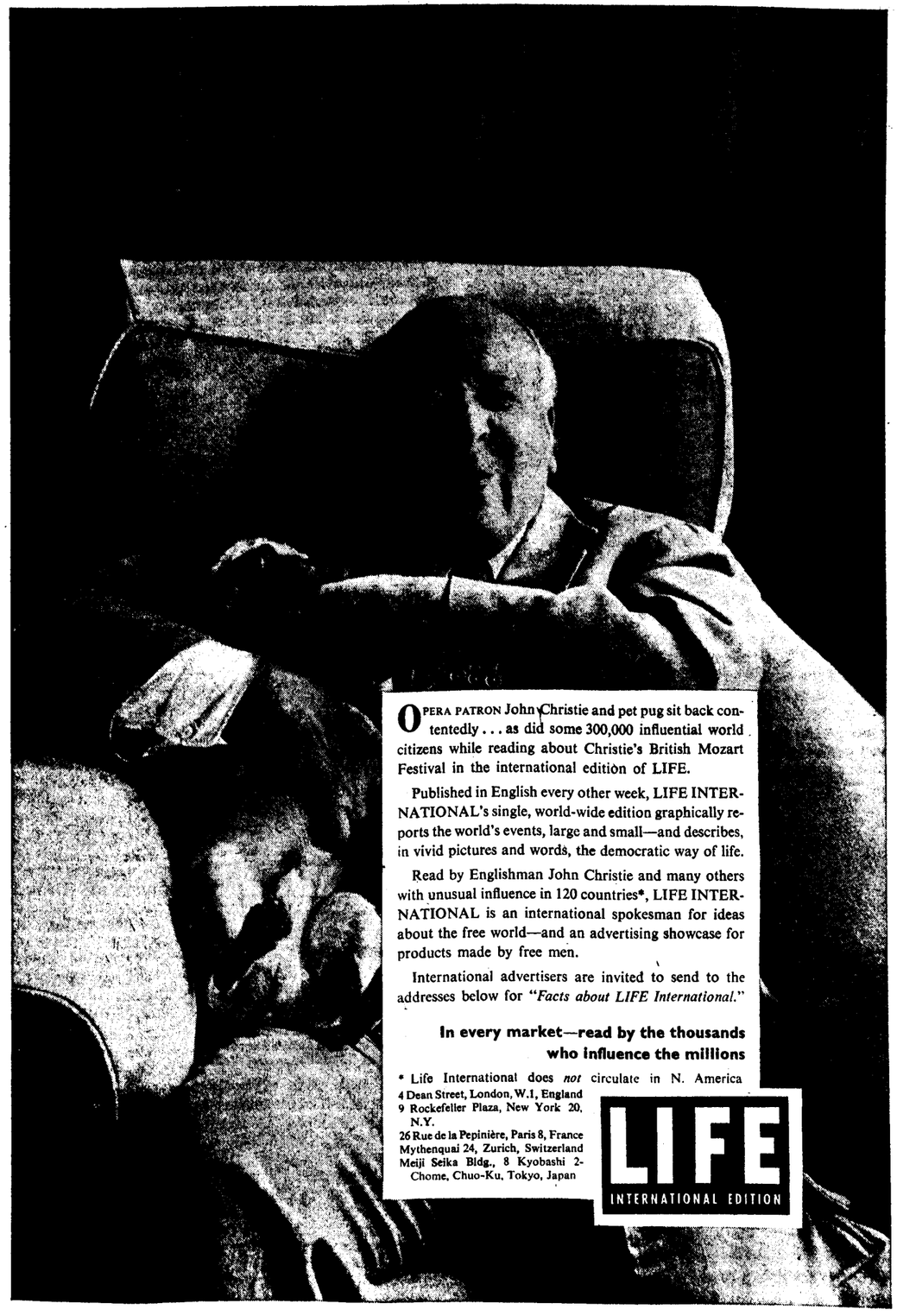
Here was something of a revolution in Cincinnati, which is still the largest consistently Republican community in the United States. Significantly, in 1924 its voters gave Calvin Coolidge the biggest local majority of any presidential candidate up to that time. For eight years thereafter large majorities were piled up for Republican candidates for county, state and national offices, though local Republicans were regularly losing municipal elections. This seemed to prove that supporters of the Charter were right in believing that good local government is possible without either submitting to or injuring the national political organisations.

The success of the new system was immediate. Long-delayed improvements were built and new ones planned, while economies were made in the running of the city. Wisely, the new city fathers steered clear of the shoals of extravagance on which so many promising municipal reforms have been wrecked. The city remained solvent even in the depths of the great depression of the nineteen thirties. Cleveland, New York, Kansas City and other cities paid Cincinnati the tribute of imitation, though most of their reform administrations failed because they did not study their model carefully. But the Cincinnati experiment has lasted long enough to prove itself. When the Republicans held control of the council from 1941 to 1945, they did not even try to return to "the good old days."

The reasons for this success are a topic for chronic local dispute. The new order was favoured by two lucky accidents. Early Charter councils had more money to spend than their predecessors, owing to a change in the Ohio tax



laws which gave the cities a larger proportion of state revenues. They were fortunate, too, in that municipal elections came in odd years, and thus were spared the distracting pressures of state and national politics. More basic reasons for a record of accomplishment which has attracted national attention are the businesslike administration of all city services by the city managers (there have been only three so far); the active support of women in the community, who have brought an almost religious zeal to the Charter movement and helped check the appetite of Democrats for the fruits of patronage; and, most important of all, the reformers' realisation that all political action requires political organisation. The volunteer machines of the Charterites are organised on a year-round ward-and-precinct basis. An impartial historian would add that the city was ripe for the change when it came. The regular Republicans reformed along with the city. Indeed, with the passing years the Charterites have had to reach ever farther into the past for campaign ammunition. The cry, "Keep the rascals out!" has an obsolete ring for young voters and candidates—four of the nineteen candidates for the Council this year are under 36 years old—who were scarcely out of their cradles when the "rascals" were in.

The Charterites themselves attribute the success mainly to the proportional representation system of voting—a highly debatable point. In solidly Republican Cincinnati, it is true, the Republicans would win consistently if balloting were under party emblems. The non-partisan ballot favours an independent coalition of rebel Republicans and minority Democrats. At the same time, PR encourages voting by minority blocs, religious, racial, economic, suburban, and so forth. It has also produced, in three elections, a council of four Republicans and four Charterites, with the ninth man dictating the choice of a Mayor, who presides over the council and has certain appointive powers. PR has been consistently opposed by two of Cincinnati's three daily newspapers. Yet it has survived, though by small margins, three well-organised Republican attempts to repeal it. Cincinnati remains Republican in state and national politics, but prefers a non-partisan municipal government.

A legitimate criticism of PR is that under it one cannot vote on issues, but only for individuals. Publicity is so important as to give a big advantage to councillors seeking re-election. When one fails to run again he creates a serious problem for his colleagues. That problem has turned up in a rather complex form in this year's campaign. Mr Charles Taft, younger brother of Ohio's senior Senator, Mr Robert Taft, withdrew from the race for the council because he hopes for the Republican nomination for Governor next year. This has created a string of dilemmas for his four fellow-Charterites on the council—and for the local Republican organisation which he has fought for years. Mr Taft cannot count on the support of that organisation. He is in the embarrassing position of having to oppose it in the city elections in 1951, while being committed to its support in the state and national races in 1952.

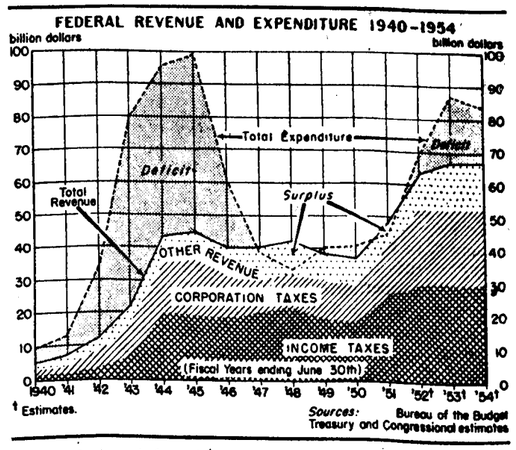
The Republican candidates for the council are following their custom of linking the local race with their party's national opposition to the Truman Administration. To remove the Democrats from Washington, they argue, one must "start a fire at the grass-roots." The Charterites, on the other hand, profess exclusive interest in municipal welfare and condemn the Republican insistence upon "party regularity"—which Mr Charles Taft must endorse next year in state and national affairs.

It is very confusing, even to the subtle political understanding of an electorate reared on the intricate diet of PR. No doubt the withdrawal of Mr Charles Taft has weakened his group's chances in the race for the city council. But the voters remain serenely confident that their good government will endure, whatever the outcome on November 6th. Their example, they feel, has long since proved that American cities can be good, given the necessary will, intelligence and practical organisation.

American Notes

Congress Goes Home

Twenty-five million words had flowed into the *Congressional Record* when this most long-winded and investigation-minded session of Congress decided last week to shut up shop, but $13 billion in appropriations remained to be dispatched on the last day. Included in this sum was $7.3 billion in new money for foreign aid, a compromise about half-way between what the House, sticking close to the authorisation figures, thought should be spent, and what the Senate had arrived at by applying a blind 5 per cent cut. Economy, however, often goes before a spree even in the Senate, which, full of virtue, then succeeded in pressing an additional $100 million on Spain, though the Administration had not asked for it, and $450 million in unallocated



funds, designed for aid to Spain, Jugoslavia and Western Germany, was already included. The conferees accepted a $200 million cut in military assistance for Western Europe, but otherwise the House figures stand. For the main areas the division of funds is as follows:—

	Economic Aid	Military Aid
	(Millions of Dollars)*	
Europe	1,022	4,819
Asia and the Pacific	237	535
Middle East and Africa	160	396
American Republics	21	38

The last day's work, which involved acceptance of a $4 billion appropriation for military bases as well as the foreign aid compromise, brought total appropriations for this session to approximately $85 billion, though not all this will be spent this year.

As Representative Byrnes of Wisconsin pointed out in urging the House to reverse itself and pass the tax Bill, the place for economy is in appropriations, not in tax measures. Congress had, for example, raised the salaries of government servants to the tune of $650 million a year; now it must pay the piper. He failed to convince his Republican colleagues, but most Democrats, suitably chastened by the

unexpected success of their revolt last week, then voted to accept the new tax Bill which, in effect, was still the old one, though it had been softened slightly for taxpayers in the lowest brackets and stiffened slightly in its EPT and capital gains provisions. It has now been signed by the President, so that the new income tax rates and excise levies can go into effect on November 1st. The new corporate rates are retrospective to April 1, 1951. All three of these tax increases automatically lapse on April 1, 1954, unless Congress extends them.

In signing the tax Bill, Mr Truman expressed his dissatisfaction with it. It fails—probably by about $5 billion this year—to put the government on a pay-as-you-go basis, and he regretted that, instead of closing loopholes in the present tax laws, it opens new means for wealthy taxpayers to escape carrying their proper share of the load, such as excessively liberal capital gains provisions, unnecessarily generous depletion allowances, and family partnerships which permit splitting of income for tax purposes. But if Mr Truman means to ask for more taxes next January, he must be prepared for a stony reception. No Congressman likes to raise taxes in an election year, and Republican opposition to "excessive spending" kept the majority even for this year's tax increase to a niggardly 25 in the House.

* * *

Road to Rome

Mr Truman's decision to make General Mark Clark, the "liberator of Rome," the first American Ambassador to the Vatican is to be allowed to simmer until January, when Congress returns to Washington. It will certainly be kept near the boil, not only by the indignant Protestants, who regard the step as a threat to the separation of church and state, but also by Texans outraged by the choice of a man whom they hold responsible for the massacre of the Texan National Guard Division on the Rapido River in 1944.

Mr Roosevelt took the first step to revive diplomatic relations with the Vatican, which had lapsed in 1868, when he sent Mr Myron Taylor, like General Clark a Protestant, to Rome as his personal representative in 1940. This caused a storm of protest, but the despatch of a personal envoy did not require confirmation by the Senate and the arrangement was continued until Mr Taylor's resignation last year. The appointment of an Ambassador, however, can be made only with the consent of the Senate, and Senator Connally, the chairman of the Foreign Relations Committee, who is up for re-election in 1952, and is unwilling to do anything to prejudice his chances, will do his best to persuade his colleagues to turn down the appointment.

Normally, the President, if he wished, could make a recess appointment, but this is not possible in the case of General Clark, who is unwilling to resign from the Army. Congress must first exempt him from a law passed in 1870 which forbids army officers to hold civilian posts. At this point the Armed Services committee, on which the Protestant South is strongly represented, will have its say. Mr Truman was no doubt aware, when he hastily made his announcement at the tail-end of the Congressional session, that the inevitable delay would give Senators a chance to sound out public opinion on a highly controversial issue.

According to the White House, the dispatch of an Ambassador to the Vatican would help to co-ordinate the efforts of the free world to combat Communism. The anti-Communist blanket, which can be stretched to cover most things, is not likely, however, to muffle Protestant protest. The National Council of Churches of Christ, representing 29 denominations with over 30 million members, dissents sharply and even Mr Truman's own pastor issued a blast from the pulpit. An additional advantage, often mentioned, of reviving diplomatic relations with the Papacy is that it gives access to the best listening post in the world; it might also, it is thought, diminish anti-American feeling in Catholic countries. A number of Protestants suspect, however, that it was the hope of influencing the Roman Catholic vote in critical states such as New York next year which decided Mr Truman. Senator McCarthy's chances of delivering the Catholic vote to the Republicans might be much diminished. If these were the President's calculations, they would have been served better by a more adroit choice of an Ambassador.

* * *

The Senate Shirks Its Job

The President has given Dr Philip Jessup a recess appointment to the post of delegate to next month's United Nations Assembly, undeterred by a 3-2 vote against him in the subcommittee considering his nomination and the knowledge that, had the matter been brought to a vote before Congress adjourned, the Senate almost certainly would have turned him down. Dr Jessup's "impressive record," which includes five previous posts with Uno, weighed more heavily with the President than the unproven and partisan charges of Senator McCarthy and Mr Harold Stassen. Technically, confirmation will be in order when Congress reassembles in January, but by then the Assembly should have completed its work. Dr Jessup's appointment as Ambassador-at-Large, in which he was confirmed without objection in 1949, is not involved.

To send Dr Jessup abroad under a shadow, even though it is only that of Senator McCarthy, is manifestly unfair, both to the man himself and to the work of the American delegation. But many Senators were determined not to be forced into a decision between seeming to support Senator McCarthy, by disapproving Dr Jessup, or seeming to approve the Administration's policy in the Far East by confirming him. In fact, the allegations which weighed most heavily with the subcommittee were not Senator McCarthy's—his charges that Dr Jessup had "an affinity for Communist causes" made little impression—but Mr Harold Stassen's more sober, if equally untenable, line that Dr Jessup's errors of judgment were responsible for the collapse of General Chiang Kai-shek. In the view of Senator Smith of New Jersey, whose usually thoughtful vote was the crucial one, Dr Jessup was a "symbol of a disastrous China policy."

The State Department must accept a large part of the responsibility for the result. It not only allowed Dr Jessup's appointment to be fought out on the irrelevant, much-scarred Chinese battlefield, but it also refused to admit any possibility of past error, to the disillusionment of its friends. Recognition of Communist China was never even "considered"—a statement which Dr Jessup had to qualify almost at once. It had been "examined"—with a mind closed against change—but not "considered," which would have involved an open mind. An assumption of infallibility which requires such hair-splitting may be an understandable reaction to the McCarthys and Stassens, but it does not make for confidence in the candour or courage of the State Department. Mr Acheson recently complained that the number of candidates for the foreign service had fallen off by half, mainly because of an unwillingness to undergo personal attacks in Congress. It is not an inviting prospect when a man of Dr Jessup's eminence is tarred apparently in the hope that some of the pitch will stick to his friend and sponsor, General Eisenhower. But the State Department will also have to be more adroit and courageous in defending its men and its record. This may be easier now that Senator Taft, as a formal candidate for the Presidency, has decided it would be wise to dissociate himself a little from Senator McCarthy.

* * *

Ethics for Officials

The need for a stricter code of conduct for public officials became painfully clear during last spring's investigation of the Reconstruction Finance Corporation, the giant

government lending agency. A sub-committee under the chairmanship of Senator Douglas of Illinois was charged with considering the whole problem and, in particular, Senator Fulbright's proposal for a permanent Commission on Ethics. It placed its findings last week before a public even more perturbed by new revelations of corruption and improper behaviour in the collection of federal taxes. So cynical were Americans becoming about the feathering of private nests by public servants that President Truman, without waiting for the report and, indeed, without giving the committee credit for the idea, asked an unenthusiastic Congress to adopt one of its main recommendations: that Congressmen and all federal officials with salaries of over $10,000 a year should make annual statements of their income from other sources.

The report is the work of a group of Senators, drawn from both parties, who are noted for their liberal outlook and reforming zeal. They allot the lion's share of the responsibility for the "degeneration of moral standards in government" to the executive, but the share of Congress is not overlooked, and the report recognises that low standards in the conduct of public affairs are a symptom of low standards in the country generally. Influence "pedlars" and other operators in the twilight zone between legal and illegal behaviour can exist only as long as businessmen and others are willing to patronise them. As a former Secretary of the Interior, Mr Harold Ickes, has noted "No public officer ever bribed himself." The committee was particularly concerned to discourage the idea, which seems to be so prevalent, that anything is proper which is not specifically forbidden by law.

The report endorses the creation of a citizens' committee on ethics in government, but it also makes a number of specific recommendations for tightening the law and lays down a code of behaviour which might seem elementary if recent abuses had not shown how often it is disregarded. For example, it would make it a cause for immediate dismissal for an official to use his position or confidential information in his possession for private profit, or to accept valuable gifts from those with whom he did government business. Former federal officials would not be allowed, for two years following their resignation, to appear before the agencies in which they had worked, and they would never be permitted to take part in cases which they had handled for the government.

* * *

Sports on the Spot

Last week Congressmen were able to take their eyes from their television screens and return to more serious business. The World Series was at an end, and the Congressional inquiry into monopoly practices in major league baseball and the "bondage" of professional players—postponed since the World Series began last summer—was reopened. The great American game is disturbed by dissensions from within and without, and Mr Peewee Russell, Mr Lou Boudreau and other leading players have been appearing before a House sub-committee in Washington to give their views. Among the controversial issues are the reserve clause and the "farm system," by which the major leagues have been able to keep good players down in the minor leagues; and the "blanket exemption" for baseball from the anti-trust laws which is proposed in three bills now before Congress.

But baseball is not the only sport to be disturbed by monopoly charges. The government's Anti-Trust Division has opened an inquiry in New York into an alleged ring in prize fighting, a business which yields about $14 million a year, apart from radio and television rights. Many stars of the ring, including Mr Sugar Ray Robinson, Mr Jack Dempsey and Mr Gene Tunney are due to appear as witnesses before the federal grand jury conducting the investigation. Already Governor Dewey, disturbed by exposures of the influence of racketeers on the sport, had ordered a sweeping investigation into the policies of the State Athletic Commission, which is likely to affect the stranglehold of the International Boxing Club on the promotion of fights in the city. The IBC was formed in New York two years ago, and quickly absorbed the previous prize fight monopoly, Mr Mike Jacobs's Twentieth Century Sporting Club. It now holds exclusive contracts with nearly every champion in the game, in addition to the control of all boxing in Madison Square Garden, the city baseball parks, and sports arenas throughout the country. The IBC was responsible for keeping the Robinson-Turpin fight off home television screens in New York, and for restricting television shows of the fight to theatres at least ninety miles away.

The government has also brought its first actual anti-trust action in professional sport, against the National Football League in Philadelphia, and its twelve member clubs. The league is charged with restricting the broadcasting and television of games by boycotting certain radio stations, and by cutting out television and radio broadcasts of the games in certain areas, to protect gate receipts. This may be the prelude to further actions by the government, for the Assistant Attorney-General said, "If we are successful here, and the shoe fits anywhere else, they will have to wear it."

* * *

New Footing for the Reserves

In September the Army announced that all men who had fought in the Korean war last winter would be relieved by men from the National Guard and Regular Army units; they will be home for Christmas. With casualties in Korea exceeding 1,500 a week, there has been strong feeling in the House of Representatives about the continued use in Korea of inactive reservists who served in the last war. The House recently tried to reduce the maximum service of inactive reserves from 17 to 12 months. This was defeated in the Senate on the score that this would mean withdrawing men before replacements were available—but only on the understanding that the calling up of inactive reservists with war service is virtually at an end.

For the army, rotation of men from overseas service is a major headache since, as one of its spokesmen has said, it is "in the unique position of attempting to mobilise, to release large groups of personnel, and to fight a war all at the same time"—with the continuing problem of keeping Reserve and National Guard units up to strength. The taking of individual replacements from National Guard units, which like to serve together, is unpopular, but no other sources of trained men are readily available. Under the new military service act, about 500,000 married men without children are no longer exempt, but owing to a rejection rate of nearly 50 per cent, and for other reasons, less than 200,000 will in fact be available for immediate call-up.

Dissatisfaction with the present reserve system is based both on its inefficiency and its injustices, and is shared by the Department of Defence. Many men from the inactive reserve have been called before members of the active reserve; most of them had never contemplated service abroad in a "limited emergency"; many were called whose dependents would have entitled them to exemption under conscription or whose skills would have found them specialists' jobs; many, when recalled, were found to be physically unfit.

Mrs Anna Rosenberg, Assistant Secretary of Defence for manpower, has said that it now takes from nine months to a year to get a reserve division ready for combat, while a new system drawn up by the Department of Defence will cut that time by a half. The House has now approved this plan, which will divide reserves of all the services into three categories: ready, standby, and retired. Conscripts would pass into the ready reserves after their military service as, eventually, would those boys of 18 and 19 who undergo Universal Military Training, if Congress approves the UMT plan which is now being drawn up. At present the President has authority to recall all classes of reserves, subject only to Congressional limitation on the total size of the forces. After 1953 under the House Bill the President could call the ready reserve to active duty, on his own authority, but Congress will specify the size of the ready reserves. The standby and retired reserves could be recalled only by Congress or in time of war.

Shorter Notes

Leaders of the unofficial dock strike in New York which in the last ten days has piled up over $11 million of cargoes on the waterfront, some of them military, have offered to return to work provided the men are given another opportunity to vote on a new disputed contract. Dissatisfaction with this agreement, which provides for a ten cent an hour increase, all that is allowed under the wage stabilisation rules, is the immediate cause of the strike, but dissatisfaction with Mr Ryan, the life-time head of the longshoremen, is of long standing and has caused many dock revolts.

*

Congress has approved a resolution and Mr Truman has issued a proclamation ending the state of war with Germany. As the President noted, efforts to conclude a peace treaty with Germany continue to be frustrated by Soviet policy, but the proclamation means that Germans are no longer enemy aliens and may, among other things, sue in American courts.

*

The New York Court of Appeals has upheld the ban of the State Board of Regents on "The Miracle," the Italian prize-winning film. The vote was 5 to 2. The majority argued that the banning of the film as sacrilegious was justified and that freedom of the press was not involved because films are primarily a form of entertainment. The licence of "The Miracle" was revoked after Cardinal Spellman had urged all Roman Catholics to boycott it. The distributor plans to appeal the case to the Supreme Court.

*

One of the four Communist leaders who jumped bail after they had been convicted under the Smith Act of conspiring to teach the overthrow of the government by violence has been arrested in Mexico and deported to the United States to start serving a five-year prison sentence. He is Mr Gus Hall, national secretary of the American Communist Party. The United States has no formal extradition treaty with Mexico, but enjoys "good working arrangements" with the Mexican police.

*

The Army, Air Force, and Navy at home have, or will soon have, a new grievance—lack of beef. Last week the cupboard was almost bare, warehouses were empty, and the troops were threatened with a pork and poultry diet. Packers are unable, under the present price regulations, to buy beef for the Forces and sell it at a profit, and an attempt to buy 10 million pounds of beef abroad has been almost fruitless.

*

The first amendment to the Taft-Hartley labour relations Act has been accepted by Congress. It abolishes the requirement that before a union shop can be established, a special poll of the workers must be taken. Under a union shop, all employees must join the union within thirty days of being hired; few workers have been found to oppose this arrangement. The Bill also legalises 4,700 union shop clauses endangered by a Supreme Court decision in May.

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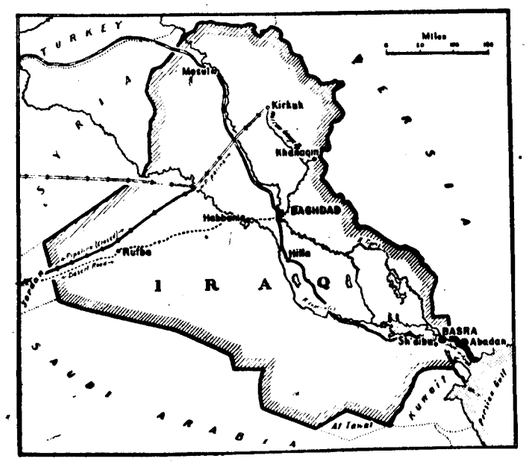
THE WORLD OVERSEAS

Oil and Bases in Iraq

(By a Correspondent)

FOR the last five years, whether in the limelight or temporarily in the shadows, Iraq's two major questions, one touching the national purse and both the national pride, have been treaty revision and the oil royalties. In neither are the Iraqis likely to see any *prima facie* identity of interests between themselves and the British—except very generally in the preservation of peace and harmony. Both provide fair game for violent "patriotism" and demagogy; and in both there is now, through events outside Iraq territory, a change of emphasis which could be menacing.

In the Anglo-Egyptian crisis Iraq, like a good Arab League member (though Iraq and Egypt were never cordial), announced its backing of Nahas; and now it is not possible for Baghdad, with its hot-headed public to consider, to sit still and brood over its own treaty, six years older and staler than the Anglo-Egyptian. Moreover, with Mossadegh on the war-path next door, the oil interests in Iraq—not less alien or less monopolistic than AIOC in Persia—must



expect to run into some trouble. The impression so far given to newspaper readers may be that Iraqi statesmen are behaving with more restraint and with less flagrant xenophobia than those of Cairo or Teheran. There has been no explosion, no ultimatum: Nuri'Said is known for as much of an Anglophile as a veteran Arab patriot and present party leader can afford to be: there is—and has been for thirty years—a fairly wide social, as well as official, field where Englishmen and Iraqis have got on well together. It is tempting, therefore, to hope that all may yet be well.

The 1930 Treaty was not made, as was the Anglo-Egyptian, under the stress of Mussolini's aggressions: and it has already lasted for twenty years, which indicates that it is a sensible and serviceable treaty. The trouble is that it was made in Mandatory days: it accords Great Britain unusual privileges, such as military bases, joint control of railways, and privileged status for the British Ambassador, and it aligns Iraq willy-nilly with Great Britain in its foreign relations regardless of what present-day Iraqis may prefer. To that extent it represents something less than the "complete independence" which Middle Eastern states take so seriously. To attack and "amend" this treaty was the invariable programme of Iraqi Oppositions in the period from 1930 to 1939—just as to flout it was the aim of Rashid' Ali and his generals in 1941.

Inevitably, therefore, there was a demand for treaty revision after the war; and after friendly discussions the Treaty of Portsmouth, blessed by Mr Bevin and the Iraqi Regent and Cabinet, was signed in January, 1948. But before the ink was dry it was rejected by a violent uprising of all the opposition elements, and the Baghdad mob which they mobilised. The Ministers responsible fled for their lives: the security forces were demoralised: and the restoration of an outwardly normal atmosphere in Iraq took some months under a caretaker government. This is a measure of the explosiveness of treaty revision in Iraq. It is true that the stage management of Salih Jabr's Government was poor: politicians outside the government clique were not consulted, the public temper was misjudged, the best Ministerial spokesmen were all absent when most wanted, and the Opposition staged a remarkably unified effort—with the Communists certainly playing a part. But it became clear that mass emotion on an alarming scale can be aroused by critics of a treaty that hurts the national *amour-propre*—above all, when the question of British air bases is emphasised.

Everybody knows the British objectives: stability and security, the goodwill of both the public and the government. communications that work and are available at need, a fair field for oil-production on agreed lines, and—hitherto—actual military bases. The trouble is in the last item. The 1930 treaty greatly restricted the RAF and its role: the 1948 draft further gilded the pill of "foreign troops on our soil" by hopes and palliatives. But the RAF is still there and still resented, and to secure its continued use of Iraq bases may or may not be possible. The Iraqis are certain to demand complete evacuation, as Egypt has; no party or politician can stop short of that and survive. At the best, some arrangement for joint forces (perhaps under Iraqi command), or some provision for the RAF's re-entry in case of war or imminent threat of war, might be accepted and produce agreement: at the worst, British insistence on remaining in occupation of Habbaniya and Shaiba airfields may lead straight to a head-on collision, with incalculable results—which would certainly include measures against the oil company.

Nor is it certain what line Iraq—as well as the other Arab States—will feel bound to take if the Anglo-Egyptian dispute actually turns into war; nor, more generally, whether Britain can reach any acceptable agreement with Iraq unless and until the outcome of Egypt's treaty repudiation is clear. In any case the position is hopeless unless it is realised that genuine goodwill is by far the most valuable of Britain's objectives, since without it nothing can work; that the feelings of the Iraq public, however regrettable or incomprehensible, must be taken into account; and that no statesman, whether Nuri or another, can steer through his Parliament a treaty opposed by mass emotion and therefore extremely dangerous to himself.

The oil question is partly financial: the Iraqis want a great deal more money per ton of oil, and they believe that the company's profits justify this. But because it may well be no longer a question of royalties only, but of the whole status of the oil industry, the question is also political or psychological. The Iraqis dislike the management of their greatest (or only) industry by foreigners with no Iraqi shareholding or control, and almost no Iraqis in senior jobs—and all on the basis of an indulgent concession last amended twenty years ago. On the financial side, the Iraq Petroleum Company and its associates has in fact travelled a long way, though possibly without much adroitness of timing. In 1950 it agreed to raise royalties from 4s. (gold) to 6s. per ton; in 1951 it has agreed in principle to conform to the fifty-fifty basis suddenly announced last year by the "Aramco" concessionaires in Saudi Arabia. A great deal of work has been done in fitting this formula to the complicated needs of the I.P.C.'s multinational shareholding groups, all with their own domestic fiscal problems; a fairly detailed basis of agreement with the Government has been initialled and is now, it is believed, about to be completed.

Meanwhile the course of events in Persia has had its repercussions in Baghdad. There is no Mossadegh there, but a number of journalists and deputies are clamouring for nationalisation, whatever it may mean. They declare roundly that no more mere royalties, no half-and-half shares, will do. The attitude of Nuri and his party, who today are in a majority, has so far been against nationalisation, while asserting (with perfect truth) that the oil in Iraqi earth is nationalised already. The best hope is that, with the Company formulating its offer in terms intelligible to the ordinary deputy, and with Nuri specifically identifying himself with this offer, it might be possible to secure its parliamentary ratification early in the new session, and so give the industry a few years of relative security. The prospect of very large revenues in and after 1952; the obvious fact that the I.P.C.'s pipelines run across other people's countries; the better relations between Company and Government than seem to have existed in Persia; the present disposition of the Prime Minister and his advisers—all these factors encourage such hopes. On the other hand, politics in Iraq and the Middle East usually run away with economics (witness the fate of the I.P.C.'s southern pipeline today); the extremist and the xenophobe have great emotional appeal; the Company is accused of being sadly backward in appointing high-level Iraqis to its staff, and meagre in its publicity. Many a deputy may in the end prefer to abstain rather than "support the foreign Company."

Draconian Remedies for France?

[FROM OUR PARIS CORRESPONDENT]

THE President of the French Republic spent last week-end in the Pyrenean region inaugurating monuments to the three Marshals of France: Joffre, Foch and Gallieni. M. Vincent Auriol then went to Chasseneuil in the Charente, where a ceremony was held commemorating the Resistance. At Chasseneuil the President spoke in passionate terms of the partisan attitudes and selfish practices which were ruining France. "Why should I conceal," he said, "my apprehension at the spectacle of egoisms unleashed, of the greed of individuals and sections, of an impatience to build quick fortunes on the ruins of our country and on the miseries of our people?" Referring to the necessity of five more years' reconstruction and industrial investment the President exclaimed:

> Oh, I know well enough that life is hard, above all for the workers. But it is often among humble people that one finds the greatest dignity and the keenest conscience. I say this to all those speculators who drive prices up in order to make exorbitant profits and then complain of the severity of the taxes of which they defraud the state. I say to them: by your greed, by your irresponsibility, you are ruining your country and at the same time digging your own graves.

This solemn rebuke from the head of state bears witness to the gravity of France's economic predicament and to the disastrous consequences of any repetition of the profiteering of 1946-1948. As always, however, the problem is to get agreement on legislative action.

In another week-end speech, the Prime Minister, M. René Pleven, tried to extract a coherent policy from the parliamentary tangle left behind at the recess. When the National Assembly returns on November 6th it will have to decide upon the question of the sliding wage-scale (the Socialists' Bill, which has received its first reading in the Assembly, is at present before the *Conseil de la République*). Last Sunday, M. Pleven reiterated his opposition to the sliding scale, which would, he said, deprive the government and parliament of essential financial powers. The Prime Minister promised economies in the railways and in the social security system (two budgetary parasites of several years' standing); he also announced an anti-cartel bill and a trade policy to increase competition—but both, alas, are old chestnuts. M. Pleven described a further devaluation of the franc as an absurdity because, while imports of raw materials would become dearer, no compensation would be gained in the terms of trade since, in any case, the foreign demand for manufactures at present exceeded the supply. Finally the Prime Minister stated that the budget was financed too much by indirect taxes and that fraud, especially in the evasion of the sales-tax, must at all costs be suppressed.

The Budget Deficit

M. René Mayer's broadcast speech a fortnight ago left no doubt as to the inflationary danger. The measures already taken—the rise in the discount rate, the prohibition of forward dealings in foreign exchange and the restriction of bank credit, may halt speculation and impel traders to liquidate at least some of their stocks. But the problem of the budget deficit remains. M. Pleven has denied the figure of 1,000 billion francs (on a budget of 2,600 billion); but more than half that amount is generally assumed to be missing. The government has naturally been forced to reject civil servants' demands for a wage increase, and for the first time in French history the university teachers who form one of the national *élites*, have used the strike weapon against the government. The government's immediate reaction to empty coffers has been to extract more of the few taxes that it can certainly lay its hands on: the price of petrol has been raised from 53.60 francs to 64 francs a litre and stamps on letters are to rise from 3½d. to 4½d. Will M. Pleven be able to continue his resistance to wage demands when the Assembly meets? Will he, indeed, be able to govern at all? Nothing is less certain.

M. Jacques Fauvet of *Le Monde*, who is the greatest living master of French parliamentary nuances, indicates three possible majorities in the Assembly, all of them uncertain. The basic fact is that the Socialists will not join a government until the recently enacted law granting state aid to non-state (Catholic) schools is repealed. Few tears would be shed over their absence by their colleagues of the Independents, Radicals and MRP, who, when they are themselves agreed, can muster a simple majority if the Socialists do no worse than abstain. Unfortunately the latter are apt to vote with the permanent double opposition of Communists and Gaullists—this was the unholy alliance that voted for the sliding scale before the recess. The collapse of the coalition that emerged from the general election last June which was brought about by the schools dispute seems indeed irreparable.

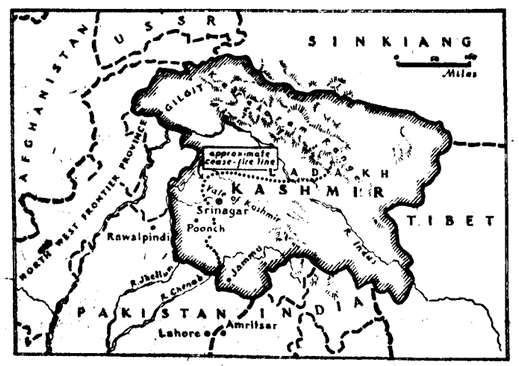
In Indian Kashmir

[FROM OUR SPECIAL CORRESPONDENT]

ALTHOUGH Dr Graham presented his report to the Security Council last week, the Council adjourned without discussing it and there will be perhaps six weeks delay before they do. Coming after the death of Mr Liaquat Ali Khan, however, this postponement by no means shelves the Kashmir issue. A new period has opened in relations between India and Pakistan and no one knows yet what it may bring. At the same time, if passions run deep outside, a visit to Kashmir itself is always an anticlimax. The Kashmiris themselves feel so much less strongly about the Kashmir problem than their neighbours do.

In the part of the country occupied by India, the people —both government and opposition—would have liked to be left alone to cultivate their garden. Having to choose between India and Pakistan is a *pis aller* forced on them by world circumstances. They have to lean on someone, as they put it, and being pre-eminently reasonable they like to calculate delicately who has more to offer. The balance is a very nice one, and nobody in Kashmir gets excited enough to call his opponents traitors.

To appreciate the situation one must go back twenty years to 1931 when, under Sheikh Abdullah's leadership, the



people of Kashmir first began to revolt against their Maharaja. Between 1931 and 1947 it cost them, they say, some 500 lives, and made of Sheikh Abdullah a unique national hero. His party began as the Muslim Conference, for the Maharaja's rule was uncompromisingly Hindu ; but from the beginning some Hindus, like the present Director-General of Rural Development, were with the Conference. It decided, therefore, in 1939, to change its name to the National Conference, and then occurred the split which lies behind much of what is happening today. Chaudhury Ghulam Abbas led a section of the more strongly Muslim members out of the party and started a break-away movement under the old name. Today he is the leader of Azad Kashmir and many of those who left the National Conference with him are in Azad too.

The Muslim Conference grew with the growth of Muslim feeling in India, but it never formally became part of the Muslim League and when Mr Jinnah came to Kashmir in 1946 he found little support ; in one town he was actually stoned. The Muslim Conference, however, attracted the richer and more conservative Muslims, men who were frightened by such radical proposals as land-reform and the emancipation of women. Most notable of its supporters was the Maulvi, Yusuf Shah, once the Maulvi of Srinagar's biggest mosque ; he is now in Azad, but is still a name of power with Srinagar's middle class.

Many of the Muslim Conference's followers are still in the Valley and they, together with the classes which have been hard hit by the war and the bad economic conditions of recent years, are pro-Pakistan. This opposition does not, however, as both Pakistanis and Indians believe, support Pakistan because of Islam. Kashmir today is already a Muslim state. Not only are the majority of the people Muslim, but no member of the government would dream of attacking any Islamic tenet, and Sheikh Abdullah himself not only goes to mosque, but makes his main political speeches from the pulpit. What makes the opposition favour Pakistan is that they think it has more to give. They claim that food is cheaper and unlimited there, that their communications are down the Rawalpindi road or the Jhelum river into Pakistan. Above all, they hanker for Pakistan's rock salt, and attribute to Indian lake salt every ill from tuberculosis to bony cattle. Pakistan is not so much the representative of Islam as the only effective opposition, the only real alternative for those discontented with the omissions and commissions of the government. Equally, it may fairly be claimed that many of those who support Sheikh Abdullah do not worry their heads much about India. They are more interested in "New Kashmir," the manifesto of the National Conference, and its implementation. The original programme was a mixture of all the idealisms of the optimistic thirties, from the equality of women to equal opportunity for children, from work as a right to work as an honour. But there is nothing communist in it beyond the red of the cover and the stylised sickle and hammer of the flag.

What Reforms Have Done

Sheikh Abdullah, indeed, claims that his reforms are the best possible insurance against Communism. Education is being reorganised to make the children learn through doing and not through parrot repetition, and in the new Kashmir University examination standards are being stiffened. In the Valley alone some 350,000 acres of landlord land are being given out to perhaps 150,000 tenants, though the landlord is not completely expropriated: he is left his house, his orchards and 23 acres. *Jagirdari* has been abolished, and £1,600,000 of technically outstanding debt is being reduced to about £200,000. Land foreclosed as long as ninety years ago is being restored to the peasant wherever its proceeds can be assumed to have equalled the debt. The co-operative movement has been built up to a membership of 105,000—from 21,000—and an annual turnover of £1,250,000. It carries on the whole trade in salt, cloth and kerosene at distribution charges varying between 5 and 9 per cent. A hundred miles of village road and thirty miles of *bund* are being built per year, largely by villagers themselves. And lastly, rations have been increased by 25 per cent since 1947, until they are half as big again as India's—though the Kashmiris, of course, still complain of starvation.

These reforms and Sheikh Abdullah's own personal popularity are the arguments which are most used to justify the present regime. But it is also sometimes contended that the Kashmiris owe a duty to the Muslims of India and that Kashmir has obtained more autonomy from India than Pakistan would have granted. The Maharaja's government acceded to India only for foreign affairs and defence (in which it is not very interested), and communications (which means only a few telegraph lines) ; everything else, from fundamental rights to income tax, the Kashmiri administration keeps in its own hands. It is also contended that the Kashmiris hate Punjabis and that Pakistani rule would mean Punjabi rule. Half the administration is still Hindu, though the number of Muslims has increased, and it would certainly be difficult for Pakistan to replace them with anybody but Punjabis. Finally, there is an economic argument that, wherever the roads may have gone to, the markets for fruit and handicrafts are in India, and the tourists come from India.

The majority of the people are thus neither pro-Pakistan nor pro-India ; they are only for a change or for Sheikh Abdullah, and between these alternatives, their views swing with the economic situation. Those who remember American lavishness and trekking British officers ; those who have lost their land or have had their trade taken away by the new government emporia and government co-operatives ; those, too, who simply feel hungry, are all for a change. Those who have been given land or relieved of a debt, or who had a difficulty fixed by the Deputy Prime Minister, are for the status quo. The government popularity was probably at its nadir last year, after a series of bad harvests and ruined tourist seasons ; this year there has been a bumper crop, and there have been 10,000 tourists, the land reforms have got going and traffic is flowing smoothly over the Banihal. So the government's popularity is rising, the opposition has lost some of its flame, and even the frustration of suspense is mitigated by some feeling that time is being gained in which to act and to judge so that the ultimate decision may have some chance of being taken on its merits.

How a plebiscite would go is, of course, impossible to say, but if 1952 is a good year Sheikh Abdullah's chances might be bright indeed. Meanwhile, perhaps there is something to be said for his view that it is time the mediators came and mediated between him and Chaudhury Ghulam Abbas. They would be so much less passionate.

Liaquat's Achievement

[FROM OUR CORRESPONDENT IN PAKISTAN]

THIS article is being written in Rawalpindi while the workmen are still dismantling the ill-fated dais in the "Company Bagh" on which Liaquat fell mortally wounded. The fog of rumour has not yet cleared, and people are still trying to adjust their thoughts to the idea of a Pakistan without Liaquat. For he had that dangerous thing, power, in a measure that would have gone to most people's heads. Yet his equable temperament did not lend itself to bombast or overweening ambition ; practical-minded, imperturbable in success or adversity, he followed the ways of reason and moderation even when it cost him popularity. He kept his head out of the clouds, just as he kept his feet out of the mire.

In the field of foreign affairs Liaquat's policy met with a good deal of criticism, mostly inspired by impatience. "At least," a Pakistani was heard to remark on the morrow of the tragedy, "we shall now get an independent foreign policy"—the implication being that Liaquat had tied Pakistan to the leading strings of Britain and America. The speaker, like many others, believed that Pakistan should follow the middle course of neutrality—*medio tutissimus ibis* —joining other like-minded countries in aspiring to hold a balance between the Russian bloc and the western powers. Advocates of this policy do not appear to have sufficiently considered its logical consequences. They should ask themselves whether India has done itself, or its international standing, any good by its policy in respect of Korea and the Japanese peace treaty ; but perhaps they do not realise that they are urging Pakistan to follow India's example.

Let us assume that Liaquat's foreign policy during the past few years has been designed primarily towards the winning of Kashmir for Pakistan. Let us also adopt an entirely cynical line of argument, because that is the type of reasoning required to convince most Pakistanis in their present mood. It will be agreed that the Pakistanis cannot hope to win Kashmir by themselves, and Liaquat, accepting this, saw clearly that only the United Nations Organisation—with all its procrastination and weakness—could do the trick for them. Logically, therefore, his proper course (quite apart from the moral aspects of the matter) was to follow a policy of co-operation with the UN and with those countries which commanded most votes there ; that is to say, Britain and America. And by his steady co-operation, by the contrast between his consistent willingness to submit all Pakistan's differences with India to arbitration and India's manifold inconsistencies, Liaquat brought world opinion slowly but surely to the side of Pakistan in this dispute. This was a magnificent achievement, which one false move could easily have cast away.

Jugoslavia Today—II

Tito's Battle with the Peasants

[BY A CORRESPONDENT RECENTLY IN BELGRADE]

IF Jugoslavia is to surmount the present economic crisis it must solve the problem of agricultural production. This is at present well below what is needed. Livestock last year showed a decline in numbers and the proportion of land sown is still below the prewar figure. Before the war agriculture provided 56 per cent of Jugoslav exports and supported 75 per cent of the population—a third of whom were virtually unemployed and certainly undernourished. Today agriculture supports 68 per cent of the population and provides less than 33 per cent of Jugoslav exports. Contrary to the popular belief, the consumption of food per head in Jugoslavia has increased since prewar days, particularly in meat, sugar and wheat products. This partly explains why there is less food for export ; a more serious reason is that the peasants are no longer producing as much as they could.

This go-slow policy by the peasants is not only a reaction to Tito's government. It has been perfected during the past twelve years of unstable conditions. War, revolution, Communism have not produced conditions likely to persuade peasants to plan ahead for greater production—the risks were too great. Moreover, in Jugoslavia, as in all east European countries, the memory of the nineteen thirties, when food prices reached rock bottom, is still as sharp and bitter as the memory of unemployment in any mining area in Great Britain today. The peasants have reached a stage in which they can produce as much as is necessary for their own comfort ; if they are to go beyond this they will need some powerful incentive and a feeling of confidence that the government will share the risk. So far they have not received these from Tito's government.

Government policy since the war has aimed at encouraging the small and middle peasants and discouraging the richer peasants or kulaks. Since holdings were limited to 35 hectares in all (25 hectares of arable land) kulak could mean anyone with 15 hectares or with a particularly prosperous holding.

Co-operatives Not a Success

All private peasants have been subject to compulsory purchases by the government (OTKUP) at very low prices. They also had to pay heavy income tax. The assessment of both these has been arbitrary and designed to cripple the richer peasant. At the same time a government campaign, backed by moral and economic pressure, has been carried on to try to persuade the small and middle peasants to join their land into co-operative farms. It was to be a form of collectivisation without nationalisation of land. In theory, the co-operatives being larger units should have been more productive. In practice the machines, fertilisers, new stock, feed, even the administration necessary to make a success of co-operatives, could not be provided. Peasants who joined have been made to work in brigades as labourers and their profits were not what they had expected.

They, too, have therefore not had the incentive or the means for greater production.

One reason for the present situation is that the Jugoslav government has not been prepared to invest sufficient money in agriculture. Agriculture was the Cinderella of the Five Year Plan. Whilst industry was to have 100,000 million dinars investment over the five years, agriculture was scheduled for only 19,000 million. Though more than this figure has actually been invested in agriculture it is still much less than was needed.

INVESTMENT IN AGRICULTURE
(In Millions of Dinars)

Year	Total	State Farms	Improvement Schemes	Co-operatives	Village Centres
1947	1,712	1,416	241	23	38
1948	5,742	3,752	198	400	1,392
1949	8,204	3,218	1,664	1,524	1,798
1950	6,695	1,712	603	3,067	1,313
TOTAL	22,353	10,098	2,706	5,014	4,541

The greater part of the above investment has been internal investment much of which was spent on buildings which could be put up with local unskilled labour and home produced materials. Very little investment was in imported machinery, fertilisers, stock, etc., since, because of the development programme for industry, foreign currency could not be spared for the needs of agriculture.

The Jugoslav government has recognised the need for a new approach to agricultural problems and some changes in policy have already been tried out. The unpopular OTKUP is to be abolished for everything except cereals, fat and wool. Assessment for OTKUP and income tax is to be improved so that peasants will know their obligations to the state and can produce beyond that for their own benefit without fear of extra impositions. Food rationing is to be gradually abolished. Originally it was to end on November 1st, but this has now been postponed. It was expected that the abolition of rationing would be followed by a rush to buy food in which prices would rise and the peasants would make large profits. During October an interim scheme has been tried out in which rationing is by points which could be used for any commodity. It has been found that the demand for fats was so great that stocks were threatened. It seems likely therefore that derationing will not start until the government is sure that it holds sufficient stocks to prevent private peasants holding the whole nation to ransom.

There is also the important problem of providing sufficient consumer goods of good quality on which peasants can spend their profits—otherwise there is no incentive to sell or produce. Government officials seem confident that they have such stocks for immediate needs but they must also convince the peasants that they will be available in the future.

Peasants Try to Leave Co-operatives

One of the promises originally made to peasants who joined co-operatives was that they could leave after three years if they were not satisfied and take away land equivalent to their original contributions. Although the three years is now up for many peasants, it seems highly improbable that they will be allowed to leave except in the very few cases where undue pressure can be proved. Already charges of sabotage have been made against lawyers who were prepared to take up the cases of peasants trying to leave co-operatives.

It is now clear why Tito's government cannot abandon its policy of encouraging co-operative farms; 75 per cent of Jugoslav agriculture is in the hands of private peasants who can exact high prices for their produce and force the government's hand simply by refusing to sell or to produce. The 25 per cent of agriculture which is made up of co-operative and state farms is still barely enough to act as a brake on peasant monopoly. The government's policy at present is not to increase the number of co-operatives but to make existing ones more productive. Food shops for the sale of co-operative products are being opened up all over the country. Co-operatives that supply food to these shops are being given coupons entitling them to reductions and to priorities in the purchase of industrial goods. They are also being encouraged to export surplus food and use the currency thus obtained to buy goods abroad for themselves.

Modifications in the way co-operatives may be run are also being considered. An experiment in Istria in which the brigade system was abolished and peasants were allowed to work co-operative land in family groups has received much praise. It is also significant that encouragement is now being given to General Co-operative Guilds. These organise planned production and co-operative buying and selling but they leave the peasant free to till his own soil and work for his own profit.

Thus considerable modifications are being introduced into the previous rigid policy for agriculture. But as long as nearly half the annual investment programme is scheduled for industry agriculture cannot be greatly developed. This is one of the anomalies of Jugoslav planning. World prices for food are high and likely to remain high; and many outside observers think that Jugoslav prosperity could be more rapidly achieved if investment could be adjusted in favour of developing the country's undeniably rich agricultural resources.

One important aspect of the whole problem of agricultural production is that by its very nature, it takes time, and therefore policy must be long-term. If peasants are to plan ahead to increase numbers of stock and extend their crops they need confidence that the government will share their risks and that its policy will be stable—not reasonable this year and harsh next. They need some assurance of a peaceful future. This Tito is powerless to give; but it is still in his power to restore the peasants' confidence which has been shaken by their experiences of the past few years.

(To be concluded)

Formosa—Outpost or Base?

WITH the signing of the Japanese peace treaty and the formal termination of Japanese sovereignty in Formosa, there can no longer be any juridical uncertainty about the status of Formosa; for although it has not been formally transferred to China—there being as yet no Japanese-Chinese peace treaty—there is no other nation but China to which its ownership can revert. The Nationalists have always agreed with the Communists that Formosa has been Chinese territory ever since 1945, as against the view that it was only Chinese-occupied territory before the San Francisco treaty; this was indeed the only subject on which Peking and Taipeh took a common stand.

The preservation of Formosa as a Nationalist stronghold since the Communist victory on the mainland of China now means that in international law, as well as Chinese opinion, a portion of Chinese territory rather larger than Holland remains under the rule of the Nationalist government. And as long as this is so, it is not a government-in-exile, even though the area of its control is very small in comparison with the vast size of the domain of Chinese Communism. This fact is of considerable importance, for in a civil war a beaten party which retains some foothold in the national territory has a much better chance of revival than one which is driven out entirely and only survives among refugees in foreign countries. Exiles are not only deprived in time of peace of the opportunities for action which they retain as

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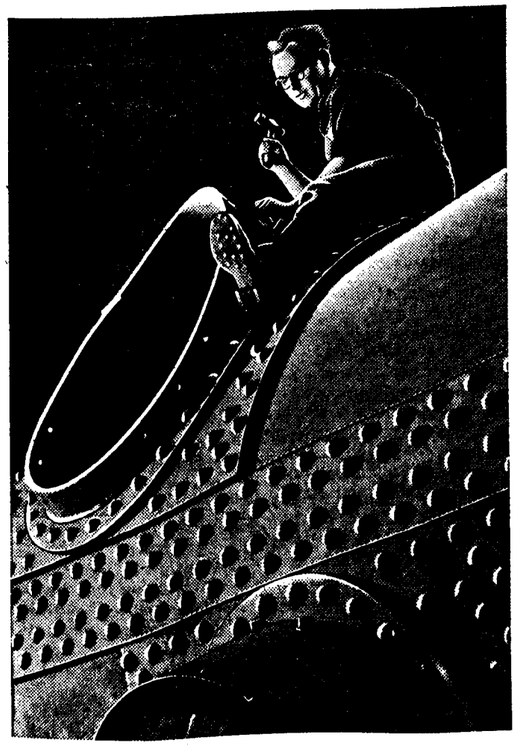

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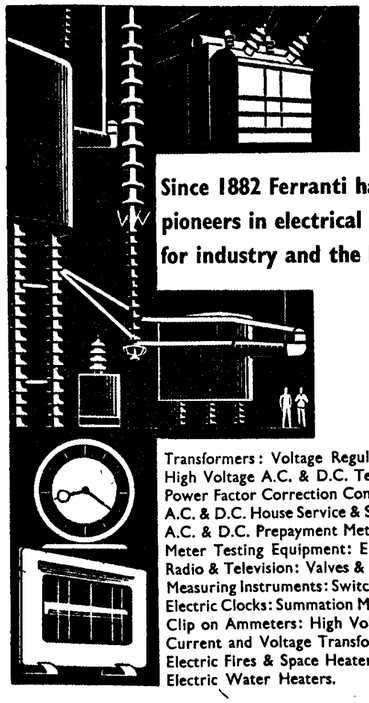

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long as they have a base in their own country, but they are inevitably demoralised by the mere fact of being in exile and under alien sovereignties. In China the existence of a large island a hundred miles from the mainland gave Chiang Kai-shek a relatively secure place of refuge, as long as he retained naval superiority over the Communists, and preparations for retiring there were taken in hand long before the campaign on the mainland was at an end. To-day Formosa is more of a thorn in the side of the Chinese Communist regime than appeared possible at the time of the fall of Canton two years ago.

In the early months of 1950 Nationalist morale in Formosa was very low, not only because of the long run of previous defeats, but also because of the withdrawal of American support and the obvious trend of Washington's policy towards disentanglement from Chinese affairs, if not immediate recognition of the Communist regime. Chiang Kai-shek might well have felt as down and out as the whole world considered him to be. But just as in 1940 and 1941, in spite of an apparently hopeless military situation, he rejected all Japanese peace feelers because he believed that the Japanese were bound to overreach themselves and get involved in a war with the United States, so in 1950 he was sure that the Chinese Communists would overreach themselves and help him to survive by doing something that the Americans could not tolerate. His expectation was correct, for the aggression in Korea, first politically and then militarily supported by Peking, has brought him not only the naval protection which may or may not have been indispensable to his tenure of Formosa in the summer of 1950, but also the material and moral support which has enabled him to reorganise and re-equip his forces in the island as a serious military factor.

Activities of American Mission

In recent months American aid to the Nationalists in Formosa, both military and civil, has been more prompt, more suitably directed and, being in such a confined area, far better concentrated than American aid used to be when the Kuomintang held most of China. A strong American military mission, led by a general who formerly served in the Marine Corps, has been intensively training the Nationalist army, giving special attention to amphibious operations and landing tactics. An observer who recently travelled extensively in the island has reported that the morale of the troops appears to be high. It is believed that the Nationalists could now put up a very good fight against a Communist invasion from the mainland, even if American naval protection were to be removed. The whole of the coast facing the mainland has been covered with a system of beach defences planned with American technical advice, and invasion today would be a far more difficult problem for the Communists than it would have been two years ago.

The defence of Formosa, however, is no longer the foremost issue in the minds of the Nationalist leaders; more and more they talk in terms of returning to the mainland and being themselves the attackers in the near future. The training of the troops in landing operations appears to indicate that the American military advisers sympathise with these intentions; it has indeed been stated by the American mission, in response to the curiosity of journalists, that the object of the training is merely to enable the defenders of Formosa to counter-attack an invading army from the sea if it should succeed in landing, but this explanation is not taken very seriously by people on the spot. The current mood of the Nationalists is one of hope for an early opportunity to take the offensive. Their morale, indeed, ultimately depends on this idea, for they have never regarded Formosa as anything but a temporary refuge, nor have they ever had the aim of making it a separate state. They claim without any abatement to be the legal government of all China, and as long as the United States and a number of other nations continue to recognise this claim, they feel that they have strong moral support for their position.

There are three hypothetical situations which might give the Nationalists in Formosa a chance to re-emerge from their insular fortress. The first is a revolt within Communist China, which would open the way to new combinations in Chinese politics. There has so far been no sign of such an outbreak since the inauguration of the Peoples' Republic: indeed, the Communists have been more successful in coping with "war-lordism" than any Chinese government since the fall of the old monarchy, and the key positions in the army are held by party members of long standing. It still remains possible, however, that if the regime gets into difficulties, rebellion may flare up in some part of China with assistance by air from Formosa. Perhaps the most that can be said of this prospect is that it is somewhat less improbable than the Titoist evolution of Mao Tse-tung, which *is the favourite* speculation of British diplomats.

The second possible opportunity for the Nationalists would be provided by an unrestricted Sino-American war, whether arising from a local conflict in the Far East or by the extension of a war starting elsewhere; in such an event the Americans would certainly make every effort to overturn the Chinese Communist regime and restore the Nationalists, at any rate as part of a coalition of anti-Communist elements in China. The third possibility—and the one which the Nationalists themselves apparently regard as the most likely to be realised in the near future—is an intensification of Chinese Communist support for the Vietminh, with consequent French and American support for Nationalist operations against the Kwangtung coast and Hainan. Taipeh is at any rate confident that, while Mao and Liu hold power in Peking, there cannot be any real restoration of peace in the Far East, and that as long as a near-war situation continues, Nationalist Formosa will remain indispensable to the United States.

Liberation of Europe's Trade

UNDER the militant title *Code de la Libération*, the Organisation for European Economic Co-operation has published an anthology of its efforts to liberalise trade between the countries of Western Europe. It contains the final text, as adopted by the Organisation in July this year, of the principles to which all eighteen nations, with remarkably few reservations in practice, have now subscribed. It is a record of solid achievement since August, 1949, when the Council of the OEEC first took the bull by the horns and declared "as complete a liberalisation as possible" by 1951 to be a major objective of its operations.

Both in theory and historically, two distinct but connected themes have run through the working out of this objective. The first was the comparatively simple one of freeing as much as possible of each country's private trade with other members in the area from import and currency restrictions: in fact, to make some inroad against the barriers to trade which were the result of postwar shortages and financial crises. The second was to end discrimination in trade at least between the countries of Western Europe.

By January, 1950, the member countries had decided in principle that they could liberalise 60 per cent of their imports on private account, based on actual imports in 1948, and they were in practice already importing freely up to 50 per cent of such trade. The jump from 50 per cent to 60 per cent did not in fact take place until October, 1950, when the EPU came into operation. At that date, also, it was agreed for the first time to liberalise without discrimination, which meant, in effect, that when any country abolished restrictions on any particular import, it had to do so equally for all member countries. This was a major step forward, and it was possible only because of the new flexibility guaranteed by the EPU in intra-European payments, which meant that countries could balance their bilateral deficits with their bilateral surpluses, and need only worry about their net trading position with the area as a whole. For the first time, people could no longer argue that what they could import from Holland they could not afford to import from Belgium.

So long, however, as countries were free to choose which commodities they would liberalise, liberalisation was still only flirting with the fundamental problems. Countries tended to free only those imports which did not compete with their domestic industries; and there was no incentive to lift restrictions on goods which had been imported only in small quantities, or not at all, in the base year 1948. These issues came to a head in February, 1951, when the OEEC Council met to consider whether it could raise the quota from 60 to 75 per cent. Hitherto, it had insisted that trade should be freed equally in the three main groups of commodities; thus countries had agreed to free 60 per cent of their private imports of agricultural produce, of raw materials and of manufactured goods. When it came to 75 per cent, most countries felt that they could not apply the increase to all three groups without endangering their domestic producers; the most they could accept was a 75 per cent liberalisation in their private trade with Western Europe as a whole. Feeling that this was in a sense a retrograde step, the Secretariat prepared a list of commodities which it considered could be freely imported by all member countries, without serious damage to their internal economies, but which were important to the exporting countries. In April this year, this common list was finally adopted.

Progress Towards a European Market

This was a bold and new departure. For it was, among other things, the first real step towards the American objective—the creation of a European market for European products. Only when everybody allowed free imports of the same commodities could there begin to be genuine competition between the producers of those commodities. Tariff barriers, on which the Americans had been concentrating their attack, remained; but this theoretical freedom of movement was at least an advance.

The code of liberalisation thus provides that all countries will freely import goods on the common list; further, they will freely import 60 per cent of their private trade in agricultural products, raw materials, and manufactured goods respectively; finally, they will freely import 75 per cent of their total trade on private account with member countries of the OEEC. Any member who wants to evade these provisions must satisfy the Council either that its payments position in the EPU is so bad that it cannot afford to fulfil them—as with Western Germany at the beginning of this year—or that its internal economy is threatened by serious instability as a result of this degree of exposure to foreign competition. At the present moment, the main exemptions are Austria, Denmark, Germany, Greece, Iceland and Norway, who have not yet been able either to achieve the 75 per cent stage or to adhere to the common list.

This list, by which the real progress of liberalisation must be judged, is short and distinctly miscellaneous. It runs from fishhooks to fichu, and hazelnuts to hair with major omissions in between. A number of its items are goods which countries would in any event be only too pleased to buy, such as animal feedingstuffs and hardwood. But it does contain at least two major items where competition is hot and supply comparatively easy; these are textiles of every kind and degree of processing, as well as textile machinery; and fresh vegetables. The most glaring omissions—mainly in the field of agricultural products (butter, bacon, eggs)—can hardly be laid as failures at the door of the Organisation. They are the goods which Britain, the major consumer, imports not on private but on government account. This is the main and fundamental qualification which must be made to the British claim that they have liberalised over 90 per cent of their private trade with Western Europe.

Now as the code is published, liberalisation has again reached a crucial stage. All the comparatively easy things have been done. The remainder cannot be dealt with without a real change of heart by European governments. The two problems which loom longest are government buying and tariffs. Until the British reduce their government trading activities, no one will accept at its face value their claim that they have liberalised more than 90 per cent of their private trade; for the government still controls those imports in which Europe is mainly interested. Similarly, there can be no European market in any real sense until not only quantitative but tariff restrictions have gone by the board; in other words, until national economic policies become "European" in spirit as well as in the letter of this or any other code. France, it will be remembered, greeted liberalisation with one hand and doubled its tariffs with the other; a GATT working party has now agreed that there can be no further increases in the tariffs on liberalised goods, but it has not yet touched the problem of reducing the tariffs which already exist.

These are some of the problems; and they will not be easy to solve, particularly as they have to be faced at a time when even the achievements of the past are beginning to be threatened. As France and Britain move into a position where they become net debtors to the EPU, they must begin to wonder whether they should really pay gold for the sake of preserving the freedom of British traders to import cut glass from Belgium. The code has been published not a minute too late.

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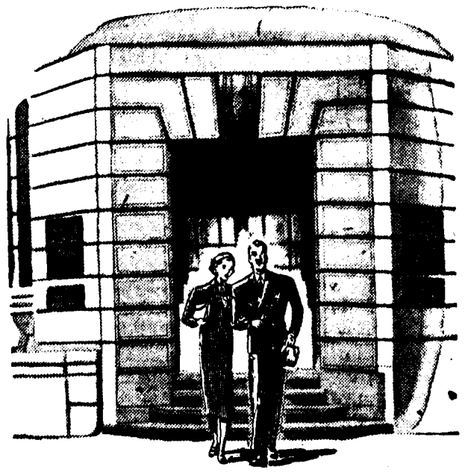

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THE BUSINESS WORLD

Taxation of Profits—I

Profits Tax in Principle

We shall set our face against the fortuitous rise in company profits because of the abnormal process of rearmament. We shall accordingly impose a form of Excess Profits Tax to operate only during this exceptional period. At the same time a revision of the existing system of taxation on commercial and industrial profits is required. Relief will be given in cases where profits are ploughed back and used for the renewal of plant and equipment.

Conservative Party Manifesto.

We shall limit dividends by law, increase taxation on the small minority who own great fortunes and large unearned incomes, and take measures to prevent large capital gains.

Labour Party Manifesto.

IT is difficult to measure from these vague promises and threats what either of the two parties precisely intends about the taxation of profits. One of the first tasks of the new government must be to re-shape fiscal policy not in the free and easy terms of manifestos but in the more disciplined words of budgets and finance acts. The Conservative manifesto included no explicit promise of revision of the Profits Tax, but " revision of the existing system of taxation on commercial and industrial profits " ought to imply sufficiently radical changes in the Profits Tax to justify the introduction of a temporary Excess Profits Tax. A Labour Chancellor's course would be preordained—the enactment of dividend limitation and some kind of capital gains tax. All this promises rich confusion in the future ; at present it is better to begin a review of the taxation of profits on the firmest foundation of fact. The first task is to examine the history and the principles, if they can be so described, of the Profits Tax. Next, there are important points of practice that need to be illustrated. And thirdly, some sketch of the ways in which Profits Tax needs to be revised must be attempted.

Like many burdens, the Profits Tax—formerly styled National Defence Contribution—has grown from humble beginnings ; it started in 1937 as a charge of a mere 5 per cent and has multiplied tenfold until the maximum rate is now 50 per cent. In the first full year, 1938/39, Profits Tax yielded £22 million compared with £336 million from Income Tax ; during the war years it was overshadowed by Excess Profits Tax but in 1948/49 it produced £199 million (Income Tax £1,367 million) in 1949/50 £261 million (Income Tax £1,438 million) in 1950/51 £258 million (Income Tax £1,404 million) whilst the full year's yield on the basis of the higher rates introduced in the last budget will be about £425 million. It has also emphasised new conceptions in British tax practice. Formerly, the Income Tax was regarded as a tax on the incomes of individuals. In a reservation to the Report of the Royal Commission on Income Tax in 1920, a group of signatories wrote:

> The Income Tax is not a corporation tax. It is a tax upon the incomes or profits of individuals, and though for convenience it is assessed in the first instance upon corporations in which they hold interests, the amount of it is always adjusted to the income not of the corporation, but of the individual shareholders. It is true that, when a company receives profits which it does not distribute, the profits are taxed at the standard rate. But it is universally recognised that the reason for this is, not that the company as such is liable to Income Tax, but that it is impracticable to tax the separate parts of a company's undistributed profit at the rates to which the separate shareholders, to whom those parts ultimately belong, are respectively liable. The mere fact, therefore, that a number of individuals have formed themselves into a separate legal entity does not constitute the receipts of this legal entity a taxable profit under any part of the British Income Tax law.

Today that would seem an extreme statement, for a company is now regarded as paying income tax, not as an agent for its shareholders, but as a taxpayer in its own liability. The change in outlook is significant, and unfortunate, for it cuts across the principle of taxation according to the size of individual incomes and personal circumstances. Now that sharper legal distinctions have been drawn between companies and their owners, corporations have become more vulnerable to taxation since they lack those personal attributes that enable individuals to claim that their incomes, from whatever source they may be derived, should be charged to tax on a similar basis to the incomes of other individuals. Indeed, this change in conception stems from the Excess Profits Duty of the first war. From EPD, two ideas gained ground: first, that it was proper to tax profits irrespective of their cause or character, and secondly, that profits, as distinct from incomes, must be the subject of charge.

Thus, the Excess Profits Duty introduced the practice of charging tax on profits by two stages, first because they were profits, and secondly because they formed a part of the wider category of income. The Duty was charged not on the whole of the profits but only on the excess above a certain standard, and in its method and purpose it set the pattern for the Excess Profits Tax of World War II. Both were designed as temporary charges, and were unsuitable as long-term impositions since they were based on a standard period that became more inequitable as it became more remote. But the Excess Profits Duty had set a new fashion and it was not long before profits came to be regarded as *sui generis*, having a taxable capacity distinct from that which attaches to

personal incomes. In 1920, a new Corporation Profits Tax was introduced which Mr Baldwin described as:

> a tax on the industry of the country which might be left when the Excess Profits Duty was removed, and which would help to provide that increased revenue which we know will be required for a great many years.

This taxed the profits of bodies corporate at the rate of 5 per cent of all profits, before payment of loan interest. Public utility companies were exempted (as they were from the National Defence Contribution at the outset) because, as the Chancellor of the day said, "They cannot adjust themselves to a new business expense thrown upon them, and that is what this tax is. It is not a deduction from the dividends of the individual shareholder, but an additional business expense put upon the business." Corporation Profits Tax was regarded as an item of cost which could be passed on to the consumer.

The Corporation Profits Tax was followed by provisions in the 1922 Finance Act designed to charge to surtax profits of private companies that were unreasonably withheld from distribution. There is a connection between the two matters that deserves consideration. Surtax is not a tax in its own right but an additional income tax designed to maintain the principle of graduation in the higher levels of income. But undistributed profits of companies do not reach the pockets of individuals and so do not enter into the computation of total income for surtax purposes. In the absence of detailed knowledge of the incomes of the individual shareholders to whom the undistributed profits ultimately belong, Income Tax is charged at the standard rate. The 1920 Royal Commision pointed out that this practice opened the way to avoidance of surtax through the formation of "one-man" companies distributing only a minimum of their "profits" to the proprietors, and the provisions of the 1922 Act were enacted to close this gap. But if the principle is strictly pursued that profits belong, not to the company but to its shareholders, some "loss" of surtax results from profits withheld from distribution by public companies. This "loss" may provide some justification for a separate tax on corporate profits over and above the Income Tax; but if so, it is a justification that has been greatly weakened by the growth of the concept that companies should be treated as separate entities for taxation purposes.

The Corporation Profits Tax had a short life. It was repealed in 1924, and until 1937 the Income Tax reigned alone as the only charge on profits as on other forms of income. The passing of CPT was not regretted; as Dr Dalton wrote in his "Public Finance":

> A special tax upon business profits, such as the postwar British Corporation Profits Tax, now repealed, was a bad tax ... for it discriminated against a particular class of property-owners, as compared with all other classes, including debenture holders and the holders of gilt-edged securities. It was, therefore, in effect, a tax on risk bearing and tended to divert the flow of capital from risky to comparatively safe investments. But, in view of the need that risks should be taken and the reluctance of many investors to take them, this was a harmful diversion.

In 1937, Mr Neville Chamberlain introduced the National Defence Contribution in the form of a tax on a sliding scale on profits that exceeded the "standard profit" based on profits of previous years or on the capital employed. In thus seeking to tax "excess" profits in time of peace Mr Chamberlain aroused strong opposition and his original proposals were withdrawn and were replaced by others that, under a different name and with greatly different rates and methods, still operate today. The tax was closely similar in form to the Corporation Profits Tax except that it was charged upon the profits of individuals as well as upon those of corporations. It was charged at 5 per cent of profits in excess of £2,000, with certain abatements, and was initially imposed on the profits that arose "within the five years beginning on April 1, 1937." In an early commentary prepared for the Incorporated Society of Accountants the authors wrote:

> It seems desirable to point out that N.D.C. in its present form is in fact a revulsion from the more elaborate impost originally proposed. On closer study, however, it is found that its simplicity is relative rather than absolute, while in practical application anomalies are likely to be the rule rather than the exception, being tolerable only because of the low rate of the duty.

This was a sound judgment; the Profits Tax of today would no doubt be very different if it had been originally conceived as a tax of up to 50 per cent instead of only 5 per cent.

In the first budget of 1939 there appeared a rare creature—a tax upon a certain kind of profits in the form of the Armaments Profits Duty. It was to be charged for a period of three years on profits derived from business under armament contracts at the rate of 60 per cent on excess profits over certain standards. It is open to doubt whether Armaments Profits Duty would have been workable, or, if workable, equitable, for large-scale Government spending has a way of generating profits in the most unexpected quarters. But the question was never put to the test, for in the Autumn Budget of 1939 the Excess Profits Tax was enacted and the Armaments Profits Duty repealed. The Excess Profits Tax followed very closely the pattern of the Excess Profits Duty of the first war. It lasted for 7¼ years: from April 1, 1939, to March 31, 1940, at 60 per cent, then until the end of December, 1945, at 100 per cent (effectively 80 per cent when the postwar refund was taken into account), and finally for the year 1946 at 60 per cent. During these years the National Defence Contribution remained chargeable, but only as an alternative in those cases where NDC exceeded the liability for Excess Profits Tax. It was a poor, ugly duckling bringing in about £30 million while EPT was yielding £400 million or more. No one paid any attention to it, few cases were fought, and no amendments introduced.

With the end of the war no time was lost in repealing the Excess Profits Tax; the Treasury has a long memory and it did not forget the enormous repayments of Excess Profits Duty in the slump of 1920, repayments so gre

that EPD came to be described as "the most complicated arrangement ever devised for borrowing money for five years without paying interest." Like the Corporation Profits Tax twenty five years earlier, the National Defence Contribution was called upon to make up for some of the loss in revenue. It was adapted to serve other purposes as well, and its name had already been changed to Profits Tax in preparation for the more important role it was to fill. The changes in the 1947 Finance Act were far-reaching. Profits Tax has been charged since the beginning of 1947 on all profits arising from trades carried on by corporations; individuals are outside its scope. Profits are computed, with certain modifications, on income tax principles. No tax is charged on profits up to £2,000 and there is an abatement up to £12,000. From January 1, 1947, until September 30, 1949, the rate was 25 per cent with relief of 15 per cent where "distributions" fell short of the profits charged; from October 1, 1949, until December 31, 1950, the rate was 30 per cent with 20 per cent non-distribution relief and since January 1, 1951, the rate has been 50 per cent with non-distribution relief at 40 per cent. Thus baldly stated, the bare bones of the tax appear simple enough. But this impression is entirely misleading with the adaptations that have proved necessary to safeguard the Revenue and to support the high rates at which it is levied, the Profits Tax is as complicated, fickle and anomalous a tax as has ever been charged in this country.

Utility Patchwork

THE character of the utility schemes has vastly changed since they came into being nearly ten years ago. In one industry after another, piecemeal revision of the utility regulations has attempted to meet the exigencies first of a sellers' and then of a buyers' market. The changes have been made principally to widen the scope of the schemes so that more expensive and better quality goods can be sold on the home market without purchase tax. But it has been difficult to detect any coherent policy in these changes. They have acknowledged the fact that prices have risen, but they still produce a wholly artificial division of output into taxed and untaxed goods, which discriminates against products above the common run of utility standards. A joint Treasury—Board of Trade committee is now studying the effects of purchase tax on industries with utility schemes, and is expected to present its report before the end of the year. It might be timely to ask at this stage whether the utility schemes now serve a useful purpose.

Utility schemes were first and foremost a means of providing the home market in times of wartime shortage with a supply of cheap goods of at least a minimum standard of quality. They were introduced for textiles, shoes and furniture, trades in which rationing kept effective demand within bounds. The schemes had two main objects—price control and quality control. The Board of Trade set the standard for utility goods by prescribing in some detail the way in which each product had to be made. Utility clothing and household textiles could be made only from utility cloth, for which certain requirements were laid down. Cotton, rayon, and linen cloths had to be made to one of a number of cloth constructions. It proved quite impossible to list similar constructions for wool cloth from the bewildering combinations of virgin wool, re-used wool, cotton and rayon with which Bradford confronted the Board of Trade. According to the Board's statement, "Because of the nature of wool it has never been practicable to have precise specifications for wool cloth." So a compromise solution was found by which wool cloth, for the purposes of the utility scheme, meant any cloth that contained 15 per cent or more of wool. Utility shoes had to meet fairly detailed descriptions, and for utility furniture meticulous control was imposed over the size of each item of furniture, the type and thickness of wood to be used for each section and in some cases the number of screws. Given these methods of control over quality, price control was a relatively—but only relatively—straightforward matter of fixing manufacturers' prices for each category of goods and negotiating distributors' and retailers' margins on the basis of these prices.

These methods were tolerable in wartime and in the immediate postwar phase. But other extraneous considerations began to affect the working of the schemes. The departments became adept in securing a time lag between a rise in manufacturing costs and an increase in controlled prices; the result was that production schedules were sometimes thrown into confusion and the only benefit to the consumer was a low notional price for goods that he could not get. There were several utility "famines," for which the textile industries were promptly blamed by the Ministers who were primarily responsible. Such a policy of holding down prices in the face of rising costs had a different effect in industries where the control on utility qualities was of necessity more loose. In these industries, manufacturers contrived to reduce quality to sell within the Board of Trade's price limits, and again the consumer suffered. In the wool textile industry, the only stipulation about quality was that "wool cloth" should contain at least 15 per cent wool. If a rise in costs prevented a manufacturer from being able to produce a given cloth at the price laid down for a particular grade, he had only to "upgrade" it, describe it as cloth of better quality, and automatically charge the higher price permitted for cloth of that number. In the clothing industry, utility garments had to be made of utility cloth and sold at or below a certain price. The expedients of using a lower quality cloth, or less cloth, or making fewer concessions to fashions have helped to maintain a reasonable volume of utility production in the face of rising costs and fixed selling prices.

The official attitude towards rising costs is still causing difficulty. The prices of utility wool cloth and of clothing made from it are still based on the price of raw wool in October, 1950; they make no allowance for the extreme variations in wool that have since occurred. Only in the past few weeks, when wool prices began to fall below the level of October last year, was it possible to discover any official disposition to renew price negotiations with the wool industry. Prices for all the better quality cotton cloths and clothing made from them are likewise fixed on raw cotton prices of early in the year and again they make no allowance for the later rises.

A new factor has now to be taken into account—the return of a buyers' market at home and abroad. It may

be politically desirable for the Board of Trade to keep utility prices as low as possible, but broader economic considerations dictate that the consumer industries should be given every assistance to expand their exports. At phases of acute shortage, some export markets did buy utility goods. But by their nature, and even more by the policy of squeezing manufacturers between minimum standards and maximum prices, the utility schemes encouraged the production of dull and unimaginative goods of no appeal to markets abroad. A successful export drive today depends largely on the reduction of costs by long production runs that are best obtained when the same product is made for home and export. Few manufacturers of consumer goods are willing to take the risk of producing for export an article that cannot be sold at home if, as sometimes happens, the export order is cancelled, or the market suddenly closed. The difficulty has been that non-utility goods are hard, and sometimes impossible, to sell at home with their top hamper of purchase tax, and utility goods virtually impossible to sell abroad. For these reasons, the Board of Trade has latterly been attempting to modify the utility schemes so that a larger proportion of the output of an industry comes within their scope. Maximum price limits for utility articles have been raised, and strict control on quality relaxed. The top retail prices permitted for utility shoes have for the past eighteen months been so high that 98 per cent of the shoe industry's output can be sold within the price limits and often far below them. The increase in exports of shoes since this policy was adopted is something of a tribute to its success. This year, the same policy was extended to textiles. The detailed descriptions of utility cotton and continuous filament rayon cloths that were formerly in force were abandoned in favour of loose definitions (although not so loose as those for wool cloth) and the top selling prices—and the prices of clothing made from that cloth—were raised at the same time by substantial margins. (There are exceptions ; household textiles, lining cloth, most gaberdine, corduroy, fustian and overall cloth are still bound by the old descriptions.) This change means that all but the very highest quality of cotton and rayon cloth can be made and sold as utility, without attracting purchase tax. The same relaxations were about to be extended to cloth made from rayon staple when protests from abroad about "discrimination" against imported cloth led to the scheme being put into cold storage.

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As the schemes stand now, virtually the whole of the shoes, and more than 90 per cent of the furniture made in this country is sold as utility. Of the wool cloth going to the clothing industry, 90 per cent is utility. Early in the year, only 56 per cent of the cotton and linen and 62 per cent of the rayon cloth deliveries were utility, but since these schemes were changed to bring in a greater variety of cloth, utility production will probably account for 70 to 75 per cent or more of the cotton and rayon sold on the home market. At the same time, all the administrative paraphernalia of schedules, price ceilings, cloth numbers, etc., have been retained, so that the paper work has increased as the scope of each scheme expanded. This revision of the character of the utility schemes is admirable within its limits ; but it may not satisfy those consumers who hold that the purpose of utility schemes is to keep selling prices down. Top utility prices have been increased by 30 per cent or more to bring in the higher costs of better quality articles, and no doubt there will be some tendency to concentrate on production of these at the expense of the cheap end of the utility scale. But the widening of the utility footwear scheme has already demonstrated the power of consumer resistance to keep retail prices below the Board of Trade's top figures.

So long as the utility schemes were concerned with maintaining an adequate supply of cheap goods that represented "value for money," they had no seriously disruptive effect on the production of better quality goods selling at higher prices. But now that the schemes have been extended to cover the bulk of the output of these industries, questions arise whether they are necessary and whether they do not set too rigid standards. If the aim of producers is to bring more and more of their output within the top utility prices, when they can be sold without tax, the higher grades of utility products will soon set the standard of quality for each industry. No margin will remain for the design and experiment that are essential to the vitality of consumer industries. The top utility standards are in general still below the quality required for exports. Thus, even as improved, the schemes exclude precisely those goods that can make the greatest contribution to the country's exports. The Federation of British Industries has compiled an impressive dossier of cases of the harm done to exports by excluding high quality goods from the home market ; and it is on these high quality products that the British exporting effort depends. Only the highest quality textiles, shoes and clothing can be sold in the dollar markets where tariffs and lively home industries make it increasingly difficult to sell imported goods of medium qualities. According to evidence given to the purchase tax committee by the Manchester Chamber of Commerce, there is "definite evidence from many cotton textile manufacturers that they have taken out of production non-utility goods that might otherwise be earning valuable currency."

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A policy that will encourage such production and be at the same time politically acceptable, will not be simple. The logical course would be to remove present artificial distinctions by freeing from purchase tax the small balance of textile, footwear and furniture output that still carries tax. The loss to the Exchequer would not necessarily be large. In the year 1949-50, tax revenue from sales of furniture, shoes and textiles came to nearly £100 million. This figure has since been considerably reduced by consumer resistance to goods carrying tax, and by the extension of the range of goods now sold tax free. Yet few people seem prepared to suggest that the utility schemes should be dropped. "Utility" has never completely lost its war-time association with low prices and guaranteed quality even though, as this article has attempted to show, the top utility prices have so lost touch with reality that they are higher than the actual retail prices, while quality control has largely become a polite fiction.

Is there a case, then, for compressing the utility schemes back to their original dimensions ? Such a step would imply a return to detailed descriptions of every item of the kind only recently thrown overboard in the interests of "flexibility." Their return would be unpopular both with industry and with the Board of Trade. Moreover, during the war production of these goods was stimulated by allocations of materials and licences and their consumption could be regulated by rationing. Could a compressed utility scheme work without these controls, and would they be palatable in peacetime ? Experience with such articles as utility towels, where price and quality are still closely controlled, suggests that cheap basic goods might simply not be made.

The committee will obviously be tempted to steer a middle course. If the Board of Trade argues for flexibility the Treasury can be expected to argue for revenue, and a flat rate of tax for all utility goods may be proposed. The danger is that the barrier between utility and non-utility will simply be re-erected in a different position. In that case, there will still be discrimination against all manufacturers of goods above the utility level. This is one instance in which compromise is likely to hurt all parties and benefit none. The time has come to leave these matters to be determined by the estimates of manufacturers and retailers about public demand, and to the decisions of shoppers to lay out their money over the widest field of choice. There is little or no virtue in the utility schemes, save for the fact that utility articles do not attract purchase tax. And the distortions of trade to which they give rise are a serious threat to a recovery of the high quality exports in which British consumer goods industries have taken special pride.

Business Notes

Dollar Link for Australia ?

Though Mr Gaitskell has recently denied that there is any "restiveness" within the sterling area, there is no doubt that the stresses within it are mounting fast. It will face its biggest stress yet if a project mooted this week by Sir Douglas Copland, vice-Chancellor of the Australian National University, makes any impression upon the Commonwealth Government. Sir Douglas, whose views on other matters of economic policy have been influential in Canberra, has declared that since dollar convertibility for sterling is not in sight, Australia's interests would be best served by developing a "more direct financial and economic relationship with the United States"—by which he apparently means that the Commonwealth should try to achieve the kind of relationship, to the United States and to Britain, that Canada has achieved. He suggests that Australia should accept direct and autonomous responsibility for its dollar accounts, and should make the Australian pound convertible into dollars as soon as possible.

The immediate promptings behind this project—or, at least, the considerations that may give it an appeal to the Commonwealth Government—are Australia's need, first, for a freer flow of capital goods than it thinks it can get from Britain during the rearmament phase and, secondly, for an inflow of financial capital to enable the Dominion to carry the heavy weight of investment outlay necessitated by the large immigration programme, as well as by rearmament. But the reference to the lack of sterling convertibility points clearly to other considerations as well ; and although Sir Douglas does not appear to have emphasised it, he evidently has it well in mind that at present Australia is lending heavily to Britain—because a large part of the greatly increased proceeds of Australia's wool exports has been left in London in the form of accumulating sterling balances. Australia's postwar policy of resisting the temptation to try to run down the sterling balances has been the surest test of its status as one of the most loyal supporters of the sterling area principle.

Now there is the possibility that this attitude may change, as it is changing elsewhere in the sterling area. Although Australia has this large surplus with Britain, it has in fact spent a large part of the fruits of wool inflation on additional imports ; and there is evident reluctance to assent to the import restraint that will be urged upon sterling area members at the forthcoming conference in London. Sir Douglas believes that Australia will not secure as substantial dollar loans as it might command unless Australian trade is orientated towards the dollar area—again on the model of Canada. There is a cold logic in this view, but it would imply a grave weakening of the principle of the sterling area dollar pool, and would certainly mean that the Commonwealth would eventually cease to regard its London balances as its first-line external reserve. To resist tendencies of this kind, Britain will have to make sacrifices to release capital goods for export. If this is done, it is reasonable to hope that wiser counsels in Australia will recall that the terms of trade will not always be so extravagantly in Australia's favour as they have lately been, and that in leaner times British finance has been, and will be again, a powerful support for the Commonwealth.

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Britain Overdraws at EPU

There is nothing unexpected in the fact that the United Kingdom in September ran another substantial deficit with the other members of the European Payments Union. The net deficit, admittedly, amounted to 204,806,000 units (i.e., US dollars), equivalent to £73,145,000, the largest monthly deficit so far registered by the United Kingdom. But the increase compared with August's £67 million deficit was not larger than had been feared ; the really significant feature of the month's experience is that it completed the exhaustion of the surpluses accumulated by the United Kingdom with EPU over the first nine months of the operation of that system. For the first time, therefore, the British account has been overdrawn. At the end of August there remained £22,451,786 of the previously accumulated surpluses. After the September compensation, this had been converted into a debit balance of £50,693,214. This overdrawing with EPU will call for some innovations in British Exchequer accounting. The £50,693,214 in question will be taken into the Exchequer as a borrowing under the National Loans Act, 1939. It will appear in the published Government accounts, including the weekly Exchequer return, as "Money raised by the creation of debt—Other Debt, etc., Internal." The United Kingdom quota with EPU amounts to $1,060 million, of which up to 20 per cent, or $212 million, can be taken as overdraft without gold payment. At the rate at which the deficit was running in September, it appears likely that gold payments to EPU will have to be made by the United Kingdom for the present month, though at the lowest rate of 20 per cent of the current deficit.

The other outstanding debtor in the September EPU settlement was France, which incurred a deficit of $50,400,000. This meant that France had to pay back to the Union the balance of $17,100,000 of gold previously acquired from it. The remaining $33,300,000 was offset against the French credit balance with EPU, reducing it to $87,800,000. The surpluses earned in EPU in September were concentrated on Belgium, the Netherlands, Germany, Sweden, Italy and Switzerland—in that order. Gold moved to all these creditors other than Sweden, and the month's settlement cost the EPU a net gold loss of $70 million. This gold loss may gather momentum, since the principal debtors

—Britain and France—have the largest quotas, are still in slight cumulative credit or debit and have a long way to go before they start paying gold to the Union on a substantial scale. On the other hand, the main creditors, Belgium, Italy and Switzerland, are taking gold at the rate of 50 per cent of their current surpluses, while Germany and the Netherlands are still receiving the benefit of substantial gold repayments now that they have converted their earlier deficits into surpluses.

* * *

Nine Months' Trade

The detailed trade figures for September have allayed some of the worst fears about trends in Britain's overseas trade. The total value of exports reached £208 million, which was 7 per cent below the average for the two previous months, and if allowance is made for the fact that September was a shorter working month, the decline compared with July and August was no more than a seasonal movement. The index of export prices rose one point to 125 (1950 = 100) but the volume of exports last month was 9 per cent smaller than the average for the two previous months of the quarter. Britain at last is enjoying—if that is the right word—the benefits of a rise in export prices. During the first nine months of the year, exports by value were 17 per cent higher than in 1950, whereas their volume increased by no more than 3 per cent.

Imports last month fell by £31 million to £337 million, chiefly because of smaller quantities of foodstuffs received—a seasonal feature. Despite the continued fall in commodity prices, the index of import prices remained unchanged at 138 (1950 = 100). The cost of imports up to September this year was 53 per cent higher than in the same period of 1950, but the volume of imports is provisionally estimated to be only 14-15 per cent higher; and most of this increase was due to larger imports of raw materials.

Receipts of grain and flour during the first nine months of this year amounted to 114 million cwt against 89 million cwt in the corresponding period of 1950. Supplies of feeding stuffs have also increased, from 592,000 tons to 882,000 tons. But meat imports were sharply down, from 21 million cwt to 16 million cwt; imports of butter and eggs have also been smaller this year, but imports of cheese have increased—particularly the "frivolous" varieties. Less cocoa, more tea and more coffee have been received; imports of sugar were the largest since the war.

Imports of iron ore were only 2 per cent smaller than last year and sulphur only 8 per cent smaller despite the fears earlier this year of a severe shortage. Much more bauxite, aluminium, nickel and chrome has been received and more tin, copper, manganese and antimony, but imports of lead and tungsten have declined, while imports of zinc were some 13 per cent smaller. In contrast, arrivals of softwood in the nine months were more than double those of last year; supplies of hardwood have also increased, but imports of hides and skins have declined. Imports of both raw cotton and raw wool were smaller than a year ago, whereas imports of hemp and jute were much larger. A larger supply of paper-making materials has also been received. Britain has certainly been buying raw materials, but unfortunately at high prices, and this fact is reflected in its growing deficit in visible trade.

British Imports of Food and Raw Materials

	Unit	Jan.-Sept. 1949	1950	1951		Unit	Jan.-Sept. 1949	1950	1951
Grain and flour	mn. cwt.	104	89	114	Nickel ore	'000 tons	24	18	27
Feeding stuffs	'000 tons	422	592	882	Nickel metal	'000 cwt.	61	55	75
Meat	mn. cwt.	17	21	16					
Butter	'000 cwt.	5,272	5,596	5,023	Tin ore and concentrates	'000 tons	37	34	36
Cheese	,,	3,809	2,523	3,171	Tin metal	tons	517	2,465	7,021
Shell eggs	mn. doz.	153	139	80	Tungsten ores	,,	4,731	4,757	3,400
Sugar, unrefined	mn. cwt.	32	30	37					
Cocoa	'000 cwt.	2,835	2,404	1,875	Zinc ore and concentrates	'000 tons	151	154	135
Tea	mn. lb.	301	240	311	Zinc metal	,,	115	112	86
Coffee	'000 cwt.	597	590	713					
Softwood	'000 stds.	679	553	1,116	Raw cotton	mn. lb	868	774	753
Hardwood	mn. cu. ft.	25	45	44	Raw wool	,,	623	574	411
Iron ore	'000 tons	6,686	6,546	6,392	Rubber	'000 tons	138	187	250
Manganese ore	,,	348	302	304	Hemp	,,	56	65	79
Bauxite	,,	245	158	263	Jute	,,	77	85	93
Aluminium	'000 cwt.	2,581	1,919	2,668	Hides and skins	'000 cwt.	2,251	2,214	1,864
Antimony ore	'000 tons	10	10	19	Paper-making materials	'000 tons	1,321	1,353	1,618
Molybdenum ore	'000 cwt.	41	47	48					

Fears for Exports

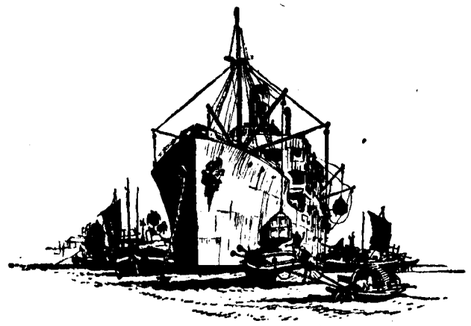
The anxiety felt about the export trade arises not so much from the figures for last month as from current reports that consumer resistance is being felt in a number of markets and for a variety of goods. Admittedly, North America is the only area for which the September figures have shown a sharp fall, but the American market is usually an efficient indicator. Shipments to the United States of all the main export groups were considerably smaller last month—chemicals (especially benzol), raw wool, iron and steel manufactures, non-ferrous metal manufactures, machinery, vehicles and woollen and worsted goods. In fact, the only exports to the United States that increased in September were whisky and pottery. Exports to Canada experienced an even sharper fall, and again the decline was spread over all the main groups, particularly pottery, woollen and worsted goods, and motor-cars. Only 154 cars were shipped to Canada last month, compared with a monthly average of 6,357 in 1950.

Exports of all the manufacturing groups declined during the month, with the single exception of oils and fats. The largest decline occurred in cotton and wool textiles and in chemicals. Exports of vehicles fell by £700,000 to £37½ million, though the actual number of cars shipped abroad increased. Machinery fell by £1 million to £29¼ million. Cotton manufactures at £18 million and wool textiles at £14 million were each £2 million smaller than in August, while chemicals declined by nearly £3 million to £11 million.

British Exports

	Unit	January-September 1949	1950	1951
Coal	'000 tons	9,439	10,971	5,334
Wool, raw	mn. lb.	19	36	20
Sugar, refined	mn. cwt.	8	11	12
Iron and steel and manufactures	'000 tons	1,737	2,224	2,012
Machinery	'000 cwt.	13,180	14,052	14,885
Cotton piece-goods	mn. lin. yds.	700	585	667
Wool tissues	mn. sq. yds.	80	84	90
Paper and cardboard	'000 cwt.	2,787	3,940	3,780
Cars and chassis	thousands	179	296	289
Commercial vehicles	,,	67	110	103
Tractors	,,	50	59	82
Pottery, glass, etc.	£'000	36,880	39,537	48,764
Cutlery, hardware, etc.	,,	34,123	36,713	45,887
Electrical goods and apparatus	,,	60,045	61,559	70,157
Chemicals, drugs, etc.	,,	65,547	75,938	104,061

Over the first nine months of the year, however, the export picture looks a little more heartening. Admittedly, both the quantity of coal and the quantity of raw wool exported was very much smaller than in the first nine months of 1950, and iron and steel manufactures were some 10 per cent down. On the other hand, a larger volume of machinery was shipped abroad, more cotton goods and wool tissues, but fewer motor-cars and commercial vehicles and less paper and cardboard. In value, all these groups except coal have shown notable increases on last year, and so, too, have pottery, cutlery, electrical equipment and chemicals. But, though the efforts that the export industries have made in the earlier part of the year will help this year's balance of payments, it is the declining trend in recent months that gives cause for anxiety.



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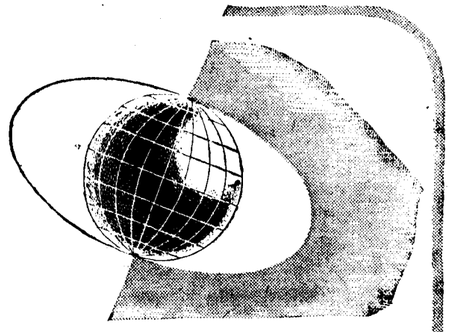

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India's Sterling Balances

On the principle that any concession made to Pakistan by Britain must automatically be given to India, there can have been no surprise at the news that the larger part of India's sterling balances have recently been liberated and transferred from the No. 2 to the "free" No. 1 account. According to the revelation made by the Indian Finance Minister, Sir Chintaman Deshmukh, India's sterling balances on June 30 last stood at £643 million, out of which £90 million was the free balance on No. 1 account. A further £210 million was the amount to be freed over a period of six years under the terms of the agreement signed last July but held meanwhile in No. 2 account. The balance of some £340 million was the "permanent core" of India's immobilised sterling. Yet £310 million of this core has now been transferred to the No. 1 account. The transfer is, however, intended more for the appearance than the reality. As in the case of the recent agreement with Pakistan, the amount so liberated will not be drawn on except in an emergency. It is intended to serve as currency reserve. But, as the Finance Minister rightly claimed, "if conditions remain as they are, there will be nothing left of the sterling balances problem at the end of six years."

Reports from New Delhi also suggest that the sterling area's latest gold and dollar deficit is beginning to cause some anxiety there. In the past financial year India earned a net dollar surplus equivalent to Rs. 370 million. It is doubtful, however, whether a surplus still obtains, given the present need to buy oil products from the dollar area following the shutdown of the Abadan refinery. In addition, India is beginning to turn to dollar sources for meeting requirements of capital goods that Britain finds it less easy to provide in consequence of the diversion of steel and engineering resources to rearmament. But although the Indian dollar account is thus deteriorating, it seems clear that India will be approaching the coming Commonwealth discussions of the sterling area's dollar problem with the intention of resisting any cuts in dollar imports that would have serious effects on India's development plans.

* * *

Freight Rates Rise Again

There are many indications that tramp freight rates this winter will rise further, despite the release of more and more ships from the United States reserve fleet. The Chamber of Shipping freight index for September, based on fixtures in sterling made during the month, showed that sterling freight rates had recovered more than half the loss of 30 points in August. This index is subject to sudden fluctuations owing to the uneven booking of charters, and it is apparent that the figure for May (203.8) was abnormally high and that for August (149.3) abnormally low. The average for the first nine months of 1951 is 172, slightly above the September figure of 166.5. Rates have been maintained at a fairly steady general level throughout the year, the significant feature being that the average this year so far has been about double that of last year. Operating and other costs have risen considerably, and ships' earnings are being curtailed by delays in port, but there is no doubt that tramp shipowners are now enjoying a profitable period, in contrast to the last rather lean year.

Since September the freight market has been consistently firm, and improved rates have been paid in many directions. Iron ore from North Africa to the United Kingdom, for example, has been fixed recently at 61s. per ton, an advance of 7s. over September fixtures, while the rate for Black Sea grain has advanced from 92s. 6d. to 107s. 6d. There has been sustained activity in the North American market, with high rates being paid for lumber from the North Pacific and wheat from the St. Lawrence. With the end of the season approaching, fixtures from the St. Lawrence to the UK/Continent have been made recently at 26s. 3d. per quarter, which compares with 18s. 9d. during the quieter season this summer, and only 8s. per quarter in the doldrums of 1950.

There have been numerous fixtures for American coal to Italy and Western Europe, but these have been made in dollars for American vessels, at rates controlled by the US National Shipping Authority and are unattractive to sterling operators. Many American vessels have also been employed in carrying grain to India, and two of them have been fixed to bring coal from Calcutta to Britain at the equivalent of about 98s. per ton. Owners of sterling vessels had recently been asking about 130s. a ton for these freights, but this week the National Coal Board booked a British steamer at 122s. 6d. a ton. Meanwhile, a few vessels have been chartered to take Welsh coal to the Plate at 120s., a rate that indicates the poor prospects of outward cargoes from that area. The demand for bulk carriers is undoubtedly strengthening, and inquiries are circulating for vessels on time charter for varying periods. There is a strong demand for American ore imports from India, West Africa and the Philippines, and a new feature is the movement of grain from Prince Rupert to Japan. Orders have also been registered to carry refined sugar from London to Karachi and even Japan.

* * *

Power Jets and American Royalties

The prolonged negotiations between Power Jets and the American Government about payment of royalties for Power Jets patents have at last reached a conclusion. The American Government is paying a lump sum of £1,400,000 ($4,000,000) for the military use of the patents over a period of 10 years. At first sight this appears to be a small figure for certain basic rights in a new branch of technology, but there are a number of factors to be taken into account. Power Jets' claim for royalties rested less on a watertight legal case than upon a moral obligation on the part of the American Government, and recognised by that government, to make some payment in return for the Whittle engine and other drawings that were sent to the United States during the war without being fully covered by patents. The American government undertook to indemnify its contractors against patent infringement and paid Power Jets £200,000 at the end of the war as a token of good faith. This sum has been included in the final settlement.

The original claim was for a payment of $10,000,000, and the real reason why the final settlement was for less than half this figure lies in the agreements made by a number of British engine builders in the United States. Rolls-Royce has for many years been receiving royalty payments from the American company, Pratt and Whitney, in return for licences to build Rolls piston engines. Similar licensing arrangements were made for the company's jet engines. Royalty payments made by one American company to one British company did not prejudice Power Jets' position *vis à vis* the American government, but when Curtiss Wright bought (not licensed) the rights to several Armstrong Siddeley engines, including the Sapphire, and then made a roughly similar agreement with the Bristol Aeroplane Company to buy the rights of the Olympus jet engine, the American negotiators began to protest that the United States would be paying twice over. This may have been a reasonable argument under the circumstances, but had the Power Jets claim for $10 million been settled before and not after the British companies sold their engines to Curtiss, it would probably never have been heard.

The sum received by Power Jets is for patent rights only—there is no technical manufacturing knowledge attached to the 200-odd patents covered by the agreement—and it is said to be one of the highest payments on record for an agreement of this kind. But even when all these factors have been taken into account, they are dwarfed by the fact that on the original drawings now covered by these patents rests the whole of American jet engine development.

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TDRs and Short Money Rates

The banks and the money market have been intrigued in the past month by the fact that the Treasury has been making another notable switch in its weekly borrowings on floating debt. In four successive weeks the authorities have omitted to renew borrowings on Treasury deposit receipts from the banks, with the result that outstanding indebtedness on TDRs has run down from £290 million at end-September to only £175 million by the end of this week—by far the lowest figure since the earliest days of the operation of this system of borrowing, in 1940. Over the same period, however, issues of Treasury bills through the weekly tenders have slightly exceeded maturities, so that the total of outstanding tender bills has risen by £40 million, to £3,270 million. The fact that, while repaying indebtedness to the banking system on balance, the Treasury has accelerated repayments of TDRs by increasing its recourse to bills has given rise in some quarters to suggestions that the authorities may now be embarking upon a policy of extinguishing the TDR issue altogether. The residual issue is now so tiny by comparison with the bill issue (and with the TDR peak issue of £2,225 million, in 1945) that such an objective could readily be achieved, if the authorities so desired, without difficulty and without causing any undue further expansion of the bill issue. Indeed, if the recent tactics of omitting to renew maturing TDRs are continued, the issue will run out in the early months of next year. Those who contend that the authorities are thus planning to extinguish the TDRs point to the fact that recent experience has contrasted with last year's; for in the summer and early autumn of 1950 the TDR issue was being re-expanded after the massive switch to bills that had been made in the twelve months beginning in mid-1949.

These speculations about official policy have, not unnaturally, been associated in some discussions with the possibility of restoring some degree of flexibility to the structure of short money rates. Certainly, if the peg were to be removed from money rates, the banks could reasonably argue that they ought to be left free to decide for themselves the extent and distribution of their holdings of floating debt—instead of being virtually obliged, to the extent of the TDR issues, to take up such amounts as the Treasury dictates. On the other hand, some of the less orthodox advocates of dearer money reverse this argument, and contend that in precisely those circumstances the Treasury would need the discipline that the TDR system affords—lest the banks and the discount market, in a regime of possibly fluctuating rates, should seek to curtail their purchases of bills. Discussions of this kind help to elucidate some of the technical problems of launching a tighter monetary policy; but these particular speculations probably spring from false premises. Whatever technique the authorities would adopt if the new Government elects for a change in monetary policy, it seems improbable that the recent tactics were intended to prepare for the possibility of such a change. Because of their borrowings of the sterling funds accruing from Britain's yawning external deficit, the authorities have had large sums available for repayment of indebtedness to the domestic banking system, and they have used these sums in the manner best suited to their purely technical needs. By increasing the bill issue at this season, instead of reborrowing on the longer-dated TDRs, they ensure a flow of floating debt maturities during the weeks of maximum revenue surplus next year.

* * *

Iron Ore Surveyed

Total reserves of iron ore throughout the world, according to an estimate quoted by the British Iron and Steel Federation in their current statistical bulletin, amount to 95,000 million tons containing 40,000 million tons of iron. "Possible further reserves" would add another 435,000 million tons. Unfortunately, such astronomical reserves bear no necessary relation to supplies here and now; not enough rich iron ore is being produced today to satisfy the total demand of the iron and steel industries.

This shortage has resulted largely from the nearing exhaustion of the rich iron ore deposits in the Lake Superior district of North America. Because 340 million tons of this area's richest and most easily worked ores were removed during the second world war, considerably shortening the life of this great orefield, the United States has encroached upon the markets in which European iron and steel industries ordinarily obtain their supplies. The depletion of Lake Superior reserves of rich ore, at the same time, has turned the United States steel industry's attention to the vast deposits of low-grade "taconite" there; and it has also encouraged a major investment of American capital to exploit iron ore elsewhere in the western hemisphere—Labrador, Venezuela, Brazil and Chile—and in Liberia, in West Africa. The American steel industry is thus actively engaged in securing new and adequate supplies of ore. But this process takes time and much money and, in the meantime, American steel producers have turned for marginal supplies to the markets on which Britain and some other European producers depend.

Europe's pattern of iron ore imports has itself altered. Because coke has been short since the war, Belgium has been buying larger quantities of rich Swedish ores than formerly. German steel output is already recovering fast: before the war Germany was by far the largest buyer of Swedish ores, and its imports must be expected to grow. The Federation makes no forecasts about the ore supplies upon which Britain will be able to count in the next few years:

> All in all, no great change is likely in the pattern of supplies to Europe when conditions become more normal again; but there is keen interest in any possible sources of supply that are within reasonable distance of the European steel plants.

Iron ore may well become easier to obtain in a few years, when the United States should be able to withdraw from Europe's ore markets. But it may be significant that Germany, potentially Europe's greatest steel producer, has recently displayed an interest in supplies from further afield, including India. In the Singhbhum-Orissa iron orefield there are probably half a dozen deposits comparable to the fabulous Cerro Bolivar in Venezuela. The significance of location and transport costs in the world's iron and steel industry may explain why, so far, the size and richness of these deposits have been little appreciated in the west.

* * *

Fluctuations in Wool

Wool prices this month have displayed a novel pattern. They reached a low point of 101d. a lb. for merino 64's in the third week of September and then recovered to reach a peak of 204d. at the end of the first week in October. There was then a fall, almost equally sharp, to another low point eight days later of 124d., followed by a rise to a secondary peak of 167d. last Monday. Since then wool prices have been dropping once more. There are two features that call for explanation. The first is the converging pattern with the peaks declining and the low points rising, suggesting that, theoretically, stability might be reached at around 156d. per lb. The second is the sharp daily fluctuation in price. The wool market is used to rising and falling by 20-30 per cent over a period, but rises and falls of 20 per cent in a day are a perplexing novelty.

World consumption of wool has been declining since the beginning of this year. In recent months, moreover, it has become clear that the output of wool textiles has also been declining. Retail sales of textiles in all countries have fallen sharply and their volume is much smaller than it was twelve months ago. In the United States, sales fell less

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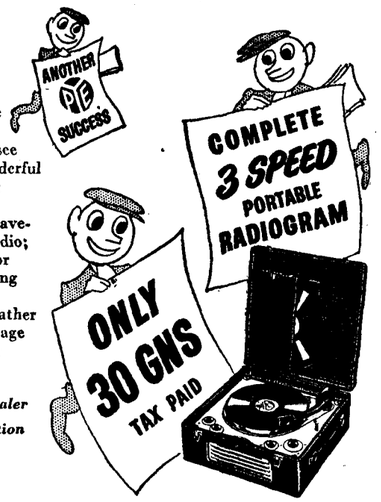

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MODEL P32QTG. *4-valve, 2-waveband superhet radio, 3-speed gram:* 78, 45, 33⅓ *r.p.m. Dark blue art-leather cabinet. Operates on A.C. mains.*

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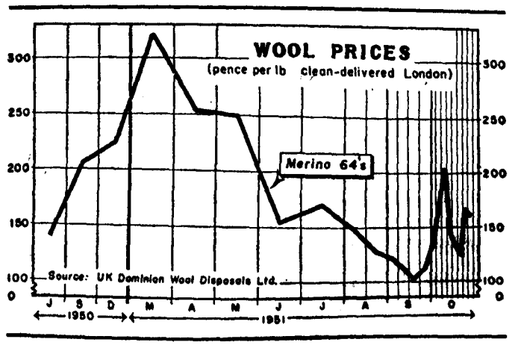
than activity in the wool textile industry, so that retail and wholesale stocks have been largely liquidated. In Britain and in other countries, where the industry caters for an export as well as a domestic market, it is probable that stocks have increased. This fact alone would at least imply a limit for wool prices above which wool buyers will not bid. On the other hand, stocks of wool held by manufacturers are still surprisingly small in physical terms—very much smaller than before the war—so that the smallest indication of a revival in trade, whether it comes from the retail end or the raw material end, starts a minor scramble. In wool, as in other commodities, merchants no longer accept the risk of carrying stocks. So long as the Joint



Organisation offered wool throughout the season there was little need for a merchant to keep stocks. But the Joint Organisation is no longer operating and the manufacturer has now to buy his supplies direct from the London or primary markets, so that demand tends to be more concentrated than hitherto.

Stockpiling could have a significant effect on wool prices, though it is doubtful whether it has had any effect yet. The British announcement was made only at the end of last week and the quantity—40 million lb.—is less than 10 per cent of Britain's current annual consumption and only about 12 per cent of the current rate of imports. In any case the purchase is to be handled by the British Wool Federation, so that the Government will not compete with the trade. A more important consideration is the expansion of the Japanese wool textile industry; its consumption this season is expected to rise by 50 per cent, from 51 to 75 million lb. (clean). But this quantity still represents barely three-quarters of Japan's 1938 consumption and only 3½ per cent of the world's total consumption of wool. On the other hand, German consumption, which is two-thirds of its prewar quantity, has declined slightly this year. The recent behaviour of the market would thus seem to be determined by psychological factors—by buyers' uncertainty of consumers' reaction to prices in the coming months and of governments' intentions about defence and inflation.

* * *

Non-Ferrous Scrap Supplies

In spite of the shortages that have been reported from the scrap metal markets since early this year, British industry during the first eight months of this year has been able to obtain considerably more secondary non-ferrous metals than it used in the same period last year. Consumption of secondary copper, for example, reached 148,292 tons compared with 126,273 tons in the period from January to August last year, and that of remelted zinc and residues 64,922 tons compared with 59,071 tons.

This increased consumption, which appears largely to have been supported by the depletion of industry's substantial stocks, does not, however, imply that the scrap metal available has been enough to satisfy all demands. The demand for scrap copper, brass and zinc has been and is still high (though there is no shortage of lead scrap at present). The trade and the Ministry of Supply, moreover, still feel that the stocks drawn upon so far must soon be almost exhausted, and expect consumption (which in August was down to roughly last year's rate for both secondary copper and zinc) to decline fairly sharply in the coming months. A considerable proportion of scrap is now being recovered direct from customers by the metal fabricators, who are making the return of process scrap a condition of further supplies: while this diverts business from the scrap merchants, it probably speeds up the return of scrap and benefits output. The merchants, on the other hand, are

CONSUMPTION OF NON-FERROUS SCRAP AND SECONDARY METALS, 1950-51

	Copper		Zinc		Lead	
	1950	1951	1950	1951	1950	1951
January	17,108	19,751	8,129	9,614	8,501	9,067
February	14,699	19,109	7,555	9,651	8,200	9,097
March	17,308	22,466	8,594	8,693	8,158	7,874
April	13,757	17,910	6,409	8,290	7,740	9,160
May	15,873	15,702	7,280	7,480	7,990	10,418
June	17,858	19,121	7,589	7,626	7,592	9,252
July	15,386	19,749	7,473	7,444	7,435	8,970
August	14,284	14,484	6,042	6,124	6,918	7,825
September	14,646	...	7,740	...	7,802	...
October	19,356	...	9,050	...	8,432	...
November	16,945	...	9,463	...	9,562	...
December	16,145	...	7,878	...	7,594	...

Source: Bureau of Non-Ferrous Metal Statistics.

convinced that in both industry and homes there are considerable reserves of scrap that might be collected by a more vigorous "drive": the Ministry is likely to give some assistance in publicity for more widespread and intensive collections.

One of the more gaping loopholes in the Ministry's scrap price control has now been corrected, with the imposition of controlled prices for secondary brass ingots; the price of secondary copper ingots is also likely to be controlled within a few weeks. This should end the profitable practice by which scrap metals could be bought at grey market prices and then processed into ingots of which the price was not controlled. There are still allegations in the industry that the price control is being evaded in various ways, and that scrap is being acquired for bargaining purposes. The Ministry is inquiring into various other modifications of price control that the trade has advocated, including an automatic formula by which scrap prices may be varied to follow the changes in price of virgin metals. But there is no indication that the "quantitative licensing" of scrap that some merchants desire, by which supplies might be more thoroughly regulated, is more than "under consideration," as it has been for months past. Such an elaborate control system might well require more information about the amounts passing through the "normal channels" of the scrap metal trade than the Ministry may now possess, even since its first returns of stocks. It would also require more justification than the present state of the market seems to offer.

* * *

Cotton Conference

The chairman of the Cotton Board, Sir Raymond Streat, spoke at the Cotton Board's annual conference at Harrogate last weekend of the competition that the cotton industry would soon face in its export markets. The gist of Sir Raymond's argument was that total output is at present too small to enable Lancashire to regain its position as the leading supplier of cotton goods in the world export markets. India's

exports in the first quarter of this year totalled 464 million yards and Japan's exports 256 million square yards; British exports amounted to only 212 million square yards. In the second quarter of the year British exports rose to 247 million square yards but Sir Raymond Streat calculated that this represented only 25 per cent of Lancashire's total production. Japanese exports in the same quarter rose to 342 million square yards. American exports were 197 million square yards in the first quarter of the year and 146 million yards in the second.

These comparisons assume a greater importance when the flow of export orders begins to fall off, as it has been falling this year. Manufacturers started the year with full order books, but the volume of new orders placed during the past few months has been noticeably small. There are reports that business has improved in recent weeks, but few are yet prepared to say that the slump in textile sales has ended. Sir Raymond's emphasis at Harrogate was on the "harsh and fierce pressure of competition" that the industry may have to face, both from low-wage countries like Japan and from high-efficiency countries like the United States, and this competition may be carried into the industry's home as well as its export markets. He may have gone out of his way to emphasise these dangers, on the ground that many years of easy sales have blunted the edge of the highly competitive selling technique that the industry had developed in the years before the war.

Sir Raymond commented once again on the comparatively slow rate of re-equipment in the industry and a later speaker, Dr Toy of the Shirley Institute, criticised another aspect of the same problem, the slow rate at which the results of research are applied. Both points have a bearing on the industry's competitive efficiency, but it suffers great handicaps from what Sir Raymond called the "tying up of veins and arteries" by the medley of purchase tax, price and quality controls that govern the sale of textiles on the home market. The effects of these controls on textile exports have become sadly familiar, as an earlier article shows.

* * *

Possibilities of Boron Steels

Conservation of scarce alloying metals, during a period when rearmament must make exceptional demands upon alloy steels, is at present the subject of intensive research in the world's steel industries. In America, and recently in Britain, this has led to a greater interest, in certain uses, of a non-metallic element until now comparatively rarely used in steel alloys—boron. The use of this element, which is more familiar in its widely occurring compound, borax, aroused little interest until the second world war, when it was used on a very limited scale. Probably no more than two million tons of boron steels have ever been used. But since the outbreak of war in Korea, American metallurgists have concentrated much study upon its property of improving steel "hardenability"—a technical criterion defined below—with smaller admixtures of standard alloy metals than are ordinarily used. These specialists have become sufficiently convinced of the value of boron in the "needling" of alloy steels to warrant the issue of alternative specifications for certain types of alloy steels. These new specifications allow for the inclusion of a very small amount of boron—in the region of four parts in a hundred thousand—as a result of which a sharp reduction in the necessary percentages of such alloying metals as nickel, chromium, and molybdenum can be made. Certain British consumers of standard alloy steels, including the motor industry, have a natural interest in these more economical steels, since the output of cars is threatened by shortages of standard alloy steels.

No national specifications have been issued in this country for steels to which boron has been added for this purpose. Some reserve is still expressed in British industry about the commercial production of such boron-treated steels to consistent standards. This quality of "hardenability" is the ability of steel to respond to heat treatment throughout the whole of the section: owing to the different rates of cooling between the interior and the outside of the metal, alloying materials are used to give more uniform properties throughout, thus improving the "depth of hardening." The practical use of boron for this purpose depends upon the distribution of a tiny percentage of boron evenly through the steel section; larger percentages of boron at any point may tend to undo the good work of the correct amount. Boron is already used in one standard alloy steel produced by the United Steel Company, though for a different purpose—to improve the mechanical qualities of a molybdenum alloy steel. But the industry is studying the use of boron and other methods of economising standard alloy metals: the potential scarcity of such metals throughout the period of the defence programme is adding urgency to this research.

* * *

Full Order Books in the Shipyards

Orders for merchant ships on the books of British shipbuilding firms now total 6,250,000 tons gross, estimated to be worth about £550 million. According to the Shipbuilding Conference, this is the highest figure ever recorded, and the rate at which orders have been coming in during the past year reflects the strong position of the freight markets. In the first nine months of 1951 orders were placed with United Kingdom builders for some 600 vessels, totalling 3,300,000 tons gross. More than half of the tonnage on order consists of oil tankers, and nearly one-third is for export. A feature of recent orders, however, has been a higher proportion of cargo liners and tramps. This will help to offset the bias towards tankers, which absorb larger quantities of steel and do not give as much employment to the "white trades."

Merchant tonnage under construction in Great Britain at the end of September reached the highest figure for 30 years, according to the shipbuilding returns compiled by Lloyd's Register of Shipping. The total amounted to 2,271,640 tons, an increase of 157,321 tons since the end of June, of which 1,255,754 tons (55.3 per cent) consisted of tankers. Tonnage launched and completed during the quarter dropped below previous levels, and the whole of the increase consists of new ships on which work has begun. In addition, plans have been approved or material ordered for another 1,989,706 tons gross, a total 149,000 tons higher than in June. It can be seen that while the rate of launching and completion this year so far is slightly behind last year's, the tonnage on which work has started has increased. This is probably due to the increased amount of prefabrication for which the bigger yards are now laid out, a process that should accelerate tonnage output. It is a process, however, that may alter the rhythm of output, which may be affected by a shortage of steel in the welding shops or by shortage of labour or delays on the assembly berths.

Merchant ships under construction abroad showed a decline of 24,033 tons during the quarter, the total now being 3,192,862 tons. The French, German and United States totals increased each by about 43,000 tons, but declines were recorded in Japan and Italy, where agitations for Government subsidies are now afoot.

* * *

Airline Earnings

The earnings of the two British airlines in the first five months of their 1951-52 financial year promise well for the future. Between April and September, British European Airways carried 28 per cent more traffic than in the same period last year and showed a net profit of £106,206. But for labour difficulties in the summer that led to the cancellation of 450 flights in the peak traffic season, the profit would have been nearer £255,000.

These results have been achieved in the face of considerable difficulties. BEA's costs have risen by about 12 per cent, from 35.2 pence per ton mile in August, 1950, to 39.3 pence this year. Wage increases alone have added £1,150,000 a year to the bill. A major disappointment was the failure of the Ambassador airliner to come into operation for the summer services. This aircraft should be far cheaper to operate than the older Vikings and Dakotas that form the bulk of the corporation's fleet, and BEA could well have done with the extra capacity to meet the summer traffic.

In July and August British Overseas Airways Corporation succeeded for the first time in showing a net profit, after deduction of interest, etc., of £132,000 for the two months. The corporation actually made an operating profit (excluding interest and other charges) of £402,000 in the first five months of its financial year. The improvement in the BOAC results has been rapid, for the corporation did not begin to show an operating profit until just over a year ago. Neither of the corporations is in a position to earn a net profit for a full 12 months' operation, but BEA is approaching very close to the time when it will be possible. In both cases much of the improvement is due to the steady expansion of traffic and both corporations are urging international agreement on the introduction of "tourist" travel in an attempt to expand traffic still further.

Shorter Notes

During 1950-51, cable and radiotelephone traffic over the Commonwealth communication circuits operated by the nationalised Cable and Wireless group showed a considerable increase, largely under the influence of "greater activity in commodity markets and the general rearmament programme." This is shown in the group's annual report for the year ending March 31st this year. It records that some 486 million words were carried over the group's present telegraph system, compared with approximately 448 million in the calendar year 1949 over those circuits (in 1949 Cable and Wireless were operating certain other circuits since transferred to Commonwealth Governments, which accounted for the carriage of an additional 183 million words). During 1950-51 the radio-telephone circuits operated by the group's overseas branches were employed for nearly three million "paid minutes," or roughly a third more than in the year 1949. The group made a consolidated net profit of £2,232,743 during the year; but no clear comparison is possible with the figure of £1,893,699 recorded for the previous accounting period of 15 months, particularly as much of Cable and Wireless's business is conducted in currencies other than sterling, and devaluation presumably contributed to the increase in profits.

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In the first nine months of 1951 roughly 9,250,000 people received wage increases totalling £3,983,900 a week. These figures show a massive increase upon the same period of last year, when some 3,250,000 had increases totalling £603,000 a week: in September, 1951, alone, wage increases of £350,000 amounted to more than half those granted during the first three-quarters of 1950. The largest increases recorded were in the transport and communication industries, where 1,323,500 workers received increases totalling £600,500 a week; the distributive trades, where 1,256,000 workers received £456,000 a week; and building and contracting, where 1,107,000 workers received £568,800 a week. The total increases raised the index of weekly wage rates to 121 (June, 1947=100), while the interim index of retail prices, with roughly the same base date, stood at 128 on September 18th.

CONSOLIDATED MAIN REEF MINES & ESTATE, LIMITED

(Incorporated in the Union of South Africa.)

Extracted from the Annual Report for the Year ended 30th June, 1951.

CAPITAL £1,247,608 IN £1 SHARES, ALL ISSUED, FULLY PAID.

Tonnage Milled, 2,861,000

		Per ton milled
Total Working Revenue	£3,945,515	£1 14 11
Total Working Expenditure	3,177,931	1 8 1
Working Profit	£767,584	90 6 10
Net Profit for the year		£785,855
Balance unappropriated at 30th June, 1950		428,915
Transfer from Shareholders' Contingency Reserve		7,500
Amount previously appropriated for Capital Expenditure, now reversed		5,199
		£1,207,469
This amount has been dealt with as follows:—		
Taxation	£280,184	
Forfeited Dividends Account	7,494	
		287,678
		£919,791
Dividends declared during the year:		
No. 33 of 4s. per share and No. 34 of 3s. 6d. per share		467,851
Leaving a balance unappropriated of		£451,940

The estimated ore reserve as at 30th June, 1951, was as follows:—

Reef	Available			Sharp and Safety Pillars			Total		
	Tons.	Value, Dwt.	Width, Inches	Tons.	Value, Dwt.	Width, Inches	Tons.	Value, Dwt.	Width, Inches
Kimberley Reef	438,000	2.7	60.6	69,000	3.9	66.4	507,000	2.9	61.3
Bird Reef	1,479,000	2.7	59.4	279,000	2.8	68.5	1,758,000	2.7	60.7
South Reef	1,059,000	3.6	48.2	132,000	4.0	48.0	1,191,000	3.6	48.2
Main Reef Leader	1,141,000	4.1	48.7	818,000	4.5	49.2	1,959,000	4.2	48.9
Main Reef	977,000	3.6	55.1	93,000	3.3	61.8	1,070,000	3.6	55.7
Total	5,094,000	3.3	53.5	1,391,000	4.0	53.3	6,485,000	3.5	53.5

Compared with the previous year's estimate, the available reserve decreased by **948,000 tons**, the stope width being lower by **0.5** inch and the value unchanged. Of the decrease, some **276,000 tons** was due to rising costs and consequent increase in pay limit.

The full Report and Accounts may be obtained from the London Secretaries, A. MOIR & CO., No. 4, London Wall Buildings, London, E.C.2.

RALLI BROTHERS LIMITED

Capital Reconstruction

Shareholders in Ralli Brothers Limited will have received Notices to-day of an Extraordinary General Meeting and Separate Class Meetings to be held on the 27th November next for the purpose of approving a scheme for the reconstruction of the Company's capital, designed principally to simplify its present complicated structure. The First and Second Preference Shares at present not only carry the right to fixed preferential dividends and to priority in a winding up for capital and, in the case of the First Preference Shares, arrears of dividend; they also confer upon the existing holders additional rights of participation in the balance of profits and, in a winding up, in surplus assets after all capital has been repaid. The main part of the proposals now put forward is that these additional rights of participation should be extinguished and that in lieu thereof Preference Shareholders should receive allotments of fully paid Ordinary Shares. Provision is also made for an alteration in the voting rights attached not only to the First and Second Preference Shares but also to the "A" Shares.

To meet the requirements of these changes and to adjust the position fairly between the various classes of shareholders the capital is to be increased to £4,720,000 by creating a further 520,000 Ordinary Shares of £1 each, which will be allotted credited as fully paid (by capitalisation of £520,000 from Share Premium Account) as follows:—

To the First and Second Preference Shareholders

One new Ordinary Share for every five existing Preference Shares.

To the Ordinary Shareholders

One new Ordinary Share for every ten existing Ordinary Shares.

To the "A" Shareholders

One new Ordinary Share for every ten "A" Shares

The consent of the Treasury to the issue of the new Ordinary Shares has been obtained.

The Directors of the Company recommend the scheme as being fair to all classes of Shareholder. If the necessary Resolutions are passed, it is proposed to post renounceable fully paid Allotment Letters for the new Ordinary Shares as soon as possible after the meetings have been held.

The Shareholders of the Company will also be asked to approve certain other alterations in the Articles, including a provision increasing the limit of borrowings by the Directors without the sanction of the Company in General Meeting.

Company Notes

Rhodesian Copper Profits. — Further evidence that the Rhodesian copper industry is enjoying a period of prosperity without parallel in its history is to be found in the advance in Rhokana's profits before tax from £6,687,165 to £10,483,687 in the year ended June 30th last. In the same period, group profits of Rhodesian Anglo American, which owns 52.4 per cent. of Rhokana's equity capital as well as interests in Nchanga and Mufulira, jumped from £7,985,033 to £14,819,139. Even these excellent figures understate the real improvement that has taken place so far as the equity shareholder who is taxed at the standard rate is concerned, for the expansion in net profits is relatively much greater than the rise in earnings before tax. The most important factor here is the six months' freedom enjoyed by Rhokana and Rhoanglo, following their change in domicile to Northern Rhodesia at the beginning of the year. Not only is the liability for taxation proportionally much lower this year than in the previous year, but the companies have also been able to release considerable sums from taxation provisions made in earlier years. In Rhokana's accounts, £3,718,292, against £3,613,307, is provided for taxation and £1,365,221 is written back from a tax provision; similarly in Rhoanglo's accounts, £5,627,338, against £4,328,765, is provided for taxation and £1,554,398 is written back.

As we confidently anticipated, record profits are accompanied by a substantial increase in the amounts to be distributed to ordinary shareholders. Rhokana's ordinary dividend is raised from 120 to 200 per cent., and Rhoanglo's ordinary dividend from 32½ to 55 per cent. Again, however, the benefits accruing to equity shareholders are understated. The dividends are payable in part out of profits earned in the six months before January 1, 1951, the date on which control and management were removed to Rhodesia, so that half the dividends paid are regarded by the British taxation authorities as tax-free payments. If, therefore, allowance is made for the full rate of tax of 9s. 6d. in the £, the dividends are equivalent to gross distributions of just over 290 per cent. for Rhokana and nearly 80 per cent. for Rhoanglo, but this calculation ignores the fact that British taxation to be deducted from the remaining half of the dividends will be at a reduced rate (to be announced later) in order to allow for unilateral tax relief. This very favourable tax arrangement only applies to the financial year 1950-51. Future dividends will be paid to British shareholders at the declared rate, less British tax, at a rate reduced by a provisional allowance for double taxation relief. No account of the White Paper proposals to freeze dividends has been taken in fixing this year's distributions and dividends are "therefore subject to modification"; this oddity is explained by the fact that Rhokana is no longer resident here, but it is registered here. Shareholders will need little reminding that the Treasury's reply to an inquiry by Tanganyika Concessions confirmed the suspicion that British companies that have shifted their seat of control abroad would not on that account escape from dividend limitation.

The steady rise in the selling price of electrolytic copper and the recent report of bumper profits by Roan Antelope and Mufulira encouraged investors to anticipate record profits and dividends from Rhokana and Rhoanglo, and the immediate response in the market when the results were announced was very slight. The current price of Rhokana £1 ordinary stock units is £27, and Rhoanglo 10s. ordinary stock units stand at 73s.

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Eastwoods. — Production of building materials has been outstripped by demand in recent years. The report by Eastwoods of record sales in the year to March 31st last shows that the company has met the demand for its products by expanding capacity. The reward for these efforts is to be found in the jump in group trading profits from £371,011 to £433,241. The White Paper proposals to control dividends prevented equity shareholders from benefiting immediately from this improvement in the company's fortunes; the ordinary dividend had to be cut back from 12 per cent to a "standard" rate of 10 per cent. The directors believed that a more equitable share in the company's prosperity was a dividend of 15 per cent; accordingly, a reserve has been created from which a further 5 per cent will be paid once it becomes clear that the dividend limitation proposals will not become law.

	Years to March 31, 1950	Years to March 31, 1951
Consolidated Earnings:—	£	£
Trading profit	371,011	433,241
Total income	382,823	442,320
Depreciation	134,209	141,987
Taxation	142,917	170,285
Group earnings for ordinary stock	*91,179*	*115,547*
Ordinary dividends	66,000	52,500
Ordinary dividends (per cent)	12	10
Retained by subsidiaries	539	5,362
General reserve	...	21,454
Dividend reserve	...	35,000
Added to carry forward	24,640	1,231
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	1,650,000	1,785,705
Net current assets	976,416	934,655
Stocks	519,967	615,923
Cash	169,691	223,292
Reserves	1,193,989	1,261,002*
Ordinary capital	985,500	985,500

£1 ordinary stock at 48s. 9d.xd yields £4 2s. per cent on 10 per cent.

The expansion of capacity to meet demand has found its mark in the balance sheet. The net book value of fixed assets has risen by some £135,000 to £1,785,705, and outstanding capital commitments are estimated at £235,000. A good part of the capital programme in the latest financial year has been financed by the sale of securities, the book value of which has fallen from £291,435 to £9,511. At the same time, cash holdings have risen from £169,691 to £223,292. Hopes of a boom in building materials have recently been reflected in a sharp rise in the price of building material shares, in the course of which Eastwoods £1 ordinary stock units have risen to 48s. 9d.xd. At this price the yield on a dividend basis of 10 per cent is only £4 2s. per cent, but assuming the payment of the full dividend of 15 per cent, the yield is nearly £6 3s. per cent.

IN £'S.

Years to June 30	Rhokana 1950	Rhokana 1951	Rhoanglo 1950	Rhoanglo 1951
Profit, before tax	6,687,165	10,483,687	7,985,033	14,819,139
Tax provisions no longer required	25,084	1,365,221	214,182	1,554,398
Taxation	3,615,507	5,718,292	4,328,765	5,627,338
Net income	3,096,942	8,130,616	3,870,450	10,746,199
Attributable to Rhoanglo	...	...	1,894,996	5,197,704
Retained by subsidiaries	...	...	804,945	1,887,384
Preference dividends	43,461	60,946	...	...
General reserve	1,400,000	2,500,000	...	...
Ordinary dividends	1,650,002	5,000,004	...	...
Ordinary dividends (per cent)	*120*	*200*	*32½*	*55*

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 17, 1951	Price, Oct. 24, 1951	Net Yield, Oct. 24, 1951 (n)	Gross Yield, Oct. 24, 1951
			£ s. d.	£ s. d.
War Bonds 2½%	101⅝	101⅝	...	...
Mar. 1, 1951-53			0 4 7	1 10 9
War Bonds 2½%	101⅜	101⅜	...	...
Mar. 1, 1952-54			0 12 4	1 17 5
Exchequer Stk. 2½%	101⅛	101¼	0 11 7	1 14 0
Feb. 15, 1955				
War Bonds 2½%	102⅛	102⅛	0 4 5	1 9 5
Aug. 15, 1954-56			0 13 4	1 17 8
Funding 2½%	102¼	102¼	...	0 15 6
June 15, 1952-57			1 2 6	2 10 2
Nat. Defence 3%	103⅛	103⅛	0 5 8	1 16 6
July 15, 1954-58			1 0 8	2 9 11
War Loan 3%	103⅜	103⅛	0 12 3	2 0 5
Oct. 15, 1955-59			1 1 7	2 9 8
Savings Bonds 3%	97⅛	97⅛	2 6 7	3 17 2
Aug. 15, 1955-65			1 16 0	3 5 6
Funding 2½%	97⅜	97⅛	1 16 8	3 0 11
April 15, 1956-61			1 11 4	2 15 5
Funding 3%	92⅜	92⅛	2 13 0	4 2 10
April 15, 1959-69			2 1 5	3 11 3
Funding 3%	94⅛	94⅛	2 0 8	3 10 9
Aug. 1, 1966-68			1 19 8	3 9 9
Funding 4%	103¼*	104¼*	1 11 3	3 8 3
May 1, 1960-90			1 18 10	3 15 9
Savings Bonds 3%	92⅛	92⅛	2 10 8	4 1 1
Sept. 1, 1960-70			2 1 3	3 11 5
Savings Bonds 2½%	90⅛*	90⅛*	2 4 3	3 9 5
May 1, 1964-67			2 1 1	3 6 3
Victory Bonds 4%	104⅛	104⅛	1 14 7	3 12 0
Sept. 1, 1920 76				
Savings Bonds 3%	90	90⅛	2 8 10	3 19 8
Aug. 15, 1965-75			2 2 4	3 13 2
Consols 4%	97⅛	97⅞	2 3 2	4 2 6
(after Feb. 1, 1957)				
Conversion 3½%	87⅛	88⅛	2 1 8	3 19 6
(after Apr. 1, 1961)				
Treasury Stk. 2½%	64⅛	65	2 0 5	3 17 2
(after Apr. 1, 1975)				
Treasury Stk. 3%	76⅛	77	2 0 11	3 18 1
(after Apr. 5, 1966)				
Treasury Stk. 3½%	96⅛	96⅛	2 1 1	3 16 0
June 15, 1977-80			2 0 9	3 15 8
Redemp. Stk. 3%	84⅛	85	2 3 11	3 15 9
Oct., 1986-96			2 1 11	3 13 11
War Loan 3½%	87⅛	86⅛*	2 2 7	4 0 11
(after Dec. 1, 1952)				
Consols 2½%	65⅜	66⅛	1 19 8	3 15 8
Brit. Elect. 3% Gtd.	90⅜	90⅛	2 5 5	3 15 9
April 1, 1968-73			2 2 7	3 12 11
Brit. Elect. 3% Gtd.	89⅛	89⅛	2 3 6	3 14 2
Mar. 15, 1974-77			2 2 3	3 13 0
Brit. Elect. 3½% Gtd.	95⅜*	95⅛*	2 0 11	3 15 0
Nov. 15, 1976-79			2 0 7	3 14 8
Brit. Tpt. 3% Gtd.	84⅛	84⅛	2 3 4	3 19 7
July 1, 1978-88			2 3 11	3 16 3
Brit. Tpt. 3% Gtd.	90⅜	90⅛	2 5 5	3 15 9
April 1, 1968-73			2 2 7	3 12 11
Brit. Gas Gtd. 3%	82⅛*	83⅛*	2 4 6	3 16 9
May 1, 1990-95			2 3 6	3 15 10
Brit. Gas Gtd. 3½%	98⅛	98⅛	1 19 5	3 13 5
Sept. 10, 1969-71			1 19 2	3 13 2
Brit. Iron & Steel 3½%	95⅜	95⅛	2 1 0	3 15 7
Feb. 15, 1979-81			2 0 9	3 15 4

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 3 months. * Ex dividend.

Div. Paid 12 Mths. to 26/7/51	Av. Div. 2 Years to 26/7/51	Ordinary Stocks	Oct. 17, 1951	Price, Oct. 24, 1951	Price Yield on Last Year's Div.
%	%				£ s. d.
60	...	Anglo-Am. 10/-	8⅜	7⅛	3 15 7
30	30	Anglo-Iran £1	5⅞	5⅜	5 9 1
20	17½	Assoc. Elec. £1	91/6	92/6	4 6 6
27½	25	Assoc. P. Cem. £1	111/3*	111/3	4 18 10
35	30⅜	Austin 5/-	33/9	33/9	5 3 8
25†	23·4†	Bass £1	150/7½	150/7½	6 7 0
40	20 *m*	Boots 5/-	26/3	26/3	3 16 2*h*
10	9	Br. Celanese 10/-	41/-	42/9	2 2 2*m*
20	20	Br. Oxygen £1	98/6	98/-	4 1 8
12½	12½	Coats £1	60/-	61/3	4 6 8
11½	9⅜	Courtaulds £1	50/7½	51/6	4 7 4
22½	21½	Distillers 4/-	24/-	23/6	3 15 0
17½	16½	Dunlop £1	67/-	68/-	5 2 11
12½	11½	Ford £1	56/10½	56/10½	4 7 11
22½	20	Gen. Elect. £1	96/6	97/6	4 12 4
32	30½	Guinness £1	144/4½	145/7½	4 7 11
32½	8½ *m*	Hawker Sid. 5/-	38/3	37/9	5 6 0*h*
12	11	Imp. Chem. £1	52/3	54/-	4 8 11
32	32	Imp. Tobacco £1	102/6	102/6	6 4 10
12½	11½	Lancs. Cotton £1	46/3	46/3	5 8 1
13⅛	11⅛	Lever £1	56/3	57/6	4 13 11
15	15	Lon. Brick £1	63/9	63/9	4 14 1
75	65½ *m*	Marks & Sp. A 5/-	98/6	100/-	3 15 0
16	14	P. & O. Def. £1	48/-	48/6	4 8 0*f*
25	25	P. Johnson 10/-	45/6	46/-	5 8 8
12½†	9·7†	"Shell" Stk. £1	96/3	98/9	4 16 5
25	25	Tube Invst. £1	68	68	3 15 6
20	17½	T. & Newall £1	100/7½	100/7½	3 19 6
10	9	Union Castle £1	40/-	41/6	4 16 5
50	53⅜	U. Sta Betong £1	71/3	73/9	13 11 2
12½	9⅜	Vickers £1	50/6	51/9	4 16 8
9½	5⅞	Woodworth 5/-	48/6	49/-	4 6 9

(h) Yield basis 20% after capital bonus. (k) Yield basis 10%. (m) Allowing for capital bonus. (n) Yield basis 9% (p) Yield basis 10½% after capital bonus.
* Ex dividend. † Price of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended October 20, 1951, total ordinary revenue was £60,878,000 against ordinary expenditure of £96,593,000 and issues to sinking funds £566,000. Thus, including sinking fund allocations of £11,298,000 the deficit accrued since April 1, 1951, is £92,837,000 compared with a surplus of £23,911,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Oct. 21, 1950	April 1, 1951 to Oct. 20, 1951	Week ended Oct. 21, 1950	Week ended Oct. 20, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	413,093	487,536	11,124	17,796
Sur-tax	128,000	38,300	38,900	1,200	1,100
Estate, etc., Duties	180,000	101,850	104,400	3,100	3,000
Stamps	55,000	27,800	34,900	1,200	1,300
Profits Tax & E.P.T.	312,650	153,270	172,000	7,650	4,800
Other Inland Rev.	500	80	95	...	...
Special Contributn.	1,500	3,100	1,820	100	40
Total Inland Rev.	2302400	737,473	839,651	24,374	28,036
Customs	930,500	491,967	554,447	18,625	22,285
Excise	720,500	367,000	395,000	6,800	6,800
Total Customs and Excise	1651000	858,967	949,447	25,425	29,085
Motor Duties	62,000	10,895	12,648	111	...
Surplus War Stores	20,000	24,244	25,025	...	2,906
Surpl's from Tradg.	50,000	30,974	65,927	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	4,650	5,000	...	...
Sundry Loans	27,000	18,148	19,666	...	643
Miscell. Receipts	105,000	53,186	47,205	866	208
Total Ord. Rev.	4236400	1838574	2067804	50,776	60,878
SELF-BALANCING					
Post Office	179,431	91,000	100,000	3,800	3,800
Income Tax on E.P.T. Refunds	4,900	5,537	3,239	288	423
Total	4420731	1835074	2067804	54,864	65,101

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Oct. 21, 1950	April 1, 1951 to Oct 20, 1951	Week ended Oct. 21, 1950	Week ended Oct. 20, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	290,956	289,415	26,649	22,093
Payments to N. Ireland	38,000	18,686	19,051	...	...
Other Cons. Funds	11,000	4,696	5,340	252	...
Total	584,000	314,338	313,806	26,901	22,093
Supply Services	*3425640	1390462	1742298	56,200	74,500
Total Ord. Expd.	*4009640	1704800	2046104	83,101	96,593
Sinking Funds	...	9,826	11,298	263	566
Total (excl. Self-Bal. Expd.)	4009640	1714626	2057402	83,364	97,159
SELF-BALANCING					
Post Office	179,431	91,000	100,000	3,800	3,800
Income Tax on E.P.T. Refunds	4,900	5,537	3,239	288	423
Total	4193971	1811163	2160641	87,452	101582

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £214,140 to £2,906,325, the other operations for the week decreased the National Debt by £153,418,991 to £26,578 million.

NET RECEIPTS (£ thousand)

Housing (Temporary Accommodation) Act, 1944, s. 8	227
Cotton (Centralised Buying) Act, 1947, s. 21	500
E.P.U. (Financial Provisions) Act, 1950, s. 3	185
Exchange Equalisation Account	200,000
	200,910

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	700
E.P.T. Refunds	516
Export Guarantees Act, 1949, s. 3	173
Local Authorities Loans Act, 1945, s. 3(2)	9,700
Finance Acts, 1946 and 1947: Postwar Credits	335
	11,434

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
3% Def. Bonds	175	Treasury Bills	145,659
Tax Reserve Certs.	1,145	2½% Def. Bonds	1,295
Other Debt :—		2½% Ter. Annuities	1,597
Internal	4,387	Treasury Deposits	25,000
Ways & Means Advances	14,425		
	20,132		173,551

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Oct. 21	3160·0	2077·8	490·2	...	574·0	6302·0
1951						
July 21	3230·0	2161·9	335·4	...	344·5	6071·9
„ 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
„ 11	3220·0	2164·2	280·2	...	379·5	6043·9
„ 18	3230·0	2212·0	296·6	...	355·0	6093·6
„ 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3240·0	2277·7	326·7	...	290·0	6134·4
„ 8	3240·0	2301·5	306·9	...	290·0	6138·4
„ 15	3240·0	2368·4	328·2	...	265·0	6201·6
„ 22	3240·0	2364·7	354·6	...	265·0	6224·4
„ 30	5596·3		342·4	...	290·0	6228·7
Oct. 6	3240·0	2425·2	347·6	...	250·0	6262·8
„ 13	3240·0	2471·1	356·6	...	225·0	6292·7
„ 20	3250·0	2315·4	571·0	...	200·0	6136·5

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Oct. 20	250·0	332·3	250·0	10 2·94	68
1951					
July 20	230·0	323·8	230·0	10 2·84	60
„ 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	60
„ 10	260·0	354·1	260·0	10 2·78	62
„ 17	260·0	341·4	260·0	10 3·02	68
„ 24	260·0	318·7	260·0	10 3·36	77
„ 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
„ 14	250·0	332·1	250·0	10 3·07	67
„ 21	240·0	335·9	240·0	10 4·87	23
„ 28	260·0	338·7	260·0	10 2·98	68
Oct. 5	250·0	327·4	250·0	10 3·13	69
„ 12	260·0	365·5	260·0	10 2·64	58
„ 19	250·0	359·9	250·0	10 2·97	64

On October 19th application for 91 day bills to be paid from October 22 to October 27, 1951, were accepted dated Monday to Saturday as to about 64 per cent at £99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on October 26th. For the week ending October 27th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 28 Weeks ended Oct. 14, 1950	Totals 28 Weeks ended Oct. 13, 1951	Week ended Oct. 13, 1951
Savings Certificates :—			
Receipts	46,700	91,800	2,400
Repayments	71,900	75,900	2,300
Net Savings	*Dr25,200*	15,900	*Dr 100*
Defence Bonds :—			
Receipts	9,575	30,344	2,210
Repayments	27,674	39,151	2,160
Net Savings	*Dr18,299*	*Dr 8,807*	50
P.O. and Trustee Savings Banks :—			
Receipts	349,695	369,805	15,048
Repayments	375,989	438,717	12 475
Net Savings	*Dr26,294*	*Dr68,912*	2,573
Total Net Savings	*Dr69,793*	*Dr81,819*	2,523
Interest on certificates repaid	15,729	18,593	638
Interest accrued	67,464	67,758	2,435
Change in total invested	*19,058*	*12,658*	4,520

BANK OF ENGLAND RETURNS

OCTOBER 24, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1346,533,870	Other Govt. Securities	1385,765,800
In Banks. Department	53,822,953	Other Secs.	709,071
		Coin (other than gold)	2,510,029
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	335,657,853
Rest	3,225,149	Other Secs.:—	38,763,933
Public Deps.:—	19,504,134	*Discounts and*	
*Public Accts.**	*14,962,376*	*Advances*	*14,127,097*
H.M. Treas.		*Securities*	*24,636,836*
Special Acct.	*4,541,758*		
Other Deps.:—	391,930,596		
Bankers	*300,014,594*	Notes	53,822,953
Other Accts.	*91,916,002*	Coin	988,040
	429,212,779		429,212,779

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Oct. 25	1951 Oct. 10	1951 Oct. 17	1951 Oct. 24
Issue Dept. :—				
Notes in circulation	1272·6	1352·1	1349·2	1346·5
Notes in banking department	77·7	48·2	51·1	53·8
Government debt and securities*	1345·2	1396·7	1396·9	1396·8
Other securities	0·8	0·7	0·6	0·7
Gold and Coin	4·4	2·9	2·9	3·0
Valued as per fine at...	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·0	18·8	16·2	15·0
Treasury Special Account	266·4	0·1	4·5	4·5
Bankers	316·0	300·2	307·5	300·0
Others	89·3	94·2	96·3	91·9
Total	684·7	413·3	423·5	411·4
Securities :—				
Government	555·3	342·1	350·2	335·6
Discounts, etc.	40·3	15·8	14·8	14·1
Other	26·5	24·2	24·5	24·6
Total	622·1	382·1	389·3	374·3
Banking dept. res.	80·3	48·9	51·9	54·8
"Proportion"	11·7	11·8	12·2	13·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Oct. 18..	77·0	88·00	186 3	108 3
„ 19..	77·0	88·00	186 13	108 11
„ 20..	Markets Closed		185 1	108 7
„ 22..	77·0	88·00	185 2	107 10
„ 23..	77·0	88·00	185 7	107 5
„ 24..	77·0	88·00	182 12	106 15

COMPANY MEETINGS

THOS. W. WARD LIMITED

RECORD GROUP TURNOVER

SCRAP AND STEEL PRODUCTION TARGETS

The forty-eighth ordinary general meeting of Thos. W. Ward Limited, was held on October 26th at Sheffield. Mr George Wood, C.B.E. (chairman of the company), who presided, said in the course of his speech:

The more than usually strenuous period covered by the financial year to June 30, 1951, has, I am glad to say, resulted in an output and profit which both constitute a record in the long history of the company. Our turnover, including that accruing from the activities of our subsidiary companies, has reached twenty-six million pounds—an increase over the previous financial year of nearly three million pounds. Of this total turnover the parent company has contributed seventeen million pounds—an increase of nearly three million pounds in relation to the corresponding turnover for 1949-50.

This is a truly splendid achievement to which everybody in the company—management, staff and workpeople—has contributed. We and they can feel rightly proud of the results produced by this co-ordination of effort, and on behalf of the shareholders and the board I tender to them our very warm congratulations and thanks.

It is appropriate at this point to mention that our turnover for the first three months of the current financial year shows an increase, insofar as the accounts of the parent company are concerned, of approximately 7½ per cent. over that for the same period last year.

Although the work of the year has been very strenuous and profits substantial, it is nevertheless difficult to contemplate affairs today without a sense of unreality, or to shake off a feeling that business at this time and age is based on exotic foundations. The critical contributory factors of penal taxation, the inflationary tendencies of the Defence Programme, the currency hazards attendant on unbalanced imports and exports, these and other factors all add to this illusion of fantasy. In these conditions and at this time it is indeed difficult to imagine what the position would be if the curtain of illusion were raised and business was set free to seek success by virtue of its capacity for efficiency and economical production.

On this concept of business the English speaking peoples of the world have contributed much to the betterment of mankind, and it is salutary at this moment in our history to enquire whether we as a country are taking every opportunity to prepare for the time when these words once more take on their true meaning. Efficiency in production means economy in production, but its attainment is only to be achieved by hard work and careful thought. To deny, therefore, the just reward for this work and thought, to withdraw all encouragement and hope of compensation, is a policy which can only result in an endless vista of diminishing returns—individually and nationally. Conversely, to encourage endeavour and to reward efficiency would put new heart into British industry. Unfortunately tendencies over the past few years have certainly not been in this direction.

In reverting to domestic matters I am pleased to say that all sections of our Company have done well and that practically every one has contributed to the very substantial increase in turnover. This increase has not been influenced by enhanced prices to the extent one might imagine—a point amply demonstrated by the fact that prices of scrap iron and steel (in which commodity we do a very large business) were, up to the end of the financial year under review, still at pre-war level.

REDUCTION IN SHIPBREAKING

One section of our business, viz., shipbreaking, is operating under conditions of slackness quite outside our control. The extraordinary demand for ocean transport and the resultant high returns from freightage encourage keeping in service every possible ship that can limp the seas. Obsolete vessels, totalling many thousands of tons of valuable material, which would under normal conditions have come forward for breaking, still have some value as cargo carriers. The result is that the shipbreaking industry is only working to about 50 per cent. capacity at a time when every ton of scrap iron and steel is needed to maintain the country's steel production.

The company has again played its part in the export drive with an increase in value substantially greater than that for the previous year—and this despite the hampering restrictions of licensing limitation, ocean transport delays, exchange inequalities and other dislocating factors.

Last year I drew attention to the contract we had entered into for the building of a road from Jeddah to Medina in Saudi Arabia. Owing to the effect of the Defence Programme on the availability of plant, equipment and even personnel and to unavoidable delays in transport, we have suffered more than normal teething troubles, but I am glad to say that supplies are now catching up.

Any loss sustained has been written off in the accounts, and we look forward to a successful outcome of the contract. This statement is written early for the Press, so that we do not know how matters will progress, but we have to bear in mind that our supply line is through the Suez Canal and that the position could be made difficult for us if the relationship with Egypt worsened. We did, however, at the inception of this contract take the precaution to ensure it to the utmost extent possible, including a policy covering war risks, with the Treasury Export Credits Guarantee Department.

BALANCE SHEET ITEMS

Comparison of the balance sheet with that of the previous year will show that investments at £1,362,160 compare with £1,546,249 last year, a decrease of £184,089. This decrease is caused by the taking over by the Government of certain of our companies under the Steel Act. Investment in Government securities total £149,580, against £2,500 last year, an increase of £147,080. Here again we see the effect of the Steel Act, likewise in the additional item of £250,000 cash on short-term loan.

The special item of £506,567 on the balance sheet identified as "surplus on vesting of subsidiary shares in iron and steel corporation" we look upon as part of the capital of the company. We have been fairly successful in the past in the expansion that has taken place in the company's business both departmentally and by the acquisition of subsidiary companies, due to the special opportunities that have come our way. We do not doubt that in due course we shall be able to use these additional capital resources equally advantageously to the benefit of the company.

Taxation is another matter to be kept continually in mind. It will be observed that the liability of the group under this heading at June 30, 1951, was £1,643,098. That sum is due for payment in cash by the end of 1952. This company must, therefore, have large and liquid resources at its disposal.

The profit and loss account of the parent company shows a profit after allowing for general charges, normal depreciation and taxation, of £570,922.

	£	£
		570,922
to which is added :—		
Surplus on vesting of subsidiaries' Shares in Iron & Steel Corporation	506,567	
Profit on realisation of fixed assets	24,790	
	531,357	
Less provision for :—		
Depreciation of investments	9,000	
Benevolent scheme	25,000	
Taxation Equalisation Reserve	25,000	
Contingencies	200,000	
	259,000	272,357
		843,279
Amount brought forward from last year		558,726
There is an available balance of		1,402,005
Dividends already paid on preference and Employees' shares, and Interim on ordinary		73,441
Leaving a disposable balance of		1,328,564

The directors recommend that this be dealt with in the following manner:—

	£
Final dividend of 10 per cent. on ordinary and participating rights on employees' shares	60,044
Provision for a Bonus of 5 per cent., less tax, on the ordinary shares including participating rights on employees' shares together with taxation thereon	42,000
To capital reserve	506,567
To general reserve	200,000

Carry forward £519,953 which compares with £558,726 brought in.

There is a new item in the balance sheet on this occasion, viz., a reserve for contingencies of £200,000. To those of our shareholders who are managing businesses today this item will not come as a surprise. It is a cushion and a measure of cautious accountancy we think necessary for your company. We are conducting a large business—it might even be called a business empire—all over the world under circumstances which, to say the least, are not normal. The ordinary methods of trade whereby reliance could be placed within very narrow limits upon the supplier delivering the goods at a definitely agreed price within a specified period of time without probability of interference by the Government through restrictions, licensing, etc., have gone by the board. Today there is little security of price or delivery and business carries a risk which is sometimes difficult to minimise. A company not prepared to take these risks cannot do business, and it is because of this that your board have decided on this cautionary measure.

The proposal to make a provision for a deferred payment bonus of 5 per cent., less tax, was taken after careful consideration. We could, of course, have recommended that it be paid forthwith but your company has many facets and does business through very many channels, and we definitely feel we are acting in the best interests of the shareholders in recommending this course.

THE GROUP POSITION

As you know the Wolverhampton Steel and Iron Company (1946) Limited, and the Birchley Rolling Mills Limited, were transferred to the Iron and Steel Corporation of Great Britain Limited in February and, therefore, have had to be taken out of our accounts for the year to June 30, 1951. The dividends received therefrom have had to be treated as from subsidiary companies not consolidated. This accounts for the fact that comparative 1950 figures shown on the present report do not agree with the accounts issued in 1950. They do, however, compare like with like and on this basis the subsidiary companies show a profit (after all charges, including taxation) this year of £348,056 as against £390,635 last year. This difference of £42,579 is more than accounted for by increased taxation and depreciation. Carry forward applicable to the parent company has increased from £245,696 to £341,496.

It is pleasing to be able to report that our subsidiary companies are doing well with full order books. The male staff pension scheme, which includes all subsidiary companies, and which was put into operation three years ago has been extremely well received. The invested funds now amount to £409,000. During the past year, an addition has been made in the form of a group life policy, which provides death benefits up to pensionable age.

WHAT OF THE FUTURE?

This report is written and presented to the press before the general election, and as companies are not politically minded I am absolved from making any forecast. I am confident, however, that in the interests of our business we have every right to demand and expect, whatever the result of the election may be, that the suicidal experiment of nationalisation shall be looked upon as a fundamental failure which should be wiped clear of the slate of practical politics.

Thos. W. Ward Limited, is a company with adequate resources, capable management and valuable experience. Couple these three assets with the fourth of unbounded enthusiasm and we have a combination which can play its part in whatever role the future may have in store, provided we are given a fair field for enterprise.

A PLEA FOR MORE SCRAP

I cannot conclude my report without making a direct appeal to all our shareholders to take a keen personal interest in the problem of scrap iron and steel collection. It is impossible to exaggerate the importance of this matter in relation to our national economy. The furnace capacity of this country can produce over sixteen million tons of steel ingots per annum provided a sufficiency of scrap is passed to the consuming steel works through the usual channels of the scrap merchant. Every ton of steel which can be produced is needed for the Defence Programme and for the manufacture of export goods. To fulfil our obligations in these essentials we must have scrap and still more scrap.

It is not an overstatement to say that there are many hundreds of thousands of tons of valuable scrap laying about all over the country in the form of derelict plant, obsolete equipment, waste material and the miscellany of items under the benches and at the back of storerooms in every kind of industry. If this weight of scrap material could be quickly recovered it would be of immense benefit to the country generally. What is needed is undoubtedly a new approach to the problem on the part of every individual throughout industry. There should be a constant feeling of urgency, an ever-present scrap consciousness, even to the extent of it being looked upon as an offence to neglect starting any scrap for which the individual is responsible on its way to the melting works. The scrap merchants of this country are able to undertake the dismantling of plant and equipment where this is necessary—in short, there need be no obstacle in the way of rapid disposal of even the most difficult derelict plant.

It can be said without the slightest fear of exaggeration that only by the most intensive, personal effort can the hidden scrap resources of industry be uncovered. We need this scrap—every ton of it—if the steel requirements of this country are to be met.

The report and accounts were adopted and the dividends recommended declared. The retiring directors were re-elected and Messrs Joshua Wortley and Sons reappointed auditors.

THOS. W. WARD LIMITED AND SUBSIDIARY COMPANIES
CONSOLIDATED BALANCE SHEET, at 30th June, 1951

1950 £			£	£	£
	I.	**ISSUED SHARE CAPITAL OF THOS. W. WARD LIMITED**	Issued and fully paid		
		Authorised			
		500,000 5 per cent. First Cumulative Preference Shares of £1 each	500,000		
		500,000 5 per cent. Second Cumulative Preference Shares of £1 each, free of Tax ...	500,000		
		100,000 5 per cent. Employees' Shares, free of Tax ...	95,428		
		1,100,000 Ordinary Shares of £1 each	1,100,000		
		£2,200,000	2,195,428		
		Less Preference Shares held by Subsidiary Company	11,413		
2,183,160				2,184,015	
	II.	**CAPITAL RESERVES**			
359,241		(a) Undistributed Profits and Reserves of Subsidiaries at date of Acquisition by Holding Company, less proportion attributable to Outside Shareholders ...	335,672		
35,325		(b) Premiums on Shares issued by Subsidiary Companies, *less* proportion attributable to Outside Shareholders	35,325		
98,400		(c) E.P.T. Post War Refund	98,400		
—		(d) Surplus on vesting of Subsidiaries' Shares in Iron & Steel Corporation	500,567		
492,965				972,964	
	III.	**REVENUE RESERVES AND SURPLUS**			
1,900,000		(a) General Reserve	1,900,000		
100,000		(b) Reserve for Replacement of Fixed Assets ...	100,000		
49,344		(c) Taxation Equalisation Reserve *re* Initial Allowances ...	89,630		
668,415		(d) Reserve for Income Tax due 1st January, 1953 ...	675,578		
		(e) Reserves and Undistributed Profits, *less* Losses of Subsidiary Companies, *less* proportion attributable to Outside Shareholders	556,517		
465,913		(f) Profit and Loss Account	819,963		
888,726					
3,791,438				5,141,678	
5,385,564				6,298,657	
93,345	IV.	**DEBENTURES AND LOANS** Due to Outside Interests		93,345	
	V.	**OUTSIDE SHAREHOLDERS IN SUBSIDIARY COMPANIES**			
341,321		(a) Preference Shares	336,986		
447,456		(b) Ordinary Shares including Reserves and Undistributed Profits attributable thereto	444,983		
788,777				781,469	
	VI.	**PROVISIONS**			
103,166		(a) Employees' Benevolent Scheme	123,310		
300		(b) Deferred Repairs	300		
—		(c) Provision for Contingencies	200,000		
—		(d) Provision for Deferred Dividend together with additional Taxation thereon	42,000		
103,466				375,510	
	VII.	**CURRENT LIABILITIES**			
2,316,698		(a) Trade Creditors	2,922,190		
646		(b) Due to Subsidiary Companies not Consolidated ...	3,486		
1,041,731		(c) Taxation	967,020		
		(d) Proposed Dividends (Net)—			
		Thos. W. Ward Limited	660,044		
		Subsidiary Companies — Minority Shareholders	92,755		
90,666			92,799		
3,451,431				3,878,990	
£9,746,374				£11,084,977	

1950 £			£	£	£
	I.	**FIXED ASSETS**			
		(a) Freehold and Leasehold Land and Buildings			
		(i) At the Net Amount at 30th June, 1948, standing in the Books of those Companies	987,891		
		Less Depreciation	88,443		
				899,448	
		(ii) At Cost	733,664		
		Less Depreciation	194,567		
1,456,721				539,097	1,438,545
		(b) Plant and Machinery, Motor Vehicles and Equipment			
		(i) At the Net Amount at 30th June, 1948, standing in the Books of those Companies	606,984		
		Less Depreciation	188,326		
				418,658	
		(ii) At Cost	1,236,416		
		Less Depreciation	618,934		
1,064,582				619,804	1,038,462
31,668		(c) Loose Tools at Valuation			26,106
2,552,971					2,503,389
	II.	**GOODWILL, PATENTS AND TRADE MARKS**			
		At cost, *less* amounts written off		163,635	
469,360		*Add* Excess of Premiums over Discounts on Purchases of Subsidiary Companies		364,537	468,176
	III.	**INVESTMENTS**			
		Shares in Subsidiary Companies not consolidated		26,027	
557,555		Trade Investments at cost *less* Realisations and Provision		356,654	382,681
	IV.	**CURRENT ASSETS**			
		(a) Stocks on Hand, Properties for Resale and Work in Progress including Site Equipment, *less* Instalments received on Account and Provisions		3,614,596	
2,687,488		(b) Debtors, Amounts Recoverable and Payments in Advance *less* Provisions		3,439,090	
3,178,412		(c) Due by Subsidiary Companies not consolidated ...		21,924	
48,214		(d) Investments at cost:—			
		Quoted	6164,622		
		(Market Value at 30th June, 1951— £146,850)			
		Unquoted (Realisable Value £8,704) ...	8,704		
16,815				163,326	
115,500		(e) Tax Reserve Certificates		115,000	
—		(f) Cash on Short Term Loan		250,000	
429,151		(g) Balances at Bankers and Cash in Hand		1,108,243	
6,366,191					7,791,877

NOTES:

(a) Commitments for Capital Expenditure so far as they are not included in Current Liabilities in this Consolidated Balance Sheet, amounted to approximately £750,186.

(b) Post-war Refunds of Excess Profits Tax have been included to the extent that such refunds have been received from the Inland Revenue.

(c) No Apportionment has been made to the interests of minority shareholders of the Reserve for Income Tax due 1st January, 1953, or the Taxation Equalisation Reserve, as it is not considered correct in principle to do so.

(d) The Shares of Subsidiary Companies were vested in the Iron & Steel Corporation of Great Britain on February 14th, 1951.

ALLEN HARVEY & ROSS, LIMITED

LARGER NET PROFIT

BRIGADIER G. M. B. PORTMAN'S STATEMENT

The annual general meeting of Allen Harvey & Ross, Limited, will be held in London on November 14th.

The following is the statement of the chairman, Brigadier Guy M. B. Portman, which has been circulated with the report and accounts:

The company's balance sheet as at September 30, 1951, and the profit and loss account for 1951 are now submitted to you for your consideration and adoption. The year has been smooth and satisfactory with no lack of opportunity to trade profitably within the company's resources. The company has been able to set aside additional reserves against the possible effects of the uncertainties which now confront us and changes which we may be awaiting.

The surplus shown in the balance sheet under the heading capital and revenue reserves has increased by £58,000 compared with last year.

RESULT OF YEAR'S OPERATIONS

It will be seen from the profit and loss account that the net profit for the year amounted to £89,619, an increase of just over £1,600 compared with last year's figure. The net profit of £89,619 is after making provision for rebate, amortisation of premiums on investments, taxation and adding to reserve for contingencies, as last year.

The directors again recommend a transfer to general reserve of £25,000, bringing the total of that reserve to £125,000. Dividend appropriations amount to £31,675, the difference of £1,325 compared with last year's figure being due to the increased income tax deducted; £102,842 is carried forward to next year, against £69,898 brought in.

Of the investments held at the date of this balance sheet all except £450,000 have a maximum life of 2½ years and just over half the holding has a maximum life of 1½ years.

BILL PURCHASES

The company's purchase by tender during the year of British Government Treasury bills has risen from £322,000,000 to £342,000,000 and the turnover by sale to the clearing banks has reached £321,000,000 (last year £271,000,000). There has been an increase in purchases of commercial bills of 34 per cent., that is from £32,000,000 during the previous year to £43,000,000 during this year; sales of these to the "clearing banks" have reached £37,000,000.

In recent conditions where private traders have been moving larger stocks of commodities at higher prices, on transactions appropriately the subject of acceptance credits, there has undoubtedly been the creation of a greater volume of bills on London. However, since the raising by the banks last July of their buying rates for bank bills and their call loan rates against these as collateral, inevitably there has been a tendency, especially on the part of the exchange banks, to hold rather than to rediscount with the market their purchases of bills abroad.

Your directors desire, on your behalf, to express gratitude and appreciation of the thorough and enthusiastic team work of the company's staff. The company suffered a sad loss in October, 1950, by the death of Mr F. P. King, the manager and secretary, who had served the firm loyally and well for 35 years.

H. A. SAUNDERS LIMITED

IMPROVED RESULTS

The sixteenth annual meeting of H. A. Saunders, Limited, was held on October 15th in London.

Mr H. A. W. Saunders (chairman of the company), in the course of his speech, said: We have finished a further twelve months' trading, which ended March 31st last, and, as I said in my speech last year, I hoped that our figures would turn out as good as the previous year. The figures are better and our profits have increased from £106,774 to £143,179, which is an increase of £36,405.

On paper the figures look very good, but personally I am somewhat disturbed over the terrible phase of inflation that we are going through. Please do not get the impression that I am pessimistic, as my directors and myself feel very confident at being able to handle any situation that may be brought about.

Our dealings in secondhand cars, the sale of spare parts for the companies we represent, and the service side have been very satisfactory. We have taken a great interest in the sale of industrial and agricultural tractors. Particularly since April 1st last this section has made good profits, and we are also finding that the products of manufacturers of tractors who we represent are getting more established.

The figures for the six months ended September 30th last, which deal with the new year's business, are very satisfactory, and I see no reason why the remaining six months should not be the same, although we may have slightly more difficulty in dealing with secondhand cars.

The report and accounts were unanimously adopted and a dividend of 20 per cent. on the ordinary shares was approved.

NOTICES

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Applications are invited for the post of SENIOR LECTURER OR LECTURER IN GOVERNMENT. Salary scales per annum: Senior Lecturer £1,150 to £1,500. Lecturer £500 to £1,000. Membership of F.S.S.U. and Children's Allowance Scheme. Initial salary according to qualifications and experience. Applications should be sent not later than January 31, 1952, to the Registrars, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

ROBSON, MORROW & CO. require the services of a Chartered or Incorporated accountant with industrial experience and who is interested in being trained in the development and installation of management control accounting. Four-figure commencing salary with annual increases. Send full particulars of age, education, qualifications, experience and present salary to Robson, Morrow & Co., 59, New Cavendish Street, London, W.1, marking envelope "Application."

CAMBRIDGE GRADUATE (26), 2nd class hons., two years' wide experience all branches sales organisation with medium-sized manufacturing firm of highest reputation, would like improve position; industry immaterial; no technical qualifications, but post involving work, responsibility, and prospects essential.—Box 774.

DIRECTOR (age 45), prosperous Shipping Company London as informed his salary £2000 Zenith, wishes change with more prospects, public school, hard worker.—Write Box "SP/123," c/o 95, Bishopsgate, E.C.2.

PERSONNEL OFFICER (33), in charge of Central Department of large British Company in India, seeks new post at home or abroad early in 1952. Ex-serviceman, M.A., completed one year course of I.P.M. London.—Box 773.

QUALIFIED ACCOUNTANT required as Secretary for medium-sized company in North London engaged in light engineering on mass production basis. Salary £900 to £1,000 according to experience. Permanent position with pension scheme in operation. Experience in office organisation, costing and mechanised accounting essential.—Write Box 780.

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THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (periodicals excluded).

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

FOR SALE.—The Economist, 1950, offers Box 784.

UNIVERSITY OF LONDON

A lecture on "Science in the Study of Administration" will be delivered by Professor W. J. M. Mackenzie (Manchester) at 5 p.m. on November 5th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. Admission free, without ticket.—James Henderson, Academic Registrar.

MINISTRY OF EDUCATION

H.M. INSPECTORS

Applications are invited from men and women for posts as H.M. INSPECTOR. Candidates, who should preferably be under 50 on December 31, 1951, should normally possess good educational qualifications and experience in Adult Education. Applications will be specially welcomed from candidates who have qualifications in Economics, Philosophy and Psychology.

The posts, which are permanent and pensionable, carry a salary scale for the London area of:—

£1,000 x £40 — £1,200 x £50 — £1,525 (Man)
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(A number of posts of special responsibility carry a £100 pensionable allowance; and Inspectors are eligible for promotion to certain higher grades.) The salaries of Inspectors working outside the London area are slightly lower at all points. In special cases successful candidates may be appointed at a commencing salary above the minimum.

Further particulars, together with an application form, may be obtained on written request to The Secretary (Inspectors' Section), Ministry of Education, Curzon Street, London, W.1. The closing date for applications will be January 31, 1952.

ADVANCEMENT causes a vacancy for a General Sales Manager in FIBREGLASS LTD. We manufacture glass fibre products for use in the insulation field and in plastics. The products sell mainly for technical purposes and many new applications are under development.

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The post covers heavy responsibilities and the work is hard. The applicant must show thorough and successful experience in general sales organisation. Residence near the headquarters of the company at St. Helens, Lancashire, will be essential. The post carries a substantial initial salary and is progressive.

The vacancy has been notified to our own staff, and a rigorous selection will be made. Those with inadequate qualifications are asked not to apply.

Address applications, with an outline of career, to M.D., c/o Fibreglass Limited, St. Helens, Lancashire.

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EXPERIENCED Business Organiser and Accountant seeks responsible post. Fluent German, French. Good connnections and references.—Box 782.

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Policy First

OVER the next five years the task of the Conservative Government is to make the British nation solvent and secure. If Mr Churchill and his colleagues are content with any lesser objective, the present Parliament is unlikely to last for five years and the next Parliament is likely to have a Labour majority. For the present the Conservatives have been put into office with few commitments on detailed policy; the electorate has narrowly preferred them to Labour for a job of rescue and repair. The narrowness of the preference makes the task extraordinarily difficult but provides no shadow of an excuse for dodging it.

The Government's majority is admittedly too small for comfort. It is smaller than most people expected; it proved in the end to be smaller even than the early returns last Friday morning had indicated. But it is sufficient for firm government. The political deadlock is broken. It had two causes. One was the smallness of Labour's majority, and the other was that ministers had run out of ideas and were too exhausted to act decisively. They had little effective power, but they did not know what to do with such power as they had. The Conservatives are relieved of both these handicaps. They should know what they want to do, and their majority is big enough for them to do it. Labour in 1950 had a majority of six and survived for eighteen months without defeat on a major issue. After the election of the Speaker, and when a Labour member has been returned for Barnsley, the Conservatives' majority over all other parties is sixteen. As long as they behave at all reasonably they can rely on Liberal support on major issues and their effective majority is twenty-eight. That is bad for Parliament in the long run; it makes essential a stricter party discipline than is healthy. But for five years the discipline is possible. Unless the Government is very unfortunate in by-elections there is no Parliamentary reason why it should ever be defeated on a matter of confidence.

The fate of the Conservative party is therefore in its own hands. But the time of decision is short. The deadlock, with all the limitations it imposes, can easily be restored. If for six months the Government does little new, if it waits to see how things are going and hopes it can get along without offending anyone much, then it may cling to office for another four years but it will be as tightly bound to a continuing policy of timidity as Labour has been. For a short time the severity of the difficulties with which Britain is beset, in both economic and foreign affairs, can fairly be attributed to the weaknesses of the last government. But in politics the principle *post hoc propter hoc* cannot be escaped. Disasters twelve months after the Tories are put into office will be attributed to the Tories. If they interpret the narrowness of their minority to mean that they dare make only minor changes from Labour policies they will soon be held equally responsible for those policies and for the austerities of British life in 1952. And if they prove to have nothing appreciably different from Labour policy, why should they ever be voted into office again? The electorate will prefer,

and will be right to prefer, that the common policy should be carried out by men with their hearts in the task rather than by men who have taken it over with much misgiving because they are afraid to do anything else.

It may have been good strategy for the Conservatives to say as little as possible about their policy while they were in opposition. But for their own sake they must have a distinctive policy now. That cannot, of course, be a reactionary policy; but equally it must not be a policy of "me too-ism," of paying Labour the compliment of assuming that it is still the progressive party and therefore continuing to do all that it has done. The hard fact about Labour policy is that it has left this country insecure and, after six years for recovery, facing its worst economic crisis since the war. The Conservatives have a certain capital of goodwill, particularly abroad, that may for a few months help to make the pound sterling a less vulnerable currency. But the capital is small. Britain has to be pulled from the edge of economic disaster. Unless the changes in policy are sharp and firm, life under the Tories in 1952 and 1953 will be far worse for everyone than it has been under Labour.

The nature of the policy the Conservatives ought to follow is discussed in detail in a later article. Here three simple points of fundamental importance have to be made. A realistic economic policy is bound to be immediately unpopular. It is bound to hurt. But it is not only good statesmanship for the country; it is also good politics for the Conservative party. It is as certain as anything can be that this government will have to live through hard times. Unpopular measures now will be forgiven it if by 1956 it has brought this country safely through the twin crises of respect and of solvency, if it has put British influence and British prosperity on a safer footing in a less troubled world. The unpopular measures for which the Conservatives will not be forgiven are those that another economic crisis will drive them to if nothing unpopular is done now. The safe rule for Tory Ministers is that if they act in apprehension of the election, in fear of losing votes soon, then they certainly will lose the election when it comes.

The second point is that administration must not be mistaken for policy. It is true that relatively little legislation is necessary or even desirable. It is true that there are many things the Conservatives can do by better administration that will be sheer gain for everyone. But their importance is secondary. Good government does not consist chiefly in circulating minutes for urgent action round the departments. The future of this country depends on radical changes in policy, not on minor administrative adjustments, however vigorous.

The third point is that, while the narrowness of the Conservatives' majority must in no way inhibit them from taking effective measures, it should limit the range of things for which they can regard themselves as having a mandate. It limits not the intensity but the scope of their policies. They cannot be and must not try to be non-controversial. They cannot stick to things that Labour will accept; they should try to concentrate the political battle on as narrow a front as is compatible with the fulfilment of their main purposes. The standard ought to be whether or not a measure is acceptable to independent opinion, and the practical test of such opinion at present will generally be the attitude of the Liberal party. A later article shows how the Conservatives owe their victory less to the votes won directly from Labour than to the fact that they got much the bigger share of former Liberal votes. The significance of that is two-fold. For the Liberals, it means that the 700,000 people who voted for their candidates are, on the whole, people who if they had had to choose would have preferred—for this Parliament—a Tory to a Labour government. It is the "mandate" of the six Liberals—quite apart from the fact that some owe their seats directly to Conservative votes—to support Mr Churchill's government provided only that it does no sharp violence to Liberal principles. On the other side, the lesson for the Conservatives is that their position in the country depends on Liberal goodwill and they had better not do violence to Liberal principles.

In opposition the Conservatives' most effective criticism has been of the pettiness, the small-mindedness and hidebound ideological conservatism of the Labour party in power. The magnitude of the task they have inherited is also the measure of their opportunity. If they demonstrate the vision that has been lacking in Labour they can revive their country and destroy for ever the identification of conservatism with the evils of the thirties.

The Cabinet

MR CHURCHILL'S Cabinet is excellent in structure and it contains several men who, in administrative experience and intellectual grasp, are in the front rank. But in terms of personalities, the Cabinet—and indeed, the Government as a whole, so far as it has yet been announced—must be deemed a disappointment. It is, essentially, not a Conservative but a Churchill Cabinet. The "broadening" of the administration to which Mr Churchill has often referred has proved to mean in practice the choice of men with no direct party connections from among the Prime Minister's personal friends. Some of these choices are excellent. Others certainly give no clear advantage in ability; and since Mr Churchill is 76 they introduce an unnecessary danger of discontinuity in several of the higher offices of state.

The Cabinet is also unbalanced in the relative emphasis put on the main functions of government. Mr Churchill's interests and experience made it almost inevitable that he should be his own Minister of Defence. But it is only if he strictly limits his liabilities in that office, confining himself to the broadest supervision of defence policy, that he can possibly have also time and energy sufficient for his primary task. It is the greatest pity that in addition his deputy has to take responsibility for the most burdensome of administrative offices. The reasons for having Mr Eden at the Foreign Office are strong, but the reasons for having a deputy Prime Minister free from departmental duties—and in daily contact with the currents of opinion in the House of Commons—are far stronger. Mr Crookshank will lead the Commons well, but he cannot exercise the initiative and authority Mr Eden would have done.

In the most important of junior offices the choice of Mr Selwyn Lloyd, as Minister of State, is excellent.

With him, and with Lord Salisbury in the Cabinet to assist Mr Eden, there is a wealth of talent for the conduct of foreign affairs. Important though that is, Mr Eden could well have been spared for the general co-ordination of domestic and foreign policy. The choice of Mr Butler as Chancellor of the Exchequer is the crucial one for the Cabinet's future. That Mr Butler has the subtle intelligence required at the Treasury is not in doubt. What is not known, and what he now has the opportunity to show, is whether he can also command the political courage and the decisiveness of action that are supremely needed at this moment. And in economic policy there is no Lord Salisbury to advise at Cabinet level. Sir Arthur Salter will be a powerful reinforcement, but it is essential to the usefulness of his office that he should regard himself as acting within the Treasury, as did Mr Gaitskell when he held the same post under Sir Stafford Cripps's Chancellorship. Within the Cabinet, Mr Thorneycroft may be a competent President of the Board of Trade, but he is not the most able of the younger Tories and certainly has not the stature to make an effective contribution to the broad work of economic policy-making. It is the more regrettable, and strange, that the Cabinet contains no one broadly responsible for raw materials and the production departments.

Mr Churchill's limited experiment in the use of such co-ordinating Ministers is constitutionally the most interesting feature of his government. Besides his own post of Minister of Defence, there is Lord Woolton concerned with food and agriculture, Lord Leathers generally responsible for the nationalised industries, and Lord Cherwell, who will deal with scientific matters and especially atomic energy. Lord Woolton's appointment is as good a way as any not only to secure the co-ordination between two related departments that has often been lacking in the past, but also to ensure that the Ministry of Food's concern for the consumer is, sometimes at least, rated above the Ministry of Agriculture's concern for the producer. To have a senior Minister (but why a new Secretary of State?) concerned with general government policy in relation to the nationalised industries is sound in conception, and Lord Leathers has the vigour and grasp to make a success of the post.

If he does, it must be hoped that Mr Churchill will consider further experiments with this grouping device. Its success depends largely on the ability of the subordinate Ministers to work effectively with the co-ordinator; they have in effect to be a committee collectively responsible not only to the Cabinet but also to the House of Commons. In this respect it is a pity that in all these first experiments the co-ordinating Cabinet Minister is a peer, who will not be able himself to expound general policy to the Commons. It is, indeed, a wider weakness of Mr Churchill's Cabinet that so many as six of its sixteen members sit in the House of Lords. Whatever its advantages in personalities and in freedom from the ties of Parliamentary duties in a closely divided House, that is bound to weaken the explanation and defence of Government policy at the point where it commands the widest public attention. In these circumstances the merits of Lord Ismay and Lord Cherwell as personal assistants to Mr Churchill hardly justify their appointment to offices of Cabinet rank.

The remaining appointments to the Cabinet have considerable advantages. In the early stages, at least, the difficulties of industrial relations under a Conservative Government are well met by having a Minister of Labour with no political past. Whether Sir Walter Monckton's skill as a negotiator will enable him to win the confidence of the trade union leaders only experience can show. It likewise remains to be seen how effectively Mr Lyttelton's qualities will be deployed in the unfamiliar territory of the colonies; at least his appointment shows a clear recognition of their importance and the difficulty of their problems. Mr Macmillan, although there might have been better use for his talents in some field of external relations, is a guarantor of good sense and imagination in housing and town planning policy, and there is no doubt of Sir David Maxwell Fyfe's competence as Home Secretary, of the appropriateness of Mr Stuart at the Scottish Office, or of Lord Simonds's legal stature as Lord Chancellor.

It is, however, difficult to convince oneself that the defects of the Cabinet are in any way remedied by Mr Churchill's selections for the subordinate posts. They consist for the most part of the old familiar faces. Of the leaven of younger men, few of Mr Churchill's choices are first-class and some are bad; others can only be called odd. He will certainly have to be alert to recognise misplacings as they show themselves, both in the Cabinet and in the lower offices. When the Conservative party has been so long in opposition and the difficulties it faces are so great, a little early butchering need cause no distress or weakening of public confidence. The main doubt must be about the Cabinet's ability quickly to frame clear, coherent policies, especially for removing inflation and closing the trade gap. But that depends less on personalities and offices than on a courageous and clear-sighted general will of the Conservative leaders.

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The Programme

THE leading article in this issue beseeches the new government to act promptly and firmly and to put policy before mere administration. It is easy for outside commentators without responsibility to say such things ; but it is unfair unless they are also willing to state in what action and policy should consist. Accordingly an attempt is here made to set down what *The Economist* believes should be the main heads of the Conservative Government's policy during its term of office. Nearly every item has been fully discussed in these columns in recent years and the argument here can therefore be summary. But an effort has been made to play fair by being specific whenever the information at the disposal of the public permits it. And the assumption has been made that it is not for the onlooker to counsel discretion, to judge where the frontier of practical politics is reached or to try to guess how much courage politicians can be expected to show.

1. The Crisis of Solvency

FOREIGN exchange crises are becoming familiar in postwar Britain. Those of 1947 and 1949, severe though they were, were surmounted without doing violence to the way of life of any inhabitant of the British Isles. There is, therefore, a tendency to treat all such crises as stuff for the headlines and not to be taken with real seriousness. Yet the brutal fact remains that if the reserves fall to the danger point, either whole categories of imported food or raw materials will have to be cut out, regardless of the consequences, or else the pound sterling will have to be left to find its own level and the rationing of imports be achieved by soaring prices at home. These are not fairy tales ; they are sober possibilities. There is, of course, no public information of what has been happening to the gold and dollar reserves during October, but to judge from the evidence of foreign markets the drain has not been reduced and may well have been speeded up. At this rate, it is very doubtful whether the reserves would last a year.

Moreover, the old familiar remedies have lost their potency. Imports can always be cut, but hardly on a scale sufficient to staunch the flow ; and in any case, cutting imports is merely a way of exporting the crisis. It is doubtful whether exports can be further stimulated —indeed, in many lines they are becoming more difficult. A second devaluation within so short a time is unthinkable. Assistance from the United States will not for many months be legally possible except within the narrow limits of Congress's appropriation for mutual aid—and even if it were legally possible, the American mood is hardly favourable.

There is one policy that has never been effectively tried, and that is the policy of sharp disinflation at home. Sir Stafford Cripps came closest to applying it in 1948, and though his version was very dilute, it produced a striking improvement in the British balance of payments. Disinflation is the remedy that is urged on other countries when they get into currency trouble, and there have been some very impressive examples of its effectiveness—notably in Germany in the last twelve months.

Without prejudice to whatever can be done by pruning imports and by the other familiar methods, the chief prescription for the crisis of solvency must be disinflation. As with all other remedies, however, a cure must not be expected unless the dose is adequate. It will be of no use whatever for the Government to enter upon a policy of disinflation with the mental reservation that it will not be pursued up to the point at which anyone gets hurt. The object of such a policy is to reduce the stream of spending of all kinds within this country, which is bound to hurt somebody. Unless it goes as far as this, it will not be doing the job for which it is designed.

A really determined policy of disinflation would be applied in three stages. First, there should be a statement of the policy and of the determination to carry it through couched in terms sufficient to carry confidence at home and abroad and to check, or even to turn, the tide of capital movements that is now flowing so strongly against sterling. The most striking symbol of determination would be an increase in Bank rate—provided that it were large enough to be impressive. Bank rate at present is ineffective, and an increase would be symbolic without immediate practical effect except of a psychological kind. The more is the reason for making the gesture convincing ; the increase should be to 4 per cent.

The immediate psychological effect of this would be very great. But psychological effects wear off unless they are backed up by real policy. The second stage, applied over the winter months, should be a real attempt to restrict and reduce the supply of money. The approach might well be gradual. To begin with, the automatic creation of credit through the present unlimited willingness of the Bank of England to buy Treasury bills whenever the discount market is short should be brought to an end. Next somebody should be "forced into the Bank" *pour encourager les autres*, and forced to pay Bank rate for his accommodation. Then, if the policy has not achieved its purpose, the next step would be to start reducing the cash reserves of the banks—or, alternatively, to require them to increase their cash ratio. At every step of this programme, somebody would be hurt and there would be loud protests—indeed, one of the difficulties is that twenty years of cheap money have created so many vested interests in its continuance, including those of the Treasury itself and of the banks, on whom the Chancellor of the Exchequer would ordinarily rely for advice. But it is no good talking about a policy of disinflation unless there is willingness to carry it to the point where money is really hard to get. Nor will it do very much good to raise interest rates if credit remains quantitatively easy to obtain at these higher rates. It should go without saying that a policy of tighter and dearer money should be applied equally to the local authorities' borrowings from the government.

Tight money, acting on capital expenditure of all kinds, would not, however, go very far unless it were reinforced by an attack on other kinds of expenditure, in particular on expenditure by the government and by the consumer. The third stage is that of the Budget next April. Mr Butler should set himself the object of providing for an increase in defence expenditure and at the same time increasing the surplus, without increasing

the burden of taxation. This is a formidable programme, but either of the alternatives—either still more taxes or an abandonment of the surplus policy to which, to do them justice, the Labour Chancellors clung through thick and thin—is unthinkable. It follows that there should be a really determined assault on all non-defence expenditure—and a severe combing-out of defence expenditure, too. The government should appoint a strong economy committee, of which Sir John Anderson would be the ideal chairman, to see what reductions can be made in next year's estimates. It is unlikely, however, that enough can be done by mere economy in administration, without major changes in policy. The only large economy that is possible is in the subsidies. This will be the acid test of the new government's sincerity and determination in defending the pound. To reduce the subsidies would mean higher retail prices for food. But the alternative of letting the ultimate crisis arrive will mean either very much less food or very much higher prices, or quite possibly both together.

2. The Crisis of Respect

IF the sad events in the Middle East in recent months have proved anything, it is that British policy can act only when it acts in concert with the United States. It is no disgrace to say that British policy is no longer wholly autonomous, since that merely puts Britain in the position of every other country in the world save two. Or even if it is accounted a disgrace, it is still a fact. At the centre of the problems of foreign affairs, therefore, lies the question of Britain's relationship to the United States. Formally, the Labour Government achieved what no other British Government has ever been able to do—it entered into a formal treaty of alliance with the United States. Actually, Britain's relations with America have hardly been those of a partner so much as those of a client. It is the great service that Mr Churchill can render to his government and his country that he can reverse this. There are others who can do the other tasks to which he may feel tempted to turn his hand ; he alone can quickly restore Britain to the position of a full partner with the United States — a junior partner perhaps, but one with real influence in shaping the policies of the partnership. As soon as it can be arranged and prepared for, Mr Churchill should visit Washington and try (if it is possible in that distracted capital) to work out all the main heads of an agreed policy.

The most important item on the agenda of such a visit would, of course, be the strategy of seeking a settlement with Russia. Mr Churchill might be of real assistance to President Truman here, for the President by himself is so imprisoned by the attacks of his opposition that he can hardly contemplate any sort of bargaining with Stalin. Accompanied by Mr Churchill, he might be able to defy the charges of appeasement. But long before any bargain could be struck or any meeting with Stalin arranged, there would have to be the clearest analysis of just what the aims of policy should be when rearmament has removed the danger of aggression.

Second only to the general question of cold war strategy, there would be the question of Asia, at both ends of that crucial continent. In recent weeks, public and official opinion in America has seemed to be waking up to the necessity for a carefully thought out and agreed policy in the Middle East. At the same time, the problems of the Far East are unresolved. There is a certain complementarity between them ; and it should not be impossible to achieve an agreed policy that embraces both.

The third major item on the agenda of a Churchill-Truman meeting should be the very difficult matter of Anglo-American policy in Germany, which is not at present in a happy state. The occupying powers will have to decide very soon whether to accept the reunification of Germany on terms that the Western and Eastern Germans may agree upon or to take the responsibility of obstructing it. Either course is fraught with difficulties which were discussed in an article in these columns last week.

Washington is not the only capital in which confidence in British policy needs to be revived. A reconstruction of prestige is also required in Western Europe, where the Labour Government contrived to create more distrust than its actual intentions really justified. Here again Mr Churchill, as the virtual founder of the European Movement, starts at a great advantage, though he would be well advised to leave this side of his government's policy to his colleagues. It is a task admirably suited to Mr Eden, who should seek an opportunity to visit the main capitals of Europe, to ask what they require of Britain and to explain what Britain can give in return.

It is unlikely that, in real substance, the Conservative policy towards Western Europe will be very different from the Labour. The limits to full British participation in schemes of European unity are by now fairly well understood both here and on the Continent, and nobody supposes that Mr Churchill's government will seek membership in any federal union. But attitude can make an enormous difference, and if Mr Eden can make it clear that the British have the fullest sympathy with the movement towards European unity and will join in its various manifestations to the fullest extent that their other commitments permit, he will not find that he is pressed to go further. Britain can hardly be a pillar of Western European Union ; but it can hope to be a flying buttress, supporting from outside.

3. Repair Jobs

THE Labour Government was a very active legislator and the Conservatives have made it perfectly clear from the outset that when they returned to power they would revise many of the Socialist schemes. Some revisions, indeed, are urgently needed on the score of the public interest. But the new Government will be wise to exercise restraint over its followers' desires. It would, in any case, be a very dangerous precedent if every government were to undo most of its predecessors' work. Some day the Labour Party will again have a majority, and if industries are to be nationalised and denationalised in alternate Parliaments, the results will be disastrous.

The Government will therefore be wise to undertake only those repair jobs which are necessary for reasons other than the application of party doctrine. This does not mean that nothing must be done that the Labour Party would not like ; it is now Labour's job to oppose and consistency requires them to vote against any modification of their schemes, however small. But if the Tories make sure that their amending proposals meet two

requirements—that they are clearly necessary for the efficient functioning of industry, and that there is support for them outside the ranks of the Conservative party itself—then they will be right to proceed in the confidence that the next Labour Parliament will not reverse their actions once again.

Steel

The denationalisation of the iron and steel industry is, in one sense, an exception to the principle stated above. It is true that non-party public opinion strongly opposed the Steel Act and would support its repeal. But can it be said that denationalisation is necessary for the efficient running of the industry? The answer clearly depends on the form it takes. If there is an attempt to put everything back into the state it was in two years ago, then the net effect will be to substitute a very tight privately owned cartel for a very tight publicly owned cartel, which would hardly be an improvement. Whatever may be the objections on political grounds to the nationalisation of the industry and to Mr Hardie's methods, there can be little doubt that the regrouping and rationalisation of the industry on functional and technical lines that the Corporation is believed to have in mind would be to the national advantage. The way to denationalise steel is therefore not to try to sell it back in exactly the same parcels that were acquired (except where a whole plant was acquired from a single owner, as in the case of a technically integrated subsidiary) but first to do it up in different, and technically more balanced, parcels. This will take time and the Corporation should be given, say, three years to accomplish the job. It is also perhaps worth sounding the warning that the only form of selling the industry back to the public that will be worth while will be genuine sales to private shareholders venturing equity capital. If such capital is not forthcoming—and investors who are once bitten may perhaps be twice shy—it would be better to leave things as they are rather than to set up some sort of semi-public, semi-private corporation financed by fixed-interest capital. A privately owned steel industry will be preferable to the present arrangement only if it is in diverse ownership, flexible and competitive to a higher degree than has prevailed since 1932. The denationalising of steel will not be a simple operation but a very complicated one.

Coal

There can be no question of going back upon the public ownership of the mining industry. On the other hand, there is a considerable body of opinion outside the Conservative party in favour of revising the constitution of the National Coal Board to provide a large degree of decentralisation. The plan produced by Colonel Lancaster and blessed by the Conservative party certainly points in the right direction, but perhaps goes too far: it is right that executive management should be devolved upon a relatively large number of relatively small areas, but perhaps there are matters of policy that would still need to be settled in a few regions rather than at the centre. The Conservatives have wisely promised to consult the National Union of Mineworkers, to whom the British Association of Colliery Management should be added. If these two bodies and the board can, within a reasonable period of time, produce an agreed plan, this would obviously be the best solution, and the new Minister would be foolish to try to impose ideas of his own. Moreover, he should never forget that patterns of administration do not cut coal.

Electricity and Gas

There is no need to make any change in the present organisation of these industries. There are reports that the new government proposes to give municipalities the right to buy back their electricity and gas undertakings. This would be a very bad case of playing politics. For electricity, in this small and crowded island, a single ownership is obviously the right form of organisation and to have created it is one of Labour's most sensible achievements. The argument is less strong in the case of gas, but the form of nationalisation adopted is a reasonable one and it should be left alone.

Organisation is one thing, however, and policy is another. The ruinously anti-social price policy of the British Electricity Authority should be sharply altered.

Transport

This may well prove to be, among the nationalised industries, the new government's biggest headache. The one thing that is reasonably sure is that transport cannot be left as it is now, with the whole of the railways but only part of road haulage and even less of road passenger transport brought under the Transport Commission. Either the policy of monopoly must be pushed on to its logical conclusion or it must be retreated from.

The theoretical case for a complete monopoly of transport is watertight. Fifty years ago the railways did virtually all the inland transport of the country, and they could still do a very large proportion of it today if there were no alternative. On top of this complete and nearly large enough transport system, the last generation has superimposed a second large transport industry by road. As a consequence, the country is over-supplied with transport capital. To allow the two systems to compete each other to death is obviously wrong; to compel both of them, by "Square Deal" restrictions, to operate below capacity is equally wrong. The remedy—so runs the argument—is to pool all transport, sort out functions and cut down the capital employed. If transport is now running at a loss, the greater is the urgency to push on with the rationalisation.

To this theoretical case, however, there are two sets of practical objections. The first is that it would be asking too much of Tory flesh and blood to expect the new government positively to intensify the drive for nationalisation. This is the more true because, if the theory of monopoly is adhered to, it will be necessary to do something about the rapid rise in the number of "C" licences, which enable firms to carry their own goods.

The second objection is that the nationalised transport industry does not look as if it will ever, in fact, reap any of the economies that, in theory, monopoly makes possible. So far, virtually nothing effective has been done about co-ordination, and the obstacles in the way of anything being done are now seen to be very formidable indeed. Whereas in theory monopoly offers the possibility of really great improvements in the efficiency of transport, in practice it merely means the cumbrousness and rigidity of hyper-large organisation, the price without the reward.

As a practical matter, therefore, at least for the present, the path must lie backwards. It is unnecessary, and would probably be impossible, to return all the road haulage assets to their owners; it is very doubtful whether all the previous long-distance operators who have left the industry will come back quickly. But monopoly as a policy can be reversed at once. The 25-mile limit can be abolished and the Commission can be instructed to divest itself of its road holdings as opportunity offers.

But to do this will leave two large difficulties. First, what is to be done with the railways? Faced once again with the competition of a free-enterprise road transport industry, and burdened with the inflated costs of a period of full employment, it is very doubtful whether the railways can be made to pay. Even if they could, it is more than doubtful whether anyone would buy them. They must therefore remain in public ownership, and there seem to be only three courses of action open: to make road transport artificially expensive, so that the railways can compete; to prohibit certain varieties of traffic on the roads; or to pay a subsidy. The new government will have to choose which it wants. There is also a question whether the centralisation of control of the railways in the Railway Executive should not be reversed. There are some matters of policy (for example, wage rates) which have to be settled centrally, but for ordinary executive control even the four previous railway companies were too large.

The other objection is that to abandon the pooling of road and rail transport is to abandon, or at least to postpone, the hope of a far-reaching rationalisation of transport. If the Conservatives abandon the Socialists' solution (and the practical arguments for doing so are overwhelming), they ought to think out one of their own.

Raw Cotton

This also presents the Conservatives with a real problem. There is no doubt that the closing of the Liverpool cotton market and the substitution of the Raw Cotton Commission was one of the Labour Party's most foolish acts. It is true that the Commission has operated with efficiency—but it is also fair to say that it has done so only because it was able to rely on the free cotton markets in other countries.

But to revert to the *status quo ante* may no longer be very easy. The dealing skill may still exist in Liverpool, but the skilled clerical staffs might be difficult to find and the finance even more so. Moreover, with dollars getting scarcer again, a fully free market would be impossible, at least where American cotton is concerned. Here again, the immediate solution may lie along the line of abolishing the Commission's monopoly, without for the present abolishing the Commission itself.

Nationalised Industries Generally

Considerable sectors of industry will in any case remain under public ownership and it is essential that effective steps should be taken to establish their accountability to Parliament and the public. Consumers' councils have, generally speaking, proved to be even less effective than was expected. What is required is a permanent body of great authority, equipped with a full-time staff empowered to ask whatever questions they see fit. The parallel with the Public Accounts Committee is obvious, but perhaps not quite exact. A body consisting entirely of parliamentarians, dealing with a controversial matter such as public ownership, might generate more heat than light. On the other hand, parliamentary authority would be an advantage. The solution would be either a mixed body, or else two tiers, an expert committee reporting to a Select Committee of both Houses.

Health

There is no question of altering the main principles on which the health service is built; in particular, the decision to include every citizen, whatever his income, was right and should be upheld. But in retrospect it is clear that the health service was set up with reckless precipitancy; if they had known how much it was in fact to cost, it is almost certain that even Labour ministers would have hesitated. Two lines of reform can be suggested. First, though the principle of the free provision of general professional services should be retained, it should become the policy to make a charge for special appliances and also for at least a part of board and lodging in hospitals, the charge in each case to be remitted in cases of genuine inability to pay. A charge should also be made for household remedies, as distinct from drugs that are a part of medical treatment. Secondly, though it would be both impossible and undesirable to try to reverse the policy of public ownership of hospitals, the present close control from the centre should be reconsidered, and five-year block grants-in-aid substituted for annual estimates and appropriations on the civil service model.

Housing

The chief immediate need in housing policy (in advance, that is, of a complete recasting of housing finance) is for much greater flexibility in aims and methods. The near-monopoly of building by the local authorities has gone far too far, and the individual authorities should be given much more freedom to allocate their quota of houses to private enterprise if they see fit. Building of houses for sale should be permitted. Moreover, the present discrimination against the middle classes should be ended; they should get their fair share of the building resources of the country.

Some relief should be given immediately to the private landlord, in the form of authority to raise controlled rents by a flat percentage, possibly one-third, plus an allowance for repairs based upon the actual cost of doing them.

Town Planning

The provisions of the Act of 1947 relating to the levying of development charge and the payment of compensation for loss of development rights are another example of a scheme that is excellent in theory but has worked badly in practice. That the development charges have not frustrated more development than they have is due to the fact that the demand for certain sorts of buildings has been so great as to make the payment of almost any charge worthwhile. Even so, there have been a number of cases of frustration, and in normal times they would be very numerous. On the other side, it has become clear that the sum of £300 million allocated for compensation is most unfair and inadequate, and to work the scheme without grave injustice would require the paying out of a very large sum of public money. It seems

best to repeal this section of the Act completely, which would involve repaying development charges already levied. But the problem that these provisions were meant to deal with remains.

Education

The most immediate need is to repeal the absurd 16-year age-limit for the General Certificate of Education. The new Minister of Education will find the teachers' union opposed to this change, but he should have the strength of mind to overrule it.

Both parties promised during the election campaign to reconsider the position of the voluntary schools. But it is important to realise that religious independence, which is what the churches have chiefly in mind, is only one aspect—and in most people's minds not the most important aspect—of the general subject of variety and independence in education. Practices vary from district to district, but it is generally true that the local education authorities have used their powers under the Act of 1944 to impose far more uniformity and standardisation on the schools than is justified. This is not so much a matter of party politics as of the natural instincts of bureaucracy and therefore the harder for the Minister of Education, the supreme bureaucrat, to correct. He should, however, determine to make himself the champion of the head-master and the independent governing body against the Education Officer. He should also review the position of the Direct Grant Schools, to see whether anything can still be done to bridge the chasm that Miss Wilkinson's rules created between the schools that determined to become fully independent, at the cost of raising their fees and abandoning their scholarships, and those that accepted the closer association with the local authorities that the new rules insisted upon.

4. The Larger Prospect

The Conservatives have always said that they appreciate the paramount necessity of raising Britain's standard of economic efficiency until it is equal to the demands made upon it, and they have been insistent that the task cannot be accomplished without a return some part of the way towards a competitive free economy. The facts that their present period of power is beginning in crisis and that its length cannot be foreseen do not absolve them from making a start on the reconstruction of the British economy. If they wait until they have a large majority and no current pre-occupations, they will never make a start. Mr Churchill would be wise to appoint a special committee of his ministerial colleagues, who might be assisted by a few back-benchers and a small staff, to map out the lines of policy that should be followed over a period of three to five years.

Four lines of advance can be suggested.

The Price System

The first objective should be to return towards a money economy, in which prices of goods and services are free to move and to perform their function as a sensitive regulator of the distribution of resources. The case for such a return need not be argued here, since it can be assumed that all Conservatives, and very many other people besides, are at least theoretically convinced by it. A money-regulated economy has its obvious defects, but it has become clear that the only alternative to it is an economy regulated in detail by an ever-growing bureaucracy which, at the best, is rigid and distorted, and at the worst degenerates into a tyranny.

There should therefore be a systematic enquiry into which prices, now controlled, can be set free. Clearly, not all of them can. So long as import restrictions and rearmament expenditure continue, there will be some commodities of which the supply in this island must remain below the demand at any reasonable price, and for them allocation of supplies and control of prices must continue. But there are other commodities of which the free-market price would not be far off the controlled price and they should be set free.

It is not only, however, in the wholesale markets that some restoration of the price system is needed. Indeed, it could hardly go very far without an equivalent freeing of retail prices. Here the argument enters the highly charged political realm of the food subsidies and of rent restriction. It is easy to understand why politicians should be chary of touching these. But those who believe in the price system—or, put negatively, those who disbelieve in the bureaucratically controlled economy—will be stultifying their beliefs if they are content to leave this enormous lump of rigid artificiality permanently embedded in the economy. It follows that they should be forming plans now for its progressive removal so that, within measurable time, these two gigantic industries can be returned to the price system.

To any such programme there are two obvious objections. The first is that, in dismantling the food subsidies and the rent restrictions, the Conservatives would be dismantling the welfare state. They will have to be ready with their answer, which is that they believe in providing welfare for the people by seeing that everybody has enough money in his pocket to buy the food and the houseroom that he wants, not by deciding in Whitehall what is good for him and seeing that he gets it. Put properly, it is a very strong case and one that the man in the street, once he understands it, will accept.

The second objection is that setting prices free means setting them free to rise, which, it will be said, is incompatible with an attempt to check inflation. This will have to be met frontally. The objection arises from the old confusion between inflation and rising prices, which are by no means the same thing but are thought to be. If the price system is to be restored and the economy rescued from its present rigidity, prices cannot be held for ever in exactly the relationship to each other that they happen to have today—either some must fall or others must rise. If there is anything that the public would dislike more strongly than rising prices it would be an attempt to force prices down at the inevitable cost of reducing wages. Therefore the sorting out can only take place by letting some prices rise. It goes almost without saying that any liberation of prices would be very dangerous unless there had first been a real attempt to squeeze the inflation out of the system. But any attempt, in the name of anti-inflationary policy, to hold prices exactly where they are now would be a simple misunderstanding of terms. The right policy is to accept the fact that some prices (which includes some wages) must be allowed to rise above their present levels—but to see that the general rise then comes to an end.

Taxation

A money economy will not work without the provision of adequate monetary incentives. The restoration of monetary incentives is an enormous field, not all of which (e.g. the margin between skilled and unskilled wages) falls within the government's powers of decision. But a very large part of the whole subject consists of taxation and this is wholly within the government's control. The Conservatives should formulate a consistent plan for overhauling the whole taxation system of the country in order to increase the force of monetary incentives.

The chief danger to be avoided is giving the impression that the provision of incentives involves relieving the rich of taxation at the expense of the poor. This is, of course, a misconception of the problem, which is, *within each income group*, to reduce the taxation on skill, enterprise and effort and, as a necessary consequence, to increase it on the lack of these qualities. This is a subject that has often been reviewed in these columns—indeed, an article dealing with part of the problem appears on another page of this issue—and the arguments need not be repeated or even summarised here. Some examples of what is involved are the severe reduction and, if possible, abolition of profits tax and its replacement by a higher rate of income tax on unearned income, or reductions in the rates of surtax on earned incomes compensated (if compensation is needed, for the revenue might well gain within a year or two) by increases in the rates of estate duty. In the lower ranges of income, it is clear that indirect taxes have a smaller disincentive effect than income tax. It is hardly practical to suggest any further increase in indirect taxation, but any reductions in taxation that become possible, either through economies in expenditure or by the completion of the rearmament programme, should be concentrated on income tax.

Apart from the taxation of personal incomes, the Conservative government will also have to consider the taxation of the undistributed profits of business, in which task they will be assisted (or conceivably hindered) by the reports of Mr Millard Tucker's Committees and Sir Lionel Cohen's Royal Commission. There is a great deal to be said for the principle (adopted in Sweden by the Socialist party) of taxing profits that are genuinely retained in business enterprises considerably more lightly than those that are distributed—though any such change might increase the case for a capital gains tax. There is nothing to be said for the system into which this country has now drifted, by which the provision of capital by "ploughing back" bears a heavier rate of taxation, on the average, than its provision by the alternative route of paying profits out to investors and attracting them back by further issues of capital.

Monopoly

Any sincere and determined attempt to restore the conditions in which a free enterprise price economy can function effectively will have to tackle the questions of monopoly and restrictive practices, which have vastly grown in recent years, partly as a result of Conservative legislation in the thirties but mainly as a result of the war. The present Monopolies Commission is but the pale shadow of an excuse. Even if it were extended to cover the trade unions and the statutory corporations, it would still be very weak, since no principles have been laid down for its guidance, and the burden of proof rests, in substance, upon it and not upon the industries investigated. A more effective method of approach, often expounded in *The Economist*, would be to pass a declaratory Act, saying that certain defined practices (of which resale price maintenance would be only one) were *prima facie* contrary to the public interest, and that those industries which thought they had a good case, in the public interest, for adopting or continuing them should apply to the Monopolies Commission for absolution. But whether or not this method commends itself, the subject cannot be left alone.

The Role of the State

Finally, some hard thought will have to be given to the role of the state in the society and economy that the Conservatives envisage. This is not by any means an academic question; there is a sober possibility of the civil service breaking down within a few years under the load that it has borne for twelve years. Ministers should realise that, within the probable lifetime of the present government, they will lose by retirement the majority of their senior advisers, and it is a serious question whether they can be adequately replaced. Moreover, the Supplies and Services Act expires this autumn. The Government has no option this time but to renew it for another year, but it will have to define its attitude before the Act comes up again.

For these reasons, there will have to be a really serious and thorough review of the powers of the state. An authoritative committee should be set up to pass under examination every new power that has been conferred upon any government department since April 1, 1939, other than those that have been embodied in permanent and specific statutes (such, for example, as the Exchange Control Act). Sir John Anderson, after he has finished his economy inquiry, would again be an excellent chairman, but it is important that the committee should not consist of civil servants, since the main cause of the proliferation of vague powers is the desire of the civil servants to speed up administration by bypassing the usual forms of law-making.

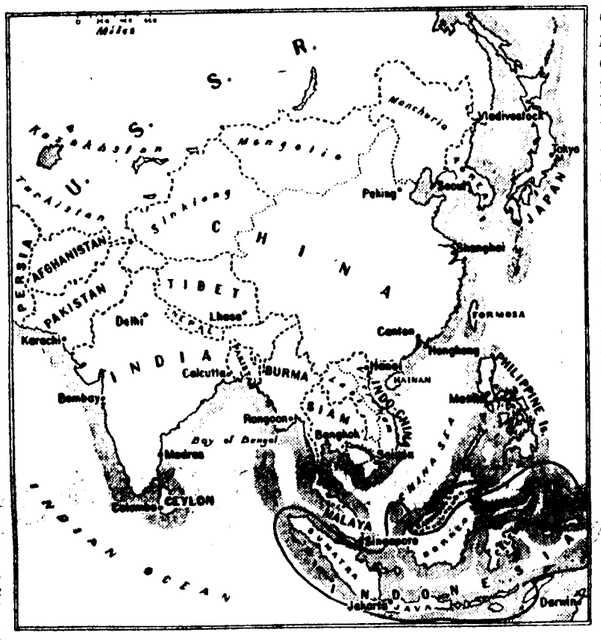
As every power comes under review, the committee should ask four questions. Is the object for which the power was sought a necessary one? If so, can it be achieved by some means other than giving officials law-making powers? Are the powers sufficiently defined and restricted to their purpose? Are there adequate provisions against arbitrary exercise? Something has been said in an earlier section about controls which exist chiefly as a means of fixing prices. But there are many other survivals from the war which are equally suspect. The retention of identity cards is a case in point; either they should be abolished forthwith, or if they are to be retained it should be on the basis of a Bill that can be discussed in Parliament.

Under such an examination, many of the existing powers could be dispensed with entirely. The remainder could be arranged in two categories, those that are permanently necessary and those that are needed only for the duration of the rearmament emergency. The former should, as soon as possible, be embodied in permanent statutes, where their use and purpose can be adequately defined and safeguards can be provided for the rights of the citizen. The remainder can stay in an annual Act. No permanent power should be undefined, and no undefined power should be permanent.

Between Stalin and Mao

IN all the recent comment on Mr Churchill's prospects in foreign policy and Mr Morrison's failures there has been a marked tendency to think of Europe, America and the Soviet Union but to ignore the Far East. Has it been forgotten that Stalin has always looked east rather than west? Is it not realised that for all Communists this is above all the era of "liberation" for "colonial peoples"? If anything has become clear over the last twelve months it surely is that there exists a joint Sino-Soviet political strategy for Asia.

In Europe it is beginning to be possible to see what Mr Acheson has called a "situation of strength" emerging. In Asia, on the other hand, the situation remains definitely one of weakness and could worsen with great rapidity. Communist or Communist-led forces are waging "hot" war in five areas—Korea, Vietnam, the Philippines, Malaya and Burma; the majority of the Asian non-Communist countries are without cohesion or concerted policy in the face of the Communist challenge; and there are several acute conflicts which, although not directly connected with Communism, provide it with great opportunities for mischief—the tensions between India and Pakistan, between Afghanistan and Pakistan, between the Arab League and Israel, and between Britain and Persia. In short, Asia is now a more favourable field than Europe for the spreading of Communism by all mischief short of a major war. Such improvement as there has been on the front between the Baltic and the Bosphorus cannot be considered in isolation from the line of threatened or besieged positions all the way round the southern and eastern rim of Asia from the Mediterranean to Korea. This is not to say that any commitments in that area should be allowed to interfere with the priority of Europe's strategic needs or that the Communists are not being successfully held in several sectors. But it was Lenin's idea that Russia could overthrow the west if Asia were won to the Communist side, and there can be no doubt that the odds would be turned against the west if all the resources and manpower of the largest of the continents were at the disposal of the Kremlin. Communist strategy is different in Asia from what it is in Europe because the conditions are different. The west has to adopt counter-measures different from those suitable for Europe—that is to say, in so far as the west can help in a resistance which must be primarily a matter for the Asian peoples themselves.



There are three features of the situation in Asia which distinguish it from the European scene. There is the general economic backwardness of non-Soviet Asia—Japan being the notable exception—with a preponderance of pre-industrial and pre-capitalist conditions and vast masses of illiterate peasants living in deep poverty at very low levels of productivity. There is the fact that the countries of Asia—again with the exception of Japan—have been in the recent past in a colonial or semi-colonial relation to western nations; even where such subjection is now a thing of the past, they remain acutely anti-western and "anti-imperialist."

Lastly, there is the difference that, whereas in Europe the partners of the Soviet Union are small satellite states, in Asia the partnership is with China. One of them has a great preponderance of industrial and military strength, but the other has double the population and an overweening national pride based on an age-long tradition of regional supremacy.

If it were possible to consult the shade of Karl Marx in his Highgate resting-place, he would be shocked beyond measure at the idea that the peasant masses of Asia should be regarded as the perfect instrument for achieving a socialist revolution. But a generation ago Lenin revised traditional Marxism by breaking with its doctrinaire indifference towards peasants and nationalities and by making plans to use agrarian *jacqueries* and colonial nationalism as auxiliaries for the revolution of the proletariat. Alliance with agrarian revolt meant promoting the aspirations of landless peasants to acquire land in private ownership by division of landlords' estates. This, of course, could only have the effect of strengthening the petty-bourgeois element in society; likewise alliance with colonial nationalism means even supporting native capitalists in colonial countries as against the capitalism of the colonial powers. But the Communists have always held that such alliances involve no betrayal of their cause, provided that the Communist party becomes politically dominant; for it will be able in due course to collectivise the peasants and expropriate the bourgeoisie.

In this development of Marxist theory it is no longer necessary for a Communist-led revolution that the industrial proletariat should be a majority of the population, as the early Marxists expected it to become in highly industrialised societies. In China, between 1927 and 1948 Communist power was built up on entirely rural foundations, and it was this strange phenomenon of peasant Marxism that misled so many observers to entertain the delusion that Mao Tse-tung and his followers were not "real" Communists but merely radical agrarian reformers.

The fact that the Chinese Communists conquered the towns from the countryside and gained power through a prolonged process of guerrilla warfare and infiltration, in contrast to the Russian precedent of a single *coup d'état* in a capital city, has enabled the Chinese to claim that they have discovered and worked out a new technique of violent revolution, different from the Russian and better suited to conditions in Asia. This claim is the key to Communist activity in Asia. The existence of Communist-led armed forces carrying on guerrilla warfare in Vietnam, Burma, Malaya and the Philippines from lairs in jungles and mountains, without holding any important towns, presents obvious analogies with Chinese experience. Mao and his colleagues, having been successful in their struggle, commend themselves to the "national liberation movements" of other Asian countries, not only as providers of material and technical assistance, but also as the most knowing teachers and guides. Their example also makes a special appeal to other Asian peoples because China belongs wholly to Asia and was in the nineteenth century a victim of the western pressures which brought it into economic and political subjection. Russia, on the other hand, was definitely one of the European imperial powers under the Tsardom; and even now in its Soviet reincarnation is regarded in Asia as primarily a European state.

There have been some signs that the Russians have not entirely relished the Chinese Communist assumption of an independent leadership or the lofty style of talk affected by Mao Tse-tung and his colleagues. But it would be a great mistake to suppose that such undertones of jealousy prevent the closest co-operation in the assault on the free world. A comparative study of recent Soviet and Chinese radio propaganda suggests that a satisfactory working compromise has been reached in the matter of mutual commendation. The Chinese Communists pay suitable tributes of praise to Stalin and honour the Russians as the pioneers of world revolution and the country of advanced technology, while the Russians recognise the special qualifications of China for leading the revolution among backward colonial peoples. Corresponding to the theoretical division of labour there is a geographical division of spheres of influence whereby China has a free hand in South-East Asia—a region in which Russia has never hitherto had any direct interest. This is the region in which considerable Communist armed forces are already active, and where there are substantial communities of Chinese settlers, many of whom are inclined to help Chinese national expansion, even if they have no ideological sympathy for Communism. There can be little doubt that Chinese Communist assistance for revolts in South-East Asia would have been much more active than it has been so far if the Korean war had not diverted China's energies to another quarter. As it is, the Viet-minh forces have received large supplies of arms and military instructors from China. And a group of Burmese Communist rebels are known to be receiving military training at Paoshan.

The Russians are not without influence even in the Chinese sphere, for they participate in the permanent bureau of the Asian and Australasian division of the WFTU, which was set up in 1949 to co-ordinate "national liberation movements" from Persia eastwards and performs the functions of the old Comintern for this part of the world. In the Middle East the direction of Communist activities is directly in Russian hands. If China were to break down anti-Communist resistance in South-East Asia and if Russia were to gain control of Persia through an assisted internal transformation, the two wings of international Communist power would converge from west and east on the Indian sub-continent—the final goal of Communist strategy in Asia.

The lesson of this analysis is clear. The Peking-Moscow strategy for Asia is long-term, patient and simple—as was that of Mao Tse-tung against Chiang Kai-shek. Time will split the unity of the west; time will win men over in masses to the people's liberation armies in Malaya, Indo-China and Burma; time will enable the Russians to arm and train the masses of China; time will expel the Americans and British—without world war—and isolate India. If there is any doubt about the pattern, it can be dispelled by studying the way in which the Lao Dong party of orthodox Communism has taken over in Indo-China from the amorphous national front of Ho Chi-minh, preaching the need for a long struggle with the French and for a Viet-minh economy capable of sustaining the burden.

In all this, of course, there are weak points, and one in particular deserves the closest attention. Neither Peking nor Moscow is in a strong position to prevent the re-emergence of Japan as an Asian power. How, then, will they deal with the problem of Japan? That is the one question for which their strategy in Asia appears to have no answer. All the rest is disturbingly clear.

Patriotism and Purity

We are not insensible—God forbid that any man should be—to the added splendour which private excellence can shed around public virtues, nor to the clouding and detraction of that splendour which must ensue when patriotism and purity do not go hand in hand. But when we are discussing the justice of a cause, and the skill, courage, disinterestedness, and self-devotion with which a man has sustained that cause, then any reference to those personal infirmities of morals, "which chequer the volume of the brightest and best spent life," is irrelevant, invidious, and out of place.... We hold that, of all men, the patriot and the political reformer is entitled to have his private faults leniently judged. He, of all men ... has to walk through miry and thorny ways, to work with stained or damaged tools, to act in conjunctures in which a scrupulous morality finds it difficult to see its way. But as far as private character in concerned, allowance must be made for him which we are not called upon to make for others. Revolutions are not made with rosewater; nor are the men who engage in revolutions, even the most just and necessary, the men to whom virtue is most easy.... The true love of country and mankind often beats most warmly in the bosom of the man whose youth was stained by youthful frailties: his zeal may often be stimulated and elevated by the secret consciousness that he has much in the past to atone for;—and all that the world is entitled to ask about or to demand is, that the cause in which he has engaged shall be a righteous cause, that his devotion to it shall be single-minded and unselfish, and that he shall seek victory for it only by means as honourable and stainless as itself.

The Economist

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The Results Analysed

IN the results of the election there is a note of defiance to the political statisticians. The narrow division in February, 1950, was confidently regarded as a somewhat freakish outcome of the British electoral system. In fact, despite the vicissitudes of the past eighteen months, it has happened again ; the swing of the pendulum was so small as to do little more than reverse the slender majority of the last Government.

On total number of votes Labour held the lead. Both the major parties got more support than in February, 1950, although the total poll dropped from 84.0 to 82.6 per cent of the electorate ; there was a large block of Liberal votes to redistribute between them. The Labour lead was reduced from 2.7 per cent of the total poll to 0.7 per cent. The Conservatives achieved a 2 per cent improvement compared with Labour. If the ex-Liberal votes had divided equally, this change would have been the result of a direct swing of 1 per cent from Labour to the Conservatives. In fact the direct swing between the two parties was even less because more ex-Liberals voted Conservative than voted Labour.

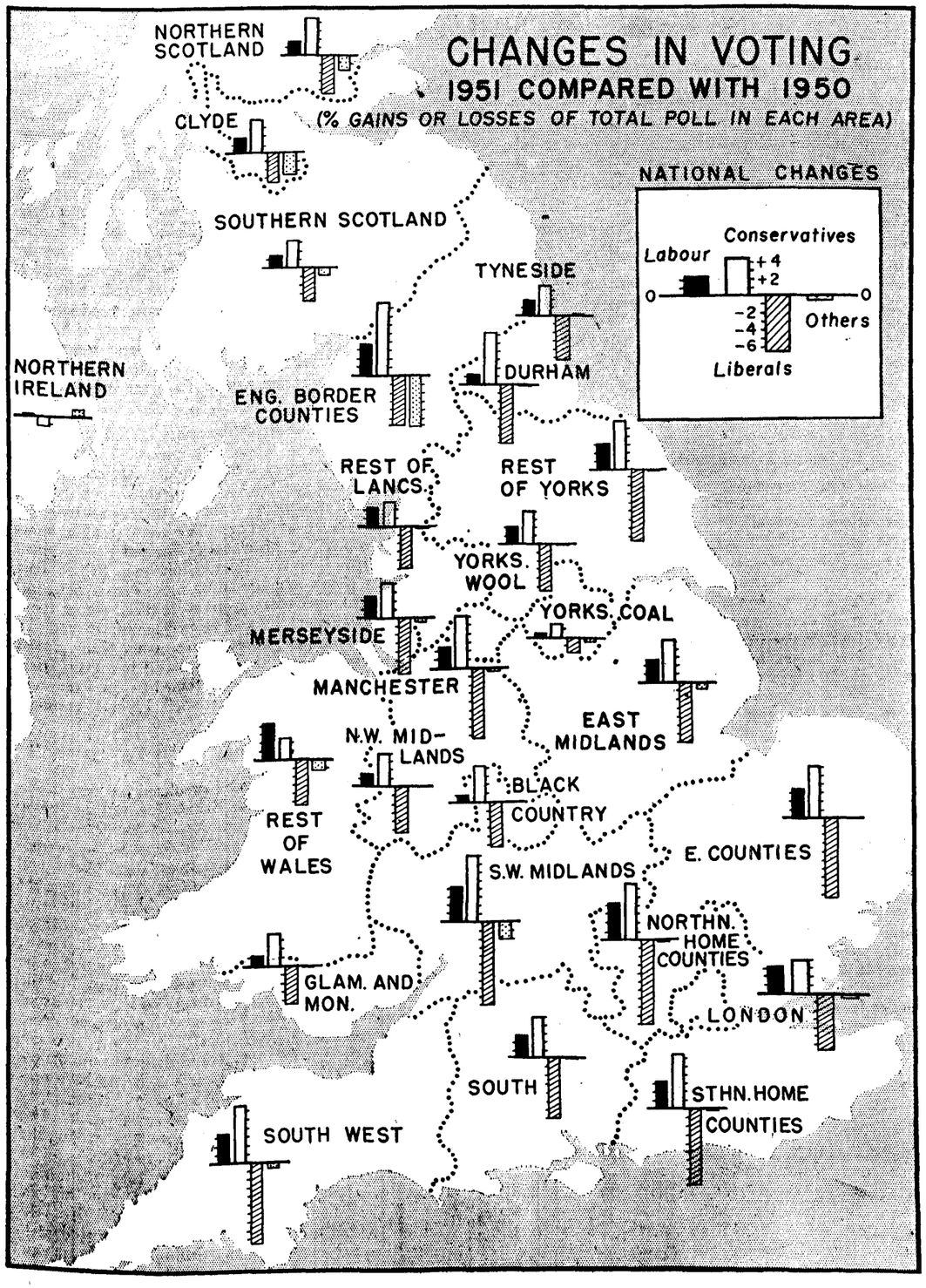
In the statistical tables on pages 1026 and 1027, the results of the two elections are compared and some calculations made about the voting in three different types of contest. In constituencies where there were straight fights between the two main parties in both elections, the Conservative improvement was 1 per cent, indicating a direct swing away from Labour of only 0.5 per cent or one voter in every two hundred. On the other hand, in those constituencies contested by Labour and Conservatives in both elections but by Liberals only in 1950, the Conservative improvement was as much as 3.6 per cent of the total poll. If only 1 per cent of this improvement was due to the direct swing from Labour to Conservatives, as in the straight contests, then the Conservatives must have gained the further 2.6 per cent from the uneven distribution of the ex-Liberal votes. Since these Liberal votes made up just over 10 per cent of the total poll in these particular constituencies in 1950, the Conservatives made a net gain of about a quarter of the ex-Liberal votes where there was no Liberal candidate. In the third type of contest, where there was a three-cornered fight both in 1950 and 1951, the Conservatives again did better than in the straight contests. And as the Liberal poll fell in these constituencies, it seems that there also the Conservatives made a net gain from ex-Liberal votes. Their total improvement here was 2.5 per cent of the poll of which, on the same basis as before, 1.5 per cent may have come from ex-Liberals. This implies a net gain of about one-tenth of the former Liberal votes.

This evidence is not altogether conclusive. The seats not contested by Liberals at either election include an abnormal proportion in the mining areas, where the direct swing from Labour to Conservative may have been smaller than in the country as a whole. This qualification does not, however, seriously affect such approximate generalisations as can reasonably be made. There is reason to believe that a number of the 1950 Liberal supporters abstained from voting this time where they had no Liberal candidate to support. For, while the average size of the poll throughout the country was rather less than in 1950, it dropped more in those constituencies than in the others. A rough estimate of the division of the ex-Liberal votes is that 15 per cent abstained, 55 per cent voted Conservative, and 30 per cent Labour. Where there was a Liberal candidate again, about 70 per cent remained faithful, about 20 per cent voted Conservative and 10 per cent Labour. The elimination of many Liberal candidates played a main part in determining the election result. Labour would probably have been defeated in any event, but without the support of former Liberals the Conservatives would not have won a definite majority. The "split vote" has not, however, entirely disappeared. A table on page 1027 shows that there were still 14 seats won by Labour and 25 seats by the Conservatives on a minority vote due almost entirely to Liberal intervention. Yet, on the most optimistic assumption about obtaining Liberal allegiance, neither party could hope to gain more than 6 seats from the other on this account.

These conclusions about the shifts in voting must be based on averages. There are always variations in individual constituencies. But the fact that not a single Conservative seat was lost to Labour shows how general was the small movement to the Right. Admittedly, of the 102 constituencies where there were straight fights at both elections, as many as 32 showed a very small swing towards Labour. But in only two, Belfast East and Belfast North, was the swing more than 1 per cent. The only striking Labour gains were made where there were ex-Independent Labour or ex-Communist votes to be won. The large Conservative gains were almost invariably made where the Liberal poll had been fairly heavy in 1950. Of the 21 seats gained by the Conservatives from Labour, 17 had lost their Liberal candidate since 1950.

★

The public opinion polls all predicted too easy a win for the Conservatives. The British Institute of Public Opinion, which provides the *News Chronicle* Gallup Poll, came nearest to the mark but, even so, its predictions overestimated the Conservatives' share of the poll and underestimated Labour's share by about 1½ per cent in each case. Translated into numbers of seats, the error is large. But the results of this election have confirmed that, in estimating the relation between votes and seats, changes in political feeling can rightly be assumed to be uniform throughout the country. According to the methods of electoral arithmetic described in recent issues of *The Economist*, a direct swing of 0.5 per cent from Labour to the Conservatives together with a 25 per cent net gain of the Liberal vote where there was no candidate, and 10 per cent where there was, would have predicted a turnover of 22 seats and a Conservative majority of 26 over Labour—very close to the actual result. The "cube law" also worked almost exactly after making the agreed correction to offset Labour's "wasted" votes in the constituencies where it enjoys very large majorities. Twenty-five Labour candidates had more than 75 per cent of the poll, while only four Conservatives—in addition to the four unopposed in Northern Ireland—had such an easy victory. The small bias against Labour that this implies seems likely to remain a feature of the British electoral system.



Votes and Seats of the Parties

In the tables below and in the map on page 1,025 (which compares the results of the 1950 and 1951 elections in graphic form), the country has been divided for the purposes of comparison into twenty-five regions, based on social and economic homogeneity, although widely different in size and population.

THE COMPOSITION OF THE REGIONS is indicated on the map. Some details of the boundaries are as follows: *Greater London* includes all boroughs adjacent to County of London. *Northern Home Counties* extends as far as Berks (excluding Abingdon and Newbury), S. Bedford and, in Essex, to Epping, Chelmsford and Southend. *Mid-Southern England* includes the rest of Berks and all Dorset except West Dorset. *South-West England* includes Bristol and S. Gloucester. *Eastern Counties* includes the rest of Bedford, Peterboro', Huntingdon and Isle of Ely. *Black Country* includes Birmingham Wolverhampton, Coventry and adjacent boros. also Cannock, Solihull, Sutton Coldfield and Nuneaton. *N.W. Midlands* includes Salop, rest of Stafford and Cheshire up to Chester, Runcorn, Knutsford and Macclesfield. *Manchester and District* includes Eccles, Middleton and Prestwich, Oldham, Stalybridge and Hyde, Cheadle, Altrincham and all boros. contained within these. *Merseyside* includes Crosby, Huyton, St. Helens, Widnes and all Wirral constituencies. *Rest of Lancashire* excludes Barrow and Morecambe and Lonsdale. *Yorks Woollen District* includes Sowerby, Keighley, Leeds, Wakefield, Colne Valley and boros. contained within these. *Yorks Coal and Steel District* includes everything in W. Riding south of Penistone, Hemsworth, Normanton, Barnsley and Don Valley. *Durham and Teesside* includes Middlesbrough and Cleveland. *Tyneside* includes all constituencies on the River Tyne as far as Consett on one bank and Newcastle on the other. *Glamorgan and Monmouth* includes Llanelly. *Clydeside* includes Glasgow, Greenock, Dumbarton and all Lanarkshire except Lanark. *Southern Scotland* includes everything else south of Stirling and Fife.

THE PARTIES HAVE BEEN DIVIDED as follows: *Conservative* includes Cons. and Lib., Cons. and Lib.-Nat., Unionist, Lib.-Nat. and National. *Labour* includes Labour and Co-op. but not Lab.-Ind. or ILP. Under *Others* are grouped all candidates who would not accept or would not be accorded the whip of any of the three main parties if returned to Westminster.

Four Conservative unopposed seats in Northern Ireland in 1951 and Barnsley, where the 1951 result is delayed, are excluded throughout. In addition, there were 12 University and 2 Labour unopposed seats in 1945 which are excluded from the figures for that year.

REGIONS	YEAR	LABOUR			CONSERVATIVES			LIBERALS			OTHERS			TOTAL POLL AS % OF ELECTORATE
		Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	
GREATER LONDON	1945	1,832,570	53·5	84	1,278,024	37·3	25	247,536	7·2	...	67,225	2·0	2	78·3
	1950	2,201,249	47·2	52	2,009,974	43·1	44	398,685	8·6	...	50,629	1·1	...	82·6
	1951	**2,334,934**	**50·5**	**50**	**2,177,319**	**47·1**	**46**	**85,328**	**1·9**	...	**25,361**	**0·5**	...	**81·2**
NORTHERN HOME COUNTIES	1945	463,800	45·6	14	436,028	42·9	5	116,510	11·4	...	1,005	0·1	1	72·1
	1950	491,848	40·6	9	577,072	47·7	17	137,253	11·3	...	5,063	0·4	...	84·8
	1951	**549,131**	**44·8**	**5**	**663,093**	**54·2**	**21**	**12,454**	**1·0**	...	...	...	...	**83·5**
SOUTHERN HOME COUNTIES	1945	539,352	37·9	6	745,982	52·4	25	130,924	9·2	...	6,700	0·5	...	76·9
	1950	579,142	34·3	3	928,891	55·1	32	176,404	10·5	...	1,213	0·1	...	83·6
	1951	**625,952**	**37·3**	**3**	**1,028,775**	**61·3**	**32**	**23,383**	**1·4**	...	...	...	...	**81·1**
MID-SOUTHERN ENGLAND	1945	409,314	41·5	6	458,099	46·4	16	108,534	11·0	...	11,335	1·1	...	75·9
	1950	421,874	37·8	3	569,281	51·0	21	123,246	11·1	...	948	0·1	...	83·2
	1951	**449,044**	**40·2**	**3**	**623,425**	**55·8**	**21**	**44,885**	**4·0**	...	...	...	...	**81·5**
SOUTH-WEST ENGLAND	1945	456,313	37·6	11	534,691	44·1	17	203,782	16·8	2	17,937	1·5	1	73·8
	1950	518,176	38·2	8	623,985	45·9	22	207,976	15·3	...	7,655	0·6	...	85·2
	1951	**563,775**	**41·7**	**7**	**710,669**	**52·6**	**23**	**77,640**	**5·7**	...	...	...	...	**83·6**
EASTERN COUNTIES	1945	420,592	45·3	15	401,572	43·2	9	100,125	10·8	1	6,205	0·7	...	71·3
	1950	444,386	42·2	8	474,338	45·0	15	134,541	12·8	1	484	*Neg.*	...	84·5
	1951	**481,894**	**45·6**	**5**	**539,955**	**51·0**	**19**	**36,102**	**3·4**	...	...	...	...	**82·0**
SOUTH-WEST MIDLANDS	1945	355,102	39·5	9	378,072	42·0	11	117,923	13·1	...	48,355	5·4	1	73·7
	1950	396,709	41·3	6	438,912	45·7	15	105,711	11·0	...	19,814	2·0	...	84·5
	1951	**437,303**	**45·5**	**6**	**514,515**	**53·5**	**15**	**9,998**	**1·0**	...	...	...	...	**82·9**
BLACK COUNTRY	1945	666,253	57·1	23	437,968	37·5	5	50,207	4·3	...	12,809	1·1	...	71·7
	1950	815,556	53·9	23	601,614	39·7	7	95,256	6·3	...	2,006	0·1	...	84·1
	1951	**821,118**	**54·9**	**23**	**656,842**	**43·9**	**7**	**16,682**	**1·1**	...	**545**	**0·1**	...	**81·9**
NORTH-WEST MIDLANDS	1945	404,897	47·7	10	363,565	42·8	10	75,894	9·0	...	4,212	0·5	...	74·7
	1950	434,708	48·0	9	422,095	46·6	10	48,802	5·4	...	...	...	...	85·3
	1951	**445,470**	**49·5**	**9**	**457,751**	**50·5**	**10**	...	...	...	...	...	...	**84·0**
EAST MIDLANDS	1945	844,957	53·3	26	585,984	37·0	8	124,364	7·8	...	30,092	1·9	1	76·1
	1950	897,235	50·9	24	685,077	38·9	13	165,925	9·4	...	15,147	0·8	...	85·9
	1951	**940,928**	**53·7**	**26**	**770,881**	**44·0**	**13**	**40,662**	**2·3**	...	...	...	...	**84·1**
MANCHESTER AND DISTRICT	1945	485,729	49·1	18	399,554	40·3	5	99,916	10·1	...	5,117	0·5	...	74·7
	1950	492,294	44·9	14	492,096	44·9	9	109,900	10·0	...	3,309	0·3	...	84·9
	1951	**511,558**	**47·3**	**12**	**551,431**	**50·9**	**11**	**19,258**	**1·8**	...	...	...	...	**82·7**
MERSEYSIDE	1945	312,526	46·2	12	288,721	42·7	6	57,458	8·5	...	17,434	2·6	...	70·3
	1950	391,798	45·2	9	411,366	47·4	9	60,891	7·0	...	3,446	0·4	...	82·5
	1951	**409,451**	**47·8**	**9**	**441,915**	**51·5**	**9**	**4,477**	**0·5**	...	**1,349**	**0·2**	...	**79·8**
REST OF LANCASHIRE	1945	770,805	49·0	23	630,402	40·1	8	150,419	9·6	...	20,525	1·3	...	77·3
	1950	665,639	46·7	17	646,723	45·4	13	109,866	7·7	...	2,926	0·2	...	86·9
	1951	**683,596**	**48·9**	**14**	**674,761**	**48·3**	**15**	**39,020**	**2·8**	**1**	...	...	...	**88·0**
YORKSHIRE WOOLLEN DISTRICT	1945	518,051	53·1	21	311,838	31·9	2	141,292	14·5	...	5,105	0·5	...	76·6
	1950	528,156	50·2	17	393,444	37·4	5	129,535	12·3	1	1,392	0·1	...	86·1
	1951	**546,815**	**52·2**	**17**	**431,100**	**41·2**	**5**	**68,948**	**6·6**	**1**	...	...	...	**85·2**
YORKSHIRE COAL AND STEEL DISTRICT	1945	461,760	68·3	14	201,858	29·9	2	6,005	0·9	...	6,368	0·9	...	76·1
	1950	510,790	65·8	14	247,933	31·9	2	14,194	1·8	...	3,756	0·5	...	86·8
	1951	**506,297**	**66·3**	**13**	**256,550**	**33·6**	**3**	...	...	...	**1,116**	**0·1**	...	**84·3**
REST OF YORKSHIRE	1945	199,382	37·8	5	243,370	46·2	8	84,131	16·0	1	...	...	...	73·1
	1950	260,784	38·0	3	347,875	50·7	12	77,000	11·2	...	1,121	0·1	...	83·7
	1951	**278,305**	**41·0**	**3**	**382,962**	**56·4**	**12**	**17,679**	**2·6**	...	...	...	...	**81·1**
DURHAM AND TEESSIDE	1945	432,067	60·2	16	232,698	32·4	...	46,402	6·5	...	7,113	0·9	...	77·6
	1950	434,184	60·1	15	236,185	32·7	...	51,240	7·1	...	367	0·1	...	86·4
	1951	**445,080**	**61·3**	**13**	**281,267**	**38·7**	**2**	...	...	...	...	...	...	**85·5**
TYNESIDE	1945	262,402	61·0	10	156,564	36·4	1	11,272	2·6	...	...	...	...	75·6
	1960	321,486	55·5	10	213,523	36·9	2	37,370	6·5	...	6,720	1·1	...	84·7
	1951	**335,803**	**57·3**	**10**	**236,749**	**40·4**	**2**	**8,270**	**1·1**	...	**6,070**	**1·2**	...	**84·8**
ENGLISH BORDER COUNTIES	1945	214,388	49·2	6	177,724	40·8	5	41,143	9·4	1	2,510	0·6	...	77·7
	1950	202,011	44·4	6	170,810	37·5	4	53,551	11·8	...	28,857	6·3	1	84·1
	1951	**223,428**	**48·1**	**6**	**213,558**	**46·0**	**5**	**28,995**	**6·8**	...	**158**	**0·1**	...	**84·3**
GLAMORGAN AND MONMOUTH	1945	588,511	68·0	21	217,457	25·1	1	30,602	3·5	...	29,615	3·4	...	75·6
	1950	669,479	66·5	21	265,293	26·4	2	51,561	5·1	...	20,316	2·0	...	84·9
	1951	**686,420**	**67·8**	**20**	**308,941**	**30·3**	**3**	**5,247**	**0·5**	...	**13,514**	**1·4**	...	**84·8**
REST OF WALES	1945	189,673	40·9	3	99,327	21·4	3	167,951	36·2	6	6,590	1·5	...	75·7
	1950	219,195	42·0	6	153,313	29·3	2	141,529	27·1	5	8,596	1·6	...	84·5
	1951	**239,688**	**46·3**	**7**	**164,328**	**31·7**	**3**	**111,574**	**21·6**	**3**	**1,997**	**0·4**	...	**83·9**
CLYDESIDE	1945	394,741	52·6	17	297,168	39·6	5	8,174	1·1	...	50,058	6·7	3	67·7
	1950	494,934	52·0	17	392,166	41·2	7	33,588	3·5	...	31,226	3·3	...	81·9
	1951	**522,277**	**53·9**	**16**	**437,076**	**45·1**	**8**	**1,415**	**0·1**	...	**8,469**	**0·8**	...	**82·3**

REGIONS	YEAR	LABOUR			CONSERVATIVES			LIBERALS			OTHERS			TOTAL POLL AS % OF ELECTORATE
		Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	Votes	% of Poll	Seats	
SOUTHERN SCOTLAND	1945	537,076	48·8	17	470,529	42·8	12	44,624	4·1	...	47,354	4·3	1	70·4
	1950	544,456	46·2	16	547,129	46·4	12	71,079	6·1	1	15,291	1·3	...	81·6
	1951	**577,704**	**47·7**	**15**	**601,818**	**49·7**	**14**	**26,074**	**2·2**	...	**4,728**	**0·4**	...	**83·4**
NORTHERN SCOTLAND	1945	230,044	42·7	3	218,828	40·5	13	80,051	14·8	...	11,343	2·0	...	69·8
	1950	219,791	36·8	4	282,650	47·4	12	75,596	12·7	1	18,429	3·1	1	78·2
	1951	**230,263**	**38·5**	**4**	**310,314**	**51·9**	**13**	**48,802**	**8·2**	**1**	**8,807**	**1·4**	...	**75·5**
NORTHERN IRELAND	1945	76,372	15·1	1	237,749	46·8	4	...	...	...	193,508	38·1	3	62·5
	1950	59,748	13·2	...	274,709	60·5	6	...	...	...	119,408	26·3	2	79·0
	1951	**62,324**	**13·4**	...	**274,928**	**59·4**	**5**	...	...	...	**125,984**	**27·2**	**3**	**79·9**
TOTAL	1945	12,066,677	48·8	391	9,803,772	39·7	206	2,245,239	9·1	11	608,515	2·4	13	73·0
	1950	13,215,628	46·2	314	12,406,454	43·4	293	2,610,699	9·1	9	368,019	1·3	4	84·0
	1951	**13,911,580**	**48·7**	**294**	**13,708,773**	**48·0**	**317**	**723,550**	**2·5**	**6**	**188,969**	**0·7**	**3**	**82·6**

The Ex-Liberal Vote

The following table shows the voting in certain groups of constituencies in 1950 and 1951: (A) Where there was a straight contest between Labour and the Conservatives each time; (B) Where there was a three-party contest between Labour, Conservatives and Liberals in 1950 but a straight contest in 1951 without Liberals; and (C) Where there was a three-party contest each time between Labour, Conservatives and Liberals.

VOTING IN TWO- AND THREE-PARTY CONTESTS

	Number of Constituencies	Labour	Conservatives	Liberals	Total
		Votes (in thousands)			
(A) Two-Party Contests					
1950	102	2,557	2,002	...	4,558
1951	,,	2,550	2,034	...	4,584
(B) Three-Party Contests					
1950	291	5,870	6,311	1,470	13,651
Two-Party Contests					
1951	,,	6,316	7,239	...	13,555
(C) Three-Party Contests					
1950	71	1,258	1,507	534	3,300
1951	,,	1,296	1,625	379	3,300
		Percentages of Poll			
(A) Two-Party Contests					
1950	102	56·08	43·92	...	100·0
1951	,,	55·62	44·38	...	100·0
Change	...	− 0·46	+ 0·46	...	...
(B) Three-Party Contests					
1950	291	43·00	46·23	10·77	100·0
Two-Party Contests					
1951	,,	46·60	53·40	...	100·0
Change	...	+ 3·60	+ 7·17	−10·77	...
(C) Three-Party Contests					
1950	71	38·13	45·67	16·20	100·0
1951	,,	39·26	49·25	11·49	100·0
Change	...	+ 1·13	+ 3·58	− 4·71	...

The Split Vote

The following table shows the numbers of Labour and Conservative members elected according to the proportion they obtained of the total poll in their constituencies.

Winning Votes as Percentage of Total Votes in Constituency	Number of Seats Won	
	By Labour	By Conservatives
Between 40 and 45 per cent.	2	5
,, 45 ,, 50 ,, ,,	12	20
,, 50 ,, 55 ,, ,,	82	89
,, 55 ,, 60 ,, ,,	67	86
,, 60 ,, 65 ,, ,,	59	60
,, 65 ,, 70 ,, ,,	30	37
,, 70 ,, 75 ,, ,,	17	16
,, 75 ,, 80 ,, ,,	16	3
,, 80 ,, 85 ,, ,,	8	1
,, 85 ,, 90 ,, ,,	1	...
TOTAL	294	317*

* Excluding the four unopposed seats.

It will be seen that 39 seats were won on a minority vote, 14 by Labour and 25 by the Conservatives. In all these seats the intervention of a Liberal was the sole or main cause. In the absence of Liberals, and on the extreme assumption that Conservatives made a net gain of 40 per cent of the Liberal vote, only 6 more seats would have been won. Equally, if Labour had obtained the same net transfer of up to 40 per cent of the Liberal votes the gain would have been only 6 seats.

Area and Constituency	Conservatives would have gained from Labour with *net* addition of following percentages of Liberal vote			Labour would have gained from Conservatives with *net* addition of following percentages of Liberal vote		
	20%	30%	40%	20%	30%	40%
Greater London:						
Camberwell, Dulwich		*			*	
Hornchurch			*			
Walthamstow, East						
Northern Home Counties:						
Watford	*					
Mid-Southern England:						
Westbury					*	
Eastern Counties:						
Mid-Bedfordshire						*
Peterborough					*	
South-West England:						
Falmouth & Camborne		*				
East Midlands:						
Grantham					*	
Nottingham, East	*					
Yorks Woollen District:						
Sowerby		*				
Rest of Wales:						
Conway					*	

The Size of the Poll

The first of these two tables shows the numbers of seats won by Labour and Conservatives arranged according to the size of the total poll in the contests and divided between safe and unsafe seats, the arbitrary distinction being made that a seat is considered safe if won with a majority over the next candidate of over 10 per cent of the poll. The figures show that the unsafe seats have a higher proportion of high polls.

Total Poll as % of Electorate	Number of Labour Seats Won			Number of Conservative Seats Won		
	Safe	Unsafe	Total	Safe	Unsafe	Total
55–60	—	—	—	1	—	1
60–65	—	1	1	—	—	—
65–70	1	—	1	8	—	8
70–75	8	2	10	11	—	11
75–80	29	4	33	65	3	68
80–85	95	34	129	118	38	156
85–90	68	51	119	19	51	70
90–95	—	1	1	—	2	2
TOTAL	201	93	294	235	92	317

The second table shows the size of the poll in the different types of contest, according to whether or not there was a Liberal candidate. Where there was a Liberal candidate in 1950 but not in 1951 the poll declined more than in either the two- or three-party contests.

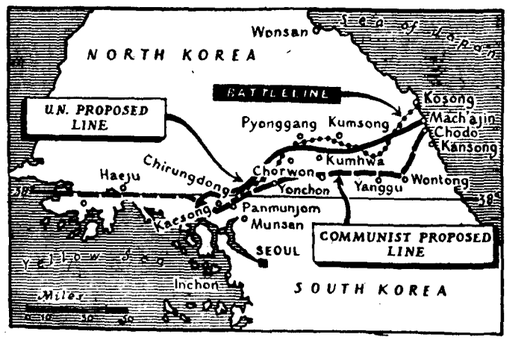
	Number of Constituencies	Total Poll as % of Electorate		Change
		1950	1951	
Two-Party Contests	102	83·56	82·84	−0·72
Three-Party (1950): Two-Party (1951)	291	84·53	82·51	−2·02
Three-Party Contests	71	84·66	83·36	−1·30
All above contests	464	84·34	82·71	−1·63

NOTES OF THE WEEK

Better News from Korea

In the cease-fire talks that began again at Panmunjom last week the Communists have surprised everyone by offering to discuss an armistice line that differs by only two or three miles from the present fighting line. Although there had been little actual progress until this second offer came on Wednesday, the most notable change in the Communist attitude came earlier. Almost at the start the Communists, in reply to an offer by the United Nations of a buffer zone across Korea, proposed a cease-fire line running in many places ten miles north of the 38th parallel (this is the line shown on the accompanying map). This was rejected out of hand by General Ridgway's negotiators, since it bore no relation to the military situation: it offered only Communist evacuation of the worthless Ongjin and Wonan peninsulas in return for very substantial allied withdrawals on the main front. But its importance was that the Communists for the first time abandoned their claims to the parallel, on which the talks had foundered in August.

Many observers, including *The Economist*, interpreted cautiously last week the Communist jargon of Mao Tse-tung's important policy-making speech to the national committee of the People's Political Consultative Conference. It could, however, have been much more bellicose than it was and the



change of Communist tactics over the parallel suggests that Mao may have been preparing Chinese public opinion for a possible peace move, should the opportunity present itself for securing good enough terms at Panmunjom. If so, something useful may well be achieved within the next two or three weeks. What matters for the moment is that negotiations on a purely military line should be taking place at all.

There is thus a slight reason for cautious hope—nothing more. Peking would probably accept an armistice line only in the hope of eventually winning all Korea by other and slower means. Moreover, the armistice line is no more than the first item on the Panmunjom agenda. The second item to be thrashed out, before the UN forces can stop fighting, is the agreement for mutual inspection by the opposing sides to see that an armistice would not be used for building up forces for a fresh offensive. The third item is the exchange of prisoners, and the fourth is recommendations to governments for a permanent settlement. These are all formidable obstacles. Even if the last is reached, it is difficult to see a political settlement being quickly arranged. The situation in Korea after an armistice might become just like that in Austria. Whatever happens, the free world must expect to see UN forces remaining there for a long time to come.

The Arabs Hesitate

For the time being the Egyptians have had a setback. Living as they do sealed off from the rest of world opinion by deserts and by a rigorous press censorship, they know almost nothing about what people outside the Nile Valley are saying and thinking. They therefore took it for granted that all Arab League states would copy them in rejecting out of hand any consideration of the four power proposals for a Middle Eastern Defence Command. The four sponsors, the United States, Britain, France and Turkey, this week communicated their proposals, for information only, to all the other Near Eastern States affected, including Israel.

To Cairo's surprise some of the Arab states are giving the communication serious thought. The Lebanese cabinet sat all night. Saudi Arabia, dependent on revenue from American oil extraction, must think twice about a proposal which commits American arms to the defence of assets that the two countries share. Iraq, living closest to the Soviet Union and to the near-anarchy that threatens in Persia, must think seriously about defence problems.

Yet the recipients are in a quandary. If their statesmen could act free from pressure by public opinion, most would choose, as Turkey has, participation in an important military command on the proffered basis—which is that of equal partnership. The trouble is that this might entail sitting down to meat with Israel. If it did, they would hang back. If it did not, they would concur. But, except in Saudi Arabia, there is an uninformed, vociferous and easily-hired crowd to consider. Except for Saudi Arabia, therefore—and, just possibly, Iraq—no Arab country has a statesman with the moral courage to stand up to crowd tactics. If these are applied in earnest, and are followed by an Arab League meeting, all the states will probably in the end go along with Egypt.

The Arab predicament is acute, and their pause to think over the western communication is not only justified but laudable. The example of this week's demonstrations in Persia must reveal, to any Arab who thinks at all, that to surrender to crowd tactics is to push further open the door to Communism, which is already ajar. The Russians are telling the Arab States that they are eastern countries and that any defence arrangements they make "should be made in collaboration with Russia, the great Eastern State." This will incense some of them, but it may cow others. Now is one of the moments at which an Arab statesman might, by a statesmanlike explanation to his people of the real issues at stake, save his country from ultimate upheaval. But the moral courage that would be needed for such a course is not, among the Arab statesmen of today, a quality that leaps to the eye.

* * *

Qualms of the Persians

Dr Mossadegh still lingers in Washington. Day by day, he receives a visit from a bright face in the State Department. They talk, often for two hours. His visitor, on departure, tells inquirers that he thinks "some progress" has been made. Simultaneously, Persian spokesmen tell inquirers that the Prime Minister is still "considering various plans" and that nothing is sure. The real meaning of this run of inconclusive contacts is that Dr Mossadegh is in a quandary. Now that it is nearly time to go home the thought foremost in his mind is: what will his reception be in Persia? If he comes as the man who secured removal of the oil dispute from the Security Council's current agenda he will be wreathed in laurels; but he has already ordained that there

are to be "no triumphal arches." What if he is also greeted as the man who reached a new oil agreement with the odious foreigner?

To judge by the news from Teheran, the public reaction to this achievement would not be favourable. Teheran radio has said in so many words that the West is not dealing simply with Dr Mossadegh but has to reckon with a people that will not tolerate any foreign profit from its oil. Dr Kazemi, the vice-premier who was left to cope with affairs on the home front, is reporting uncontrolled demonstrations of people shouting "Long Live World Peace," "Down With Western Imperialism," and other slogans. He also reports in even more serious vein that his efforts to cut government expenditure by pruning civil service privileges and raising the tax on tobacco are highly unpopular.

The unhappy group of Persians who are staying on and on in Washington, at great expense, therefore face the fact that their treasury needs replenishing. Their better judgment tells them that they would make more money if they were to adopt one of the propositions now being made by the State Department visitors. (These are for foreign technical management of the industry with Persians directing the policy of installations inside Persia, and for employment of a foreign concern—perhaps a separate one—to fetch and market the oil.) Yet they know that they will get a dusty reception in Teheran if they agree to anything less than their original demands, which were for Persian technical management of a team of foreign technicians who would work for salary and expenses but not for profit. The Americans point out that no good foreign technician wants to work in such conditions, in the torrid climate of Abadan and perhaps under such an exacting master as Dr Mossadegh's henchman Dr Makki, would be. The prime minister's position, confronted with this set of self-made problems, is most unenviable.

* * *

Division at Once

The new House of Commons got off to an unhappy start on Wednesday. The election of the Speaker was challenged on a division for the first time since 1895. That was a highly regrettable break with a most important tradition. But it need not, fortunately, be interpreted as a serious challenge to the tradition. It does not mean that the impartiality of the chair is in question or that the Opposition is likely to challenge its authority in future debates. There is every reason to think that Mr W. S. Morrison will be a popular and successful Speaker. The Labour party forced a division not because it really has any objection to Mr Morrison but because it felt full of fight. Any issue would have done; the anxiety was simply to show the flag and divide the House at the first opportunity.

The main reason for this exuberance on the Labour side is that a good many members are pleasantly surprised to find themselves back at Westminster and to notice so few absent faces among their friends. There is particular cheerfulness that Labour still polled more votes than the Conservative party—a result that in the pessimistic mood of the last Parliament was certainly not expected. If some consciences are uneasy about the methods by which this result was obtained, and particularly about the warmongering scare, that only intensifies the Labour members' wish to justify their presence by opposing vigorously. But, unless circumstances are particularly unkind to the new government during its first few months, the Opposition's elation is unlikely to last. It was defeated soundly enough on Wednesday, and a succession of defeats may well make Labour's ardour to challenge the Government cool off, just as in the last Parliament the initial high spirits of the Conservatives faded after Mr Attlee had managed to stick in the saddle for a few months; they were revived only after such things as meat, groundnuts and coal had greatly embarrassed the Labour party. It is possible that in Parliamentary tactics the Conservatives will be handicapped by the smallness of their majority more seriously than Labour was. The party leadership may be less supple in manœuvre, and the following may respond less well to strict discipline. But although this may involve some additional embarrassment for Mr Churchill, there is no serious likelihood of its leading to defeat on an issue of confidence.

* * *

Party Moods

The mood of the Conservatives is certainly to stay in office as long as they can, and to have some confidence that it will be for several years. They are not only disappointed with the size of their majority but also angry and bitter about the slur of warmongering cast on them. In addition, the Conservative backbenchers are far from happy about Mr Churchill's government-making. They feel that it has been too slow, and particularly that the indecision as to whether Mr Eden or Mr Crookshank should lead the House of Commons was unfortunate. There is naturally much disappointment that so few of the younger men have been given important posts—and considerable feeling that all the fortunate ones are by no means those whose merits are most apparent.

By next week, however, these feelings will have sunk to second place. The one piece of Conservative legislation that will certainly be foreshadowed in the King's Speech is a Bill to undo the nationalisation of steel. The form of action on road transport is uncertain. It may immediately amount to no more than a stop to further transfers of road haulage firms to public ownership, with perhaps the restoration of more freedom to private operators. Immediate action on the university seats is not expected, though there is talk of an all-party conference on the House of Lords. Something will have to be done either to renew or to replace the emergency powers legislation that expires next month, but otherwise it is thought that for the next six months the Government will have little energy to spare outside economic and foreign affairs.

The Conservatives seem to believe that Labour is unlikely to settle down quickly to a deliberate policy of harrying the Government as much as possible. It will require some time to get its policies and strategy in opposition straight in its own mind. On the other hand, all sections of the Labour party are confident that the Bevanite conflict will become less serious. It is no longer a debate about what to do but about how to formulate a policy, and in that form is it less dramatic and less urgent—though not necessarily any easier to solve. And a period of intellectual fermentation is certainly not incompatible with a sharp storm turning more on differences of personality than of ideas.

* * *

Mr Morrison's Bogey

During the past week tributes have been paid to some of the retiring Labour Ministers. A special valediction is due to Mr Herbert Morrison. When the election campaign opened Mr Morrison had given ample confirmation of the fears expressed when he was appointed to the Foreign Office. Whatever his qualities as a party strategist, he had brought to his new task little better than a talent for provocative and partisan repartee; he was a bad Foreign Secretary. But by the time the campaign closed he had secured himself a place in history as about the worst Foreign Secretary of this century.

Mr Morrison may claim to be the chief architect of Labour's recovery from the disaster that threatened it when the campaign began. The evidence of most observers in the constituencies is that the "scare" that the Tories were warmongers played the main part in keeping the doubters

loyal to Labour. And it was Mr Morrison who played the chief part in the "warmongering" campaign. Some honest and intelligent members of the Labour party are now trying to exorcise their shame at the whole episode by pleading that it was the Tories who first exploited the Persian disaster as an election issue, and that the warmongering charges were merely an answer to Conservative propaganda about "a Munich at Abadan." The fact is, however, that Mr Morrison first introduced the theme as long ago as the end of July, when he told Durham miners that if the Tories had had their way "we should have been at war twice in the last ten days." Later, with a show of fairness, he made it more plausible by denying that the Tories wanted war; they were merely psychologically prone to it. The whole monstrous campaign was fathered and reared—with clever insinuations—by him.

In its implications for the fair conduct of elections in Britain the comparative success of the warmongering campaign was deplorable. In its implications for British foreign policy it was disastrous. If the people's desire for peace can be so unscrupulously exploited for the purpose of vote catching, it could mean that no Government whose foreign policy was not summed up in the word "scuttle"—or, at least, was made to look so to the world—could hope to get elected. Mr Eden has the unenviable task of showing that this tragic piece of political miseducation has not deeply influenced the outlook of the British people.

* * *

Wise Men's Buff

As Nato's three wise men grope towards their target, they are finding it increasingly elusive. And, as always, the harder the task becomes, the bigger the expert staff which is attracted to it. More and more people come into the circle to confuse the gropers, more and more papers to trip them up, and more and more figures to dazzle them. There is some danger that this private party by candle light will turn into a public gathering under neon lighting. Already there are two sub-committees: one on economic and financial matters, and one, under the American General McNarney, on military economy; and the walls of the conference room, which contains for most meetings the representatives of only three governments, are lined with tens and scores of experts.

The wise men's task was briefly this: in various parts of the Nato organisation on different pieces of paper there were available the soldiers' estimate of the military requirements, and the economists' estimates of material and financial resources. The wise men were first asked to look at these afresh—they called for new estimates and a new assessment of the gap—and, second, to recommend means of closing this gap. There were three main chances of doing so; the requirements might be screened and their costs reduced; Europe might revise its estimate of what it could afford; and America might have to try to find the means to supplement still further the European effort.

The gap is already proving extremely stubborn. For when the wise men come to look at the position of their own countries they find that the elasticity for which they had hoped is not there. M. Monnet can only explain to Mr Harriman that the best thing for France and Europe is that French industrial recovery shall go forward, with American dollars behind it. Sir Edwin Plowden can only say that Britain will do what it has set out to do, painful though it is, but under present circumstances not a penny more. Mr Harriman, who was expected at the end to pull some American rabbit out of the hat, is forced to confess that even the American economy is feeling the strain. It is in a sombre frame of mind, therefore, that the wise men have broken up for a few days to consult with their respective governments at home.

Mr Harriman as Trustee

If the news from Paris is of a hard grind and slow progress, what comes this week from Washington is more cheering. A new scheme of things is now emerging in the structure of the American agencies concerned with foreign aid; and a new figure in this scheme—Mr Averell Harriman—is rising phœnix-like from the fires of criticism which, during the last session of Congress, were threatening aid to Western Europe. A new Mutual Security Agency is to take responsibility—at present vested in an inter-departmental committee under Mr Cabot and in the separate Departments of State and Defence—for distributing military and economic aid; and Mr Harriman has been wisely chosen to head this Agency. He will also have a deputy to administer the Battle Bill which President Truman signed this week. This, it will be remembered, was the Administration's attempt to counter the Kem Amendment to the Foreign Aid Bill, which would have refused aid to countries trading anything "of strategic value" to the Russians and their satellites.

Thus the purse strings of aid may now be held by one American; and he, fortunately, is the man who is now chairman of the committee that is trying to establish Europe's capacity to rearm without too many tears. No one in the United States understands better than Mr Harriman the fact that the desirability of East-West trade must be judged by the balance of advantage it offers to the West. The Administrator is to be allowed great latitude in defining for the President which goods may and may not be sent under the curtain; all the indications are that he will use this latitude wisely. Already Mr Linder, at the State Department, has explained to the American public that there are some instances where the export from Western Europe of strategic commodities in return for strategic imports may be in the interests of the United States; he gave the example of Norwegian aluminium exchanged for Russian manganese. If this is to be the spirit in which the Battle Act is to be used, then perhaps sanity can be restored to the consideration of this question in Washington.

In fact, Mr Harriman is likely to be most concerned with Europe's economic stability. He is known to believe that the foreign aid already approved by Congress might serve its purpose better if it contained a higher proportion of dollars and a smaller proportion of finished arms. He is also known to be deeply concerned about Britain's dollar position. Europe, in fact, may be treated with an enlightened understanding by this new trustee of American largesse.

* * *

The Conservatives and Asia

The appointment of Lord Ismay as Secretary of State for Commonwealth Relations has already gone a long way towards taking some of the sting out of the rather critical attitude which was bound to be adopted in India and Pakistan towards the return of a Conservative Government led by Mr Churchill. Lord Ismay, who served under Lord Mountbatten, is well liked and well regarded in the sub-continent. As regards the older members of the Commonwealth, the new Secretary of State also has two other advantages. His own standing as a senior soldier will fit him to deal direct with defence questions; although the Commonwealth now faces several far-reaching problems in the economic field, it is the defence aspect which at the moment is the most urgent following Egypt's pressure on the British base in the Suez Canal zone.

What matters now is that steps should be taken to follow up the favourable reaction already obtained in the Asian Dominions. By word and if possible deed the new government needs to go on making its friendliness plain, both in India and Pakistan and towards countries like Burma and Indonesia that have obtained their independence since Mr Churchill was last in power. Asian leaders who are trying to fight the battles of the free world, or even just to avoid aligning their countries with China and Russia, will only be undermined if, under the skilful guidance of Communist-directed propaganda, their opponents at home can point to any genuine traces of incorrigible imperialism in the British attitude.

It is known that the new government hopes to make a fresh approach to the question of bringing about a settlement in Kashmir. The Conservatives have the advantage of coming to power at a moment when there has been a slight relaxation of tension under the shock of Mr Liaquat Ali Khan's assassination and when the Security Council is about to debate Dr Graham's report. No initiative is likely to succeed, however, unless something is done to close the gap which, for all the Labour party's past achievement, has been widening during the past few months between London and Delhi. This should be one of the Conservatives' first tasks in Asia. The effort would undoubtedly be assisted if Mr Nehru should see fit to review India's representation in London.

* * *

TUC Plays Fair

On Wednesday the General Council of the TUC gave formal notice of its intention to co-operate with the new Government. "It is our long-standing practice," said the Council, "to seek to work amicably with whatever Government is in power and through consultation jointly with Ministers and with the other side of industry to find practical and economic solutions to the social and economic problems facing this country. There need be no doubt, therefore, of the attitude of the TUC towards the new Government." If there is anything surprising in this, it is that the General Council should formally commit to paper the attitude proper to it. Trade union leaders usually mistrust Conservatives, but few of them would be moved by mistrust alone to undertake a general offensive against established authority. At the same time, the General Council paid its expected tribute to the Labour Government for achieving "quite remarkable improvements" in the standard of living; it also said that the results of the election "can hardly be called decisive" and that the period of Labour rule is only over "for the time being."

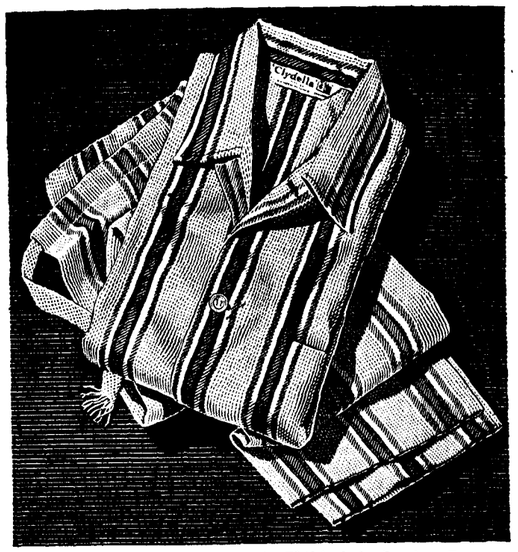
"For the time being" the TUC's co-operation presumably means that the trade unions will refrain from embarrassing the Tories more than they would, in any case, have embarrassed a Labour government. They will not press for higher wages out of spite. But they will not claim less, and the wages bill will continue to mount unless prices can be stabilised. The difficulty is to break the circle, for the unions have never admitted the need for some initial fall in the general standard of living, without which prices cannot be stabilised. Mr H. G. Brotherton, of the Confederation of Shipbuilding and Engineering Unions, warned the Government against disinflationary measures when he said this week that there were parts of the Tory programme about which the unions were "entitled to be apprehensive," and that if any attack were made on the standard of living they would see to it "that there is such a state of affairs invoked in this country that they will be bound to have second thoughts."

The new Chancellor plainly has a formidable task if he tries to persuade the unions to make their co-operation really courageous. But at least their mood is conciliatory. This is perhaps in part the fruit of the change in Conservative policy concerning the Trade Disputes Act of 1927. Having proclaimed their objections to its repeal in the Industrial Charter, they have recently decided that it would be politic to withdraw those objections. They no longer insist upon making illegal the automatic payment by trade unionists of a political levy to the funds of the Labour party, nor do they feel so strongly as they did about the political affiliations of the Civil Service unions. The unions had in fact already won their first victory over the Conservative party long before polling day—a victory of which they are certainly conscious and for which they may also show a certain gratitude in the next few months.

* * *

Seven Against a Union

The High Court this week gave judgment in the action brought by seven members of the Electrical Trades Union against their own union, and found for the plaintiffs. In substance, the men sought relief in two directions: first, to prevent their union from penalising them for not joining in an unofficial strike, and, secondly, to prevent the executive of the union from making *ex gratia* payments out of union funds to members who had taken part in the unofficial strike. The strike began last February (at which time it was also illegal) and in origin was an inter-union dispute. The London Electricity Board suspended a member of the ETU who refused to work alongside a member of the Transport and General Workers' Union, seventeen other ETU members stopped work in protest and the dispute spread. The



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seven plaintiffs refused to join in and all of them were threatened with disciplinary action by their union officials—two of them were in fact fined—despite the fact that, as Mr Justice Wynn Parry said, the stoppage "was not and could not be authorised under the rules of the union." The decision about the payment of benefit to those ETU members who had stopped work rested on the interpretation to be put on the existing rules of the union when read in the light of the Trade Union Act of 1871. The court held that the rules did provide specifically for the situation when a strike became "authorised" and when strike benefit was to be paid. It also held that this stoppage did not fall within the definition of an "authorised" strike.

The decision does not lay down any fresh principle of trade union law, but it does re-establish the fact that minorities, in trade unions as elsewhere, have rights, that rules are meant to be followed, and that the courts exist to see that they are followed. The Conservatives have said that they do not intend to alter existing trade union legislation and, in this kind of case, there is no need for them even to attempt to do so. But the need for reform does exist. Is the TUC itself never likely to tackle the scandal of trade unions competing to establish their individual closed shops?

* * *

Conservatives and Colonies

Colonial policy, for the greater part of Labour's rule, was as bipartisan as foreign policy under Mr Bevin. This was not surprising. Both parties have the same objective for the colonies—self-government within the Commonwealth—and both parties have emphasised the need for economic development to accompany constitutional progress. Even development by public corporation was not a specifically Labour measure, for it was first mooted under a Conservative Secretary of State; and Mr Creech Jones, during his years of office, always insisted on the Labour Government's recognition of the need for the corporations' investment to be supplemented by private enterprise.

In later years, it is true, Conservatives became more critical of Labour's colonial policy, partly—on the economic side—because of the failure of the groundnut scheme, but also because of the pace of constitutional change. This was a natural reaction of a party in opposition. The new constitutions given to the colonies were criticised by many liberal people for giving too much responsibility to those with too little political experience. The point is that they were inevitable. It is very unlikely that a Conservative Government would have been able to slow up the pace of constitutional reform after 1945. Its attitude would have differed from that of Labour only in showing more reluctance at being forced at such a pace and less conviction that the speed was right as well as inevitable.

Unfortunately, the growing Conservative criticisms in the last year or two have coincided with the increased racial tension in Africa. Thus, the idea has grown up that the Conservatives, critics of Labour's policy, are sympathetic to the Europeans' fears of African domination. Since the election this idea has been voiced. In Northern Rhodesia, for instance, hopes have been expressed that the Conservatives will push on with Central African federation—to which the Africans are opposed. Yet it would be both wrong and dangerous if the Right were to be identified with the white and the Left with the black, and Mr Lyttelton's first concern should be to ensure that it has no foundation. One of his early tasks will be the constitutional issue in Tanganyika, where the Europeans are opposing the proposed equal representation of Europeans, Africans and Asiatics. Here he will have a good opportunity to show that a Conservative Government can hold a just balance between the races.

Cocoa and Self Government

The Gold Coast is now in the midst of an ambitious eight-week operation—the Cocoa New Deal Campaign. This exercise commands interest not only because it is intended to clear the country of "swollen shoot" disease, which has been threatening the very existence of the cocoa industry. It represents also a new technique in political persuasion. And it has this remarkable feature: Kwame Nkrumah and his Convention People's Party, whose opposition to the cutting-out of diseased cocoa trees was a rallying cry in their election programme, have now, with power in their own hands, committed a complete *volte-face*. They are throwing the whole weight of their prestige into a campaign which, a short year ago, would have been anathema to them. This fact shows the growth in their self-confidence, and is a matter for congratulation.

It was already clear some years ago that only drastic measures could save the cocoa industry, and the only proven remedy was to cut out the infected trees. But this the farmers, with grim determination, refused to do, suspecting some "imperialist" trick. Compulsory cutting-out was imposed and a small compensation paid for each tree eliminated. Fierce opposition resulted, and three United Nations experts were invited to the Gold Coast to give an impartial opinion on whether this was indeed the best method. They could recommend nothing else. An insecticide was being experimented upon, with uncertain success. Even this disinterested judgment failed to convince, and when Nkrumah was elected into office, compulsory cutting-out was suspended. An African committee was appointed to investigate and its conclusions confirmed the earlier opinions. Appeals for voluntary action and the granting of higher compensation rates were partially successful in holding the disease in check, but the danger was not eliminated. Nkrumah was left with a peculiarly tough nettle to grasp.

The new campaign is the answer. It has begun with a five-day course of instruction in Accra for 40 delegates from all over the country. They have been trained in the use of microphones, cinema-vans and propaganda techniques. Members of the Legislative Assembly will accompany the vans in their own constituencies, and make personal appeals to farmers to adopt voluntary cutting-out. Pictures of Nkrumah will embellish the handbills to be distributed. The question now is—will the persuasiveness of elected leaders secure the adoption of unpopular measures where a Colonial Government notably failed? If it does, the new Gold Coast Ministry will have achieved its first really significant success.

* * *

Russians in Spitzbergen

The coldest sector of the cold-war front is unquestionably Spitzbergen, the island group which lies so far north of Norway that it is within ten degrees of the North Pole. Recent Soviet charges that the Norwegians are converting the islands into bases for aggression are not likely to raise noticeably the temperature in these arctic regions. Norway, as in 1949, has made a cool but firm reply to Mr Vyshinsky's accusations, and the matter can be expected to end there. Presumably the Soviet move was merely timed to make the most of Scandinavian fears that the extension of the Atlantic Pact to Greece and Turkey, and the focusing of western attention on the Middle East in general, were leaving the northernmost Nato partners out on a chilly limb. That it has not weakened Norway's resolution was shown on Wednesday; when the Storting approved the admission of Greece and Turkey to Nato by an overwhelming majority.

Spitzbergen could not be made into a Nato base without the knowledge of the large Soviet colony there. There are, in fact, more Russians there than Norwegians. Since 1931,

Post Prandial

IT IS OFTEN an anxious moment, between the dessert and the liqueurs, when the toastmaster takes up his position behind the high table and the busy noise of banqueting is stilled. What sort of speeches will there be tonight? Witty or windy? Delightful or dull? It all depends—partly on the speaker himself, partly on the way everyone is feeling. In pleasant surroundings, when the dinner has been expertly cooked and served, with wine of the choicest vintage handled with reverence and affection—then even the most dismal speaker develops redeeming features, and the witty and delightful one is at his brilliant best. Such is the way of speakers at the famous Connaught Rooms, where, with no fewer than twenty of the most sumptuous Banqueting Halls gathered together under one roof, London boasts an amenity without equal anywhere on earth.

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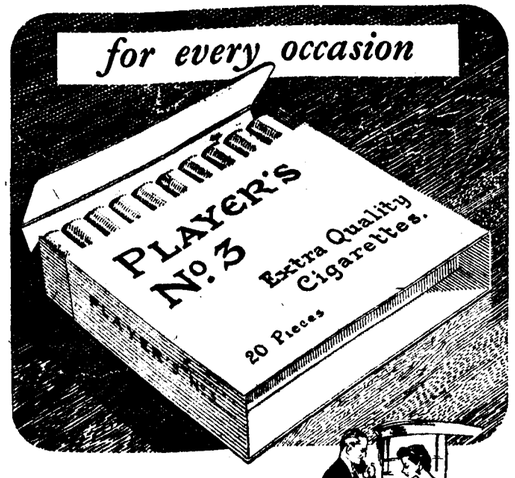

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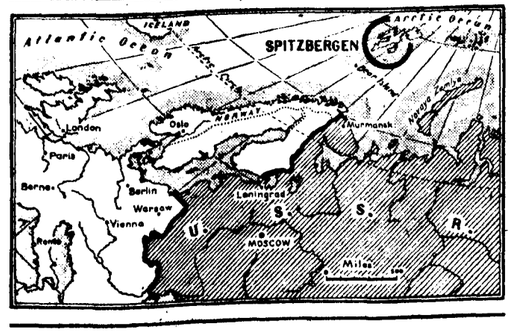
when the Soviet Government bought a group of Dutch coal mines on the main island, there has been a self-contained and self-administered Russian community there, which now numbers about 3,500. The Norwegian governor pays them an occasional courtesy visit; but otherwise Norway leaves them entirely to their own devices, in accordance with the Paris Treaty of 1920, which, while confirming Norwegian sovereignty over the islands, guaranteed complete equality as regards economic exploitation to all signatory nations.

The USSR, which adhered to that treaty in 1935, has never had any cause for complaint about the treatment of its



nationals in Spitzbergen: they were readily readmitted after the war, and the Soviet mines are again producing coal, although not as yet in such large quantities as in the thirties, when their output rose to over 400,000 tons a year. The fact that the Russians find it necessary to seek coal in these inhospitable islands, where several Norwegian and Swedish companies found it uneconomic to operate before the war, suggests that they are unlikely to precipitate any serious crisis there which might endanger their own interests.

* * *

Mrs Mopp at Geneva

In this country the National Institute of Houseworkers has encountered considerable difficulties in its attempt to frame standard rates of pay and conditions of work for the diversely employed women for whom "houseworker" is the most convenient label. But its difficulties pale to insignificance beside those facing the expert committee of the International Labour Office attempting to draw up a code which would make sense in the still more diverse setting of all the ILO's member countries. "There was general agreement," says their report, "as to the desirability of providing for domestic workers protections of the kind now being provided for other workers"; at the same time it was recognised that the special character of the relationship between the domestic worker and employer "called for provisions covering domestic workers which allow for flexibility in arrangements . . . based upon mutual agreement."

There, indeed, is the crux. It is one thing to recommend that domestic workers should be brought within any national scheme of social insurance, or that contracts of life servitude or quasi-adoption should "not be considered as acceptable." It is quite another thing to lay down minimum rates of pay and thereby outlaw every arrangement of mutual convenience between the "employer" wanting only an occasionally lent hand and the "employee" wanting only a home and pocket money; or to define "adequate rest breaks during the day" that apply reasonably both to the heavy-duty charwoman and to the more supervisory kind of mother's help. The ILO experts, well aware of these difficulties, recur again and again to the need for "flexibility"; but can a sufficiently flexible international standard mean anything at all? Perhaps, on the narrowest interpretation of the word "standard" it can. There is use in a norm from which variations may be recognised, by both parties, as desirable. There is no use whatever, in this most various of all occupations, in a Procrustean insistence on conformity.

Domestic service provides, in fact, a limiting case for the whole problem of national or international regulation of labour contracts. Circumstances do not so obviously alter cases in other occupations; but they always alter them to some extent. Imponderables do not everywhere exert the same influence; but they always exert some. In no other occupation may it be so obviously to the employee's, as well as to the employer's, advantage that the wage paid should be flexible; but the problem of the part-time and sub-standard worker exists everywhere and will increase with the number of old age pensioners. As from other limiting cases, there may be a wider lesson to be learned from the ILO's recommendations and from the measures (if any) taken to put them into effect.

* * *

Failed B.A.

Even fee-paying students meet only a small proportion of the true cost of their university education, and failures in the final examinations must be deplored as a waste of public money quite apart from personal loss. For students financed by scholarships the public waste is considerable. Durham County Council has now published a report on the successes and failures of its major university scholarship holders. Of 245 first-year students about whom information was obtained, 45 failed in one or more subjects in their first-year examination and a further 25 had not done sufficiently well to remain in the honours school. Of 217 second-year students, 25 failed their examinations and another 5 were transferred from honours to pass courses. In the third year, 16 out of 93 failed their examinations. These are discouraging results.

It would be unfair to suggest that all those who failed did not improve later or did not benefit from being at a university. Successes in examinations are not the only fruits of university life. But most of these unsuccessful students can hardly have deserved the term "scholar" or the expenditure of public money. It is all too easy to conclude that scholarships are doled out too plentifully and that local education authorities should be more canny. But until methods of selection have improved, making the universities more confident that in accepting one set of applicants and rejecting another they are taking the good and leaving the bad, a simple policy of retrenchment would be unjustified. The Durham report underlines the necessity for better methods of selection and the advantage of distinguishing between "scholars" and those who merely need help from public funds. But until universities and schools have settled down more thoroughly after the postwar upheavals a reduction in the total number of awards would be at least premature.

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Letters to the Editor

Japan and Lancashire

Sir,—The articles about Japan in your issues of October 20th and 27th will be generally welcomed in Lancashire, where there is a great wish that the rest of the country should be better informed about the many problems which arise in regard to the impact of Japanese competition upon our national economy.

There are some phrases which we might question: for example, you say that the Cotton Board ensured that Lancashire's views would be ignored by first making the ridiculous proposal that Japan should be legally restricted to a fraction of the cotton spindles its industry used before the war. The only formal expression of industrial opinion in which an enforced specific limitation of Japanese spindleage was mentioned emerged from a meeting of American and British cotton industry representatives in 1948. At that time there was spindleage limitation in force in Japan by order of the occupation authorities and public discussion was in progress as to whether this limitation should be modified. The Anglo-American meeting was therefore acting in accord with the conditions of the moment and the sentiments of the times in their reference to the question. It is a matter of interest that when their document was presented to the Lancashire public, I expressly indicated that we were quite ready to hear about alternative approaches to the basic problem. When an Anglo-American Cotton Industry Mission visited Japan in 1950 we said in public and in private that it was not our intention to table any views upon spindleage.

I do not think, therefore, that you were correct in saying that any ignoring of Lancashire's views was due to this particular approach. Indeed, I do not think it can be said that Lancashire's views have been ignored. Our standing conference on overseas trade policy has been meeting constantly throughout the postwar years and we cannot complain at all of the close interest which the Government has shown in our representations.

Not everybody has realised the extent to which throughout the postwar years we have been obliged to have regard to timing. We have known all along that we had a severe long-term problem on our hands. We took the view at an early date that a wise and durable solution would not be found in the provisions of any peace treaty and that whilst we could plan and prepare beforehand, as we did, it would only be after the making of peace that we could proceed with precision and practical effect. As part of our preparation we promoted the visit of the Anglo-American Mission to Japan to study the situation on the spot and to secure the advantage of personal contact with Japanese industrialists. In that action and at the present time, the purpose of our efforts is clear. We seek by contacts and discussions with the Japanese industry to evoke a situation in which the available volume of world trade may be enjoyed in proportions tolerable to the necessities of the internal economies of the nations principally concerned. This includes other nations besides Japan and ourselves. There is scope for several different forms of action to achieve the objective in view. The reactions we have had from Japan so far have not led me to conclude that this approach must necessarily be barren. If ultimately we should fail in these efforts for want of realistic Japanese collaboration such a failure would bring new considerations into the arena with which Government and industry would have to deal.

On the other side of the picture there is a growing realisation that as much depends on what we do at home as on what we can do in London or abroad. We realise that we can and must maintain part of our position, as you say, by the sheer merit of our own scientific, technical and commercial efficiency. Here again I am far from being discouraged, for there is an air of progress and a mood of courage in Lancashire.—Yours faithfully.

E. RAYMOND STREAT,
Chairman
The Cotton Board, Manchester

[The proposal to limit Japan's spindles "emerged" from an Anglo-American meeting in the sense that, as the *Manchester Guardian* commented at the time (and was not contradicted), "the Cotton Board got leaders of the United States cotton trade to join it" in the proposal: the British representatives pressed hard and the Americans were persuaded to let the idea be expressed in somewhat tentative language.

The occupation authorities' limitation on the number of Japanese spindles in use at that time represented an attempt to make the most effective possible use of the industry during the period when plant had to be rehabilitated and raw materials and fuel were scarce. As a temporary measure it was entirely different in spirit and intention from the Cotton Board's proposal, which American officials in Japan roundly attacked as soon as it was made. It is quite true that by 1950 the proposal had been buried as decently as could be.—EDITOR.]

Politics of Church Schools

Sir,—Your Note in your issue of October 13th omits what appears to me to be one of the most important aspects of the problem, and one which has been consistently overlooked. But for the devoted efforts of churchmen the nation (i.e. the taxpayer) would have had to pay a very great deal more for the education of the people. During the last hundred years or so the use has been had, virtually free of charge, of the premises of some 10,000 church schools.

The nation is, therefore, considerably indebted to the Churches and a wider recognition of the debt might well encourage more generous treatment of those now faced with vast charges for improvements and substitutions.—Yours faithfully,

A. W. GRANT
Godstone

Books and Publications

The Beatty Touch

The Life and Letters of David Beatty, Admiral of the Fleet. By Rear Admiral W. S. C. Chalmers. *Hodder and Stoughton.* 488 pages. 25s.

When Admiral Chalmers undertook to write Beatty's life, he had plenty of material. Few famous men have had such full, adventurous, colourful lives; very few of these have written so constantly and frequently to their wives about their professional interests, and very few of these wives have preserved every letter. The book paints a very clear portrait of this great sailor—the portrait of a daring, fighting leader; for good measure, David Beatty looked the part as well. A keen enthusiast for his profession with the energy to play a full part in games, sports and social activities, he was the type of man most admired in the Royal Navy.

The biographer served with Beatty in his flagship, the *Lion*, and the hero-worship which started then shines through the whole book. This enthusiasm drives the narrative on when the tale tends to falter, but it leads the biographer into an unnecessary underlining and emphasis of the rightness of his hero's judgment and the correctness of his decisions. There is a quotation on the book-wrapper from a speech of Mr Attlee's in May, 1936, which starts "To many people the name of Beatty suggests a brilliant impetuous leader, rushing into battle regardless of consequences." Mr Attlee went on to explain that that was a mistaken notion; Admiral Chalmers combats the notion throughout the book.

The early part of the book is the best; the tale of Beatty's exploits on the Nile and later in China at the close of the last century is thrilling. The First World War saw Beatty climb to the pinnacle of his fame and the chapters on the Battles of the Heligoland Bight, the Dogger Bank, and Jutland, are the climax of the book. Few naval officers have made a closer study of the tactics and lessons of these battles than the

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biographer, who has served on the directing staff of the Naval War College, and has been Director of the Naval Staff College. He gives a full, balanced and accurate account of these actions and the biography will undoubtedly be regarded as an authoritative text-book. But there is rather too much detail for the ordinary reader, too many irrelevant letters are quoted and the Jellicoe-Beatty controversy looms up in the narrative too early and too much. This criticism may be less than fair, however, to the biographer, who has written the book on request, and may not have had a free hand.

Admiral Chalmers finds few faults either in Beatty's conduct as a leader or in his outlook on policy, strategy and tactics. He points out that this view was shared by Kitchener in the Sudan and later by Churchill. Beatty was never found wanting in any of the qualities required for high naval command and, in the words of Mr Baldwin, "As a sailor he was undoubtedly a figure which appealed to the imagination of the British people." The highest compliment one can pay a fighting sailor is to say that he possesses "the Nelson touch." At the height of Beatty's fame in the Great War it was common to hear and read of "the Beatty touch," yet Beatty did not have the good fortune to achieve complete success, and his fame has not the lustre that great victories gave to Nelson's name. All in all, Admiral Chalmers's book is a just appraisal and for all his hero-worship his fale is well and fairly told.

African Challenge

Attitude to Africa. By W. Arthur Lewis, Michael Scott, Martin Wight, Colin Legum. *A Penguin Special.* 145 pages. 2s.

In this cogently written book the four authors set out clearly the immense task facing Britain in Africa. Their main theme is that the two forces loose on the African continent today—nationalism and racial antagonism—can lead to untold violence if Britain waits too long. In West Africa, the problem is comparatively simple. Here African nationalism is not complicated by racial antagonisms, and Britain is pursuing the right policy in transferring power to the nationalists when they can win free elections. Only in this way can their opposition mentality be sobered and their energies directed towards the responsible and consttructive tasks of government.

In East and Central Africa, European nationalism and racial antagonism complicate the issue. Unfortunately, although the authors present the existing dangers forcefully, and point out clearly the drawbacks of this and that solution, they are by no means so clear on just what their own political solution is. They say that inter-racial fears must be allayed and that the way to do this is to bridge the gulf that lies between black and white. This means a determined concentration on mass education—*alias* community development—for the African; and in subsequent chapters Mr Arthur Lewis outlines his policy for colonial agriculture (which is reprinted from the *Three Banks Review*), and Mr Michael Scott pinpoints the whole argument in the South African Protectorates —a test case of Britain's sincerity.

The difficulty is that community development is bound to take time, even if it can be carried out at the pace and at the cost Mr Lewis so convincingly insists upon. And what is to be done to reduce racial tensions in the meantime? The authors talk about a clear statement of policy drawn up by all three political parties in the United Kingdom on the recommendations of a Royal Commission. The British Government, however, appears to be trying a solution on quite different lines. It is trying to reduce friction by getting the races to agree to round-table conferences of their own representatives, at which they can work out their problems for themselves. Mr Wight and Mr Legum, with the concurrence of the other two authors, do not think that this policy has any prospect of success.

But it is equally arguable that there can be no solution by Royal Commission. Africans and Europeans alike are in no mood for it. To an outside body they would be only too likely to present their grievances and their fears in the most exaggerated form—which could only have the effect of intensifying mutual suspicions. The chances of moderation are much better if they are brought face to face and told to work out their own compromise.

Economic Peaks

Money, Trade and Economic Growth. *Macmillan.* 325 pages. 37s. 6d.

Few types of book confront the reviewer with a more exacting and indeed impossible task of appraisal than the essay-symposium "in honour of" an outstanding academic figure. The contributors are on their mettle; each writes at the height of a special expertise for an expert audience; and the only person capable of evaluating them all is probably the individual to whom they are a tribute—in this case Professor J. H. Williams of Harvard University.

These essays are a case in point. The seventeen contributors have selected the themes most frequent in his work: international economic organisation and world trade; the determination of national income and employment; and the theory of money and central banking. Their treatment varies from the statistical, descriptive, or institutional (as in Mr Henry C. Walach's paper on "Undeveloped Countries and the International Monetary Mechanism," Mr Robert Triffin's "Institutional Developments in the Intra-European Monetary System" or "Relative Income, Absolute Income, and Saving" by Professor James Tobin), through the more widely theoretical (as in Professor Paul A. Samuelson's "Principles and Rules in Modern Fiscal Policy" or Professor Howard S. Ellis's "Rediscovery of Money") to the mathematical (as in Professor William Fillner's "The Capital-Output Ratio in Dynamic Economics"). Perhaps four or five of the seventeen are within the scope of the intelligent lay reader with a suitable background; the opening essay, entitled "Towards a Theory of Inter-Governmental Trade," by Professor D. McCord Wright, is an outstanding example of common sense raised to its highest power, while Professor E. A. Goldenweiser's "Monetary Semantics" combines an enlightenment peculiarly welcome to economic journalists with some entertainment value. The rest can be recommended to the appropriate specialists, in much the same spirit as a reasonably competent Alpinist might call the attention of more gifted enthusiasts to a new range of Himalayan peaks.

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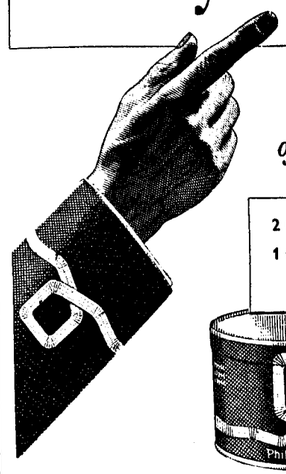

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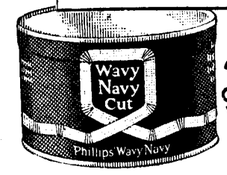

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AMERICAN SURVEY

Congressional Records

Washington, D.C.

THE first session of the Eighty-second Congress was born in muddle and died in confusion and, throughout its life of more than nine months, it always, as one correspondent of the *New York Times* said, "seemed full of activity, yet with the least sense of coherence or purpose of any Congress in recent memory." By the time it met at the beginning of January, it had already been presented with its first opportunity for incoherent activity by Mr Herbert Hoover. Out of the "Great Debate," which his incursion into geopolitics occasioned and which raged in the Senate for the first few weeks of the session, there emerged confirmation of two facts: that the President, as Commander-in-Chief, has the constitutional right to send the armed forces anywhere he thinks necessary and that the defence of Europe is more important to the United States than the defence of the Far East.

Hardly had the attempt of the right wing of the Republican Party to build a new isolationism been disposed of than Mr Truman dismissed General MacArthur and another long debate started. Out of it emerged confirmation of the same two facts. Like Mr Philip Jessup, these facts may need reconfirmation at regular intervals in the future—and, again like Mr Jessup, they may one day fail to get it.

Mr Jessup's recess appointment and the nomination of General Mark Clark as Ambassador to the Vatican provided the confusion in which Congress left Washington and in which it will, presumably, begin its second session, for which there is enough unfinished or half-finished business already without the President finding any more. And it is hardly to be expected that those who have discovered the publicity value of investigations, whether televised, broadcast or only reported, will be prepared to consider the time involved and forgo them entirely in an election year.

But, despite the Great Debate and the Great Dismissal, and the time wasted on them, the record of the Eighty-second Congress, on foreign affairs at least, is satisfactory judged by the yardstick of what it was asked to do by the Administration. The value of its achievements was often marred, however, by its method of achieving them, and sometimes put in jeopardy by riders, amendments or compromises which imperilled a whole policy for the interests of a section of the voters. The extension for two years of the Trade Agreements Act, even though the "peril point" provision was reinstated, was one of the achievements, but its value was almost destroyed by an amendment to the Defence Production Act, an entirely unrelated piece of legislation, which established an import quota on cheese. This "cheese amendment," which, under the circumstances, was a thoroughly dishonest measure, makes negotiations for tariff reductions nearly impossible while the failure to do anything about the Customs Simplification Bill weakens the value of agreements already reached.

This kind of behaviour—of which the Kem Amendment and the ill-temper shown in the debate on the Indian wheat Bill are other examples—makes it difficult to applaud the Eighty-second Congress. But at the same time it emphasises the quality of that minority—made up of men such as Senators McMahon, Lehman, Sparkman, Lodge, Morse, Fulbright and Saltonstall—which managed to secure passage of so many necessary measures. It would have been a brave man who would have prophesied in midsummer that the foreign aid Bill would get through with $7.3 billion of its original $8.5 billion intact and with little more than the unwanted addition of $100 million for Spain in the way of marring amendment. After the mistakes made by the Economic Co-operation Administration in presenting its case, it can, indeed, consider itself lucky to have got permission to transfer 10 per cent of the funds appropriated from one heading to the other. It is, thereby, able, with a little help from "offshore" purchases, to provide the economic aid for which it originally asked. It would no doubt like to have budgeted for more as things in Europe, and particularly in Britain, have developed.

Defence, which can no longer be separated from foreign affairs in American thinking, did as well as even the Chiefs of Staff could have hoped. Conscription was extended for four years and the age limit lowered and, if universal military training was not accepted as unreservedly as the President had hoped, the necessity for it was grudgingly admitted in the end. The report of the National Security Training Commission issued this week gives Congress a way of backing into the programme without too devastating an effect upon the voters before November. And, more important, the appropriations to support the expansion of the armed forces and their equipment were voted with little trouble. The spending of $57 billion on defence in peacetime is unheard of in the United States. Though Senator Taft regularly prophesies doom for the national economy if things go any farther (which, in the nature of rearmament programmes, they must) it will be exceeded next year with little more opposition.

*

But, while the Senate and House provided most of the money demanded, a total of $95 billion during the session, they were much more reluctant when they came to collecting it from the tax-payers. Voting for appropriations at this time is a patriotic gesture; voting for increased taxes is something else. Taxes are a domestic matter—very domestic when an election is in the offing, which it always is. Courage boggled at giving Mr Truman more than half the new taxes he wanted (even this brings tax revenues to a level far higher than that reached during the war) and politics suggested that it might be profitable to force him to ask for more at a date even nearer to the election. But taxes did no more than share the fate of all domestic matters—or even matters related to rearmament which impinged too directly on the domestic scene. The continuation of the controls imposed immediately after the outbreak of the Korean war, is an example of the latter.

But, when everything else is forgotten about this session, when its record for peacetime spending, for expanding the armed forces and for peacetime taxation have been made to look puny by the figures of future years, its addiction to investigation will be remembered. Senator Kefauver took a nicely varied troupe of Senators, a well-chosen interrogator and a splendid assortment of underworld characters before the television cameras and made history. But while he was breaking new ground in the matter of method his colleagues were being equally industrious without the help of extraordinary publicity. During the session 134 investigations were started and this, at least, is a record which may stand for many years.

Historians may find, in the techniques of investigation invented, perfected or revived during the session, this Congress's permanent claim to fame. Out of 134 investigations there were, naturally, a few which were serious in intention and successful, both in operation and result. Senator Lyndon Johnson's resurrection of the old Truman Committee to keep as close a watch on the present defence programme as was kept on expenditure during the war is doing important work and doing it soberly and well. The efforts of Senators Fulbright and Hoey to clean up the Reconstruction Finance Corporation were valuable and, as it turned out, only too necessary. And a subcommittee of the House Ways and Means Committee has performed the same service, with the same devastating results, for the Internal Revenue.

But the investigations which will stick in the national memory and which, if repeated too often in the future, may finally destroy the validity of the constitutional guarantees of freedom have been those into the minds of men. Membership in the Communist Party usually is susceptible of proof or disproof; an "unusual affinity for left-wing organisations" is not. But the little group of McCarthys and McCarrans who have given this Congress its peculiar flavour have gone further. They have undertaken to interpret ten year old motives and catalogue forgotten opinions. Their accusations generally are based on nothing more substantial than the dubious evidence of Mr Louis Budenz, an ex-Communist, but they announce their conclusions with a certainty that a trained psychoanalyst would envy. Their bewildered colleagues listen uneasily and wonder. "What is truth?" the Eighty-second Congress has asked many times, but it has never stayed for an answer.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Vox Populi

[FROM A SPECIAL CORRESPONDENT]

SPECULATION about the identity of the next President, never wholly absent from the American political scene, is rapidly increasing as election year approaches. Many who recall the debacle of the public opinion polls in 1948 must be surprised by the extent to which such surveys are now being quoted in the newspaper assessments of the possible candidates. It is plain that the likelihood of General Eisenhower's nomination is appreciably increased because Dr Gallup's cross-sections of the American electorate consistently prefer him to any other candidate. Senator Taft finds one of his main handicaps in the pollsters' findings that in a race against Mr Truman he would fare worse than any other Republican named. The rumours that Mr Truman might step down in favour of Chief Justice Vinson were substantially encouraged by the poll which suggested that the latter would beat any Republican except, of course, General Eisenhower. The parties each want to pick a winner at their conventions next summer; however much their faith may have been shaken by the tipsters' failure in 1948, they have found no better guides than those supplied by the polls.

The undiminished importance of public opinion surveys makes them merit serious study but, although there is a vast body of literature on polling technique and a number of books and articles have been written as propaganda for and against them, there exists no adequate description of the scope or structure of the industry and no dispassionate assessment of its place in democratic government.

Public opinion polls are, of course, only one branch of sample surveys. The techniques of the pollster are far more extensively used in market research than in the inquiries into popular opinions and attitudes on public and political questions with which this article is concerned. These inquiries may be divided into four rough categories according to their sponsors, which may be governmental, private, academic, or journalistic. The comparative scale of operations is not always easy to determine. One or two government studies, notably those into civilian morale in wartime and more recently into consumers' spending plans, are well known, but there have undoubtedly been a number of other surveys conducted by the government which have been shielded from publicity lest they attract unfavourable attention from economy-minded Congressmen. For different reasons most privately sponsored polls attract little publicity, but they undoubtedly have a considerable market. Although many universities offer courses on public opinion studies and a number, generously financed by the great research foundations, themselves carry out surveys, only two do so on a nationwide scale and their work, although non-profitmaking, is largely sponsored by the government or private organisations.

The field of newspaper sponsored—or what might be called political—polling is dominated by Dr Gallup. Today the only polls regularly published across the country are those conducted by Dr Gallup's American Institute of Public Opinion (AIPO). His releases are carried by about a hundred newspapers.

The explanation for this near-monopoly in the newspaper field lies in high costs and limited demand. A substantial amount of money has to be spent in putting a questionnaire to 3,000 or so people spread across the country and in tabulating their answers. The amount which a newspaper editor is prepared to pay for a column based upon the result is strictly limited and so is the number of editors interested in publishing such material. Dr Gallup was early in the field and is well established with most of the potential market. Furthermore, although even during its slump after 1948 the AIPO never lost money, it has never made profits on a scale that greatly tempted competitors. Dr Gallup's main income, like that of everyone else in the field, comes from privately sponsored work, mainly market research.

Mr Elmo Roper, whose surveys were for many years commissioned by *Fortune* magazine, has from time to time produced a syndicated column and he is now running a radio programme based upon poll findings, but despite his experience and skill—he entered the field in 1935 at about the same time as Dr Gallup—he has at present no newspaper outlet.

The polls have been much criticised, both for their techniques and their influence, but much of the attack, especially

since 1948, has been misdirected. Dr Gallup made his reputation in 1936 with a prediction of the Roosevelt victory which was 7.5 per cent in error; he almost destroyed his reputation in 1948 with a prediction of Governor Dewey's victory which was less than 5 per cent in error. Some of the mistakes made by pollsters in 1948 will not be repeated and another error of similar magnitude is unlikely. But in any case, because of incalculables such as turnout, last minute changes of mind, and the disposition of the "don't know" vote, elections are far from ideal proving grounds for opinion polls.

Their methods are reasonably well known. Too much criticism is usually devoted to the size and structure of the sample, which is seldom responsible for any major error. More attention is merited by the wording of questions—a trifling alteration in phrasing can sometimes transform the response—and by the problem of discovering how intensely opinions are held. The way in which the findings of the polls are reported has also not always been above reproach. Beyond a certain point simplification becomes falsification, and the pollsters have not always resisted the constant pressure from newspaper editors and readers to omit qualifications and technicalities. In privately commissioned polls there may also exist a temptation to obtain results which are pleasing to the sponsors. But it must be stressed that no serious charge of deliberate dishonesty has ever been made against any of the major polling organisations.

Polls are widely quoted—and even sponsored—by lobbyists and counter-lobbyists and there is no doubt that many Congressmen, supremely anxious about the way the wind is blowing, pay considerable attention to their findings. The problem inevitably arises of how so powerful an instrument can be safeguarded from abuse. It does not seem that Washington can do much about it. A Congressional inquiry after the 1944 election achieved little. It is hard to see how legal regulation of the polling industry could be effective without a fantastic degree of supervision. Certain technical standards and rules for publication could be laid down and the industry itself is discussing this. But such a step would have only limited influence.

The main check must be provided by competing polls. In elections the check is provided by the result itself. But on questions of opinion it can only come from rivals in the field. When seemingly contradictory findings emerge from different surveys there is a natural anxiety and the cause for the discrepancy, usually the wording of the question, is eagerly sought. But such a check is the exception rather than the rule, for usually there is only one inquiry along any given lines at one time. Perhaps the best hope of safeguarding the polls against abuse lies in the encouragement of subsidised non-profitmaking surveys.

The ultimate check must, of course, lie in an informed public aware of the technical limitations of polls and clear in its mind about the importance which, assuming their accuracy, a democracy should accord to poll findings. The disaster of 1948 was in almost every way a good thing for the future of polls. It not only taught the pollsters humility, but it also led to a fuller public realisation of the drawbacks and the possibilities of such work. The pollsters themselves too often seem to assume that what they find to be public opinion at a particular moment is what ought to guide policy makers. Occasionally the polls may show the public to be more realistic than had been thought and the timid politician may be encouraged to follow what he believes to be the right line, but in general polls must act as a deterrent to courageous political leadership.

American Notes

The British Election

The times when a British election was a closed book to most Americans, and one which there was no particular desire to open, seem to have vanished. Last week's vote in Britain not only captured the headlines and provided vast columns of print, but also was, in most cases, reported and commented upon with an understanding and fairness which is new—the consequence of growing awareness of the importance of the British alliance. The Republican machine, eager, as always, to grasp at any straw, tried to make party capital out of the defeat of socialism. But Republican rhapsodies were modified, in private, by a sober realisation that this was a victory for Mr Churchill, not for Senator Taft, even though their public utterances stung the Democrats to declare that "neither party in Britain advocated the back-to-McKinley programme for which the Republican leadership stands."

The only hope which it was politic to express before polling day was that whatever party won would enjoy a working majority capable of taking the unpleasant decisions needed to meet the coming financial crisis. But disappointment at the narrowness of the swing has not detracted from the almost universal pleasure that Mr Churchill is to return to the leadership from which he was, in the American view, so ungratefully hustled in 1945. Mr James Reston, in the *New York Times*, concludes that the first reaction

> tells more about Washington's state of mind than about Mr Churchill's capabilities. It is tired of big problems and little men. It is eager for change. And it is hunting for heroes, old ones if necessary.

In Washington, Mr Churchill's narrow majority may not be altogether a liability; Congress will want to avoid increasing his difficulties and thus opening a way for the Labour party, and more especially the Bevanites, to return to power. This does not mean that Mr Churchill need only ask for it to be given. The Administration may be alarmed at the growing gulf between Britain's world commitments and its ability to carry them out, but Congress is unlikely to forget that it has just voted $7.3 billion for foreign aid and will be presented with a new bill in January.

Mr Reston makes another interesting point: that Mr Churchill, as a Conservative, will enjoy a freedom to make new approaches to the Russians which American opinion would have found suspect in men of the left—or left of centre—such as Mr Attlee and Mr Truman. American officials, paralysed by the fear of provoking charges of Communist sympathies, may be encouraged to take a new look at the deadlock. The State Department almost certainly has its reservations about Mr Churchill's fondness for personal diplomacy, and even some anxiety about being entangled with a supposed symbol of the old colonial order, but American opinion has always had a weakness for direct negotiation. About the substitution of Mr Eden for Mr Morrison at the Foreign Office there are no reservations whatever.

* * *

Rebels on the Water-front

With more than 120 ships idle, and an estimated $350 million in cargoes held up, the New York dock strike has entered its third week. The strikers, members of dissident locals of the International Longshoremen's Association (American Federation of Labour) are rebelling against their president, Mr Joseph P. Ryan. All Mr Ryan's promises to get the men back to work have failed, though the military piers, where cargoes of war material for Korea have been held up since the strike began on October 15th, are again operating normally under an agreement reached between the port officers and the strikers. British exports are suffer-

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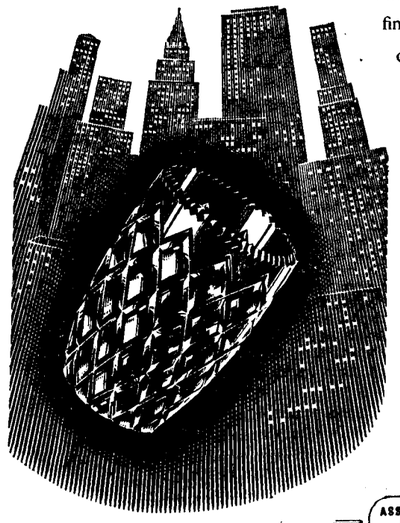

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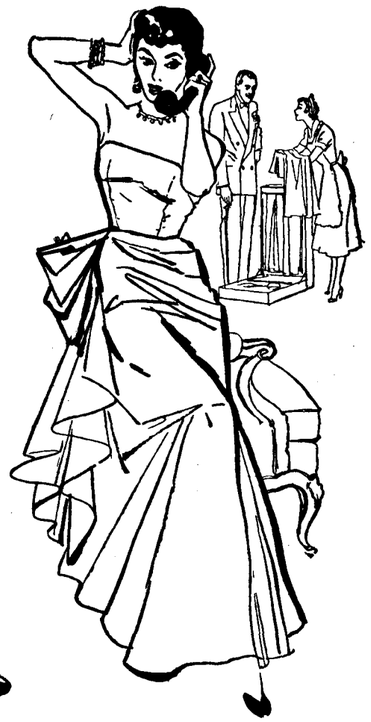

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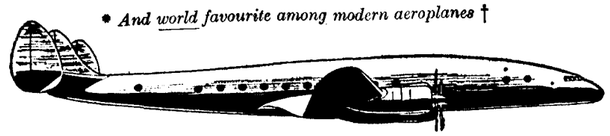

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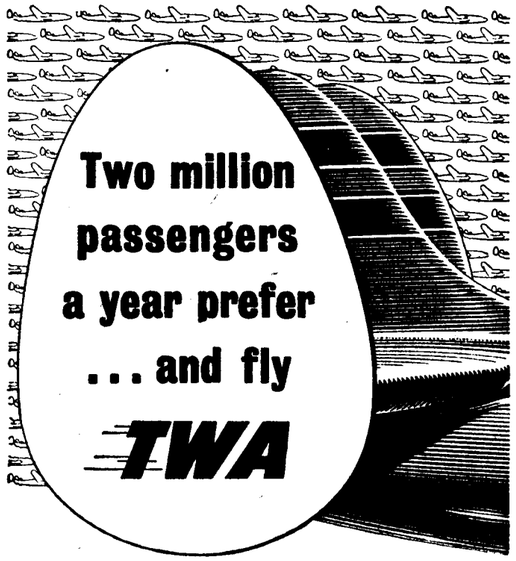

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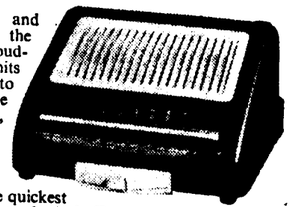

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ing from the general paralysis; consignments of Scotch meant to reach Americans before Thanksgiving, and before the new excise taxes went into effect on November 1st, have had to be returned to Britain.

On October 9th Mr Ryan negotiated a two-year contract with the New York Shipping Association providing for wage increases of ten cents an hour and certain other benefits—all the dockers were entitled to without a special exemption from the wage stabilisation regulations. Locals in Brooklyn, Manhattan and Staten Island struck in protest, under the leadership of Mr John Sampson, business agent of Mr Ryan's own local, who has been identified with every rebel movement in the union, and who is reputed to aspire to Mr Ryan's life presidency. Long-standing grievances of the rank and file against Mr Ryan have embittered the dispute. He claims that the disputed contract was accepted, 2 to 1, by members of the union, which covers longshoremen in east coast ports from Maine to Virginia, but the strikers insist that they knew none of the details of the contract, and that the vote was counted in an irregular manner. They also charge that Mr Ryan is in league with the employers, and that the union is dominated by racketeers. The New York City Crime Commission has lent weight to charges of evil conditions in the hiring of dock labour, and says that the leadership of the union is "honeycombed with mobsters." Among these they name Mr Harold Bowers, international organiser controlling longshoremen on the Cunard pier, who was a member of the gang of the convicted bank robber, Mr Micky Bowers. A leading figure in providing strike-breakers has been Mr Anthony Anastasia, brother of Mr Albert Anastasia, a key figure in Murder Incorporated. Mr Ryan himself has accused the Communists and Mr Harry Bridges, leader of the West Coast longshoremen, of instigating the strike.

The Federal Mediation Service made an unsuccessful attempt to secure a settlement, but was embarrassed by the fact that it had helped to arrange the original agreement. State mediators are now at work. The President, who has so far refused to invoke the emergency provisions of the Taft-Hartley Act as the employers would like, appealed to the strikers to return, but Mr Sampson rejected the appeal and asked instead for an "emergency impartial body" to review their grievances. Meanwhile the strike continues, and the tie-up of big copper and lead shipments threatens seriously to affect the defence programme, already disturbed by earlier strikes in the copper industry.

* * *

UMT on the Way

For the first time in its history America will have a system of universal military training (now to be called National Security Training), if Congress approves a plan submitted to it last Saturday. The National Security Training Commission, which has just issued its report, stresses the need for a UMT programme as providing "a method for achieving reasonable protection at a cost that can be borne over an extended period." The Commission was set up in June, under the Military Training and Draft Act, and contains five members, three civilians and two military, under the chairmanship of Mr James Wadsworth, former Senator and Representative from New York.

The report proposes a total of eight years' service for every young man, six months of which are to be spent in training in special camps, and the rest in a civilian organised reserve, such as the National Guard. Deferments, except for physical and mental reasons, will be hard to get. Both the Department of Defence and the Commission came out strongly against a plan sponsored by the American Legion to sweeten the dose by splitting the training into two three-month periods, probably to fall in the summers. They object that this would involve an excessively heavy burden on training personnel and facilities; would increase the cost of the programme (now estimated at over $4 billion for the first and $2 billion for subsequent years); and would probably decrease the effectiveness of the training.

Trainees are not to be members of the armed forces, and are not to be subject to combat duty, but are to have a special legal status between those of civilian and soldier. To reassure parents who are disturbed at the possible effects of camp life on their sons' morals, the Commission also stresses the need for strict supervision of the men's moral welfare: among other proposals are a limitation on the sale of alcoholic drinks to the weakest beer sold commercially (and even that would only be sold at an "inconvenient distance" from camps), and a clause to make illegal the establishment of a brothel near a camp. Prostitution is forbidden under state laws, but enforcement of them is often lax.

If Congress approves the plan, men may be called for training as soon as the President or Congress decides that actual service for men under nineteen is no longer necessary to keep the armed forces at their full authorised strength. There is some reason to believe, however, that the Commission has a doubt whether NST can be begun alongside Selective Service at all. The full programme will involve the training of 800,000 men a year, but the Commission urged a starting programme of 60,000. Congress must consider these proposals within forty-five legislative days, which will be towards the end of next February.

* * *

Bull in the Stabilisation Shop

Congress has gone home without reviving the slaughtering quotas which the Administration hoped would bring the cattlemen to terms and enable law-abiding packers to secure their normal supplies of beef. There have, consequently, been many rumours that price controls on meat would have to be abandoned. But Mr DiSalle, the Price Administrator, refuses to concede a defeat which would allow the price of beef to run wild and wreck the stabilisation scheme. He knows beef prices play an important part in the cost of living and in wage demands.

One proposed substitute for the quotas which, like them, would prevent certain dishonest packers from cornering the supply of live cattle would involve using the power of the Department of Agriculture to order packers to set aside a certain proportion of their production for the services, which are short of beef. The suggestion is that this should be fixed at anything in excess of their cattle purchases in a base period. This would make it unprofitable for the unscrupulous to offer over-ceiling prices for cattle, since the services cannot pay black-market prices. Unfortunately, the Department of Agriculture is not much more in sympathy with Mr DiSalle than are the cattlemen. Many of its officials are saying almost openly that if only price controls were removed beef would flow freely to the packers and butchers. On the other hand, Congress, which normally does not like the executive to repair its calculated omissions, may in January be readier to recognise that high meat prices are bad medicine in an election year.

Mr DiSalle is remarkably jaunty about another Congressional omission, the failure to revise the Capehart amendment to the Defence Production Act. This requires that, if a pre-Korean basis for price ceilings is to be used, instead of the present level, or that prevailing between January 25th and February 24th this year, the ceilings must allow for all increases in costs up to July 26th. The Administration has protested vigorously that this would let prices move only one way—upward. Now, however, that the controllers are embarked on the third stage of control, that of supplanting the general freeze and the interim regulations which followed it with dollar and cent ceilings "tailored" to individual industries and products, they have found unsuspected possibilities in the law.

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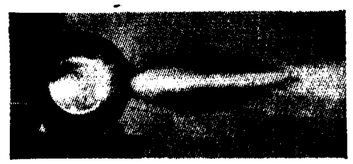

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Many goods are selling below their ceilings, which can thus be reduced in Senator Capehart's name; in some depressed industries, such as cotton textiles, the price officials have had to promise not to take full and unfair advantage of the law when they set permanent ceilings. There are other cases, which Senator Capehart never suspected, where the ceilings fixed under the general freeze are higher even than his amendment permits. Mr DiSalle can be trusted to bring them down.

Sweeping reductions are hardly to be expected; ceilings must be "equitable," they must not discourage production, and they must not cramp farm prices. But price control officials are reasonably hopeful that they can batten down the hatches for the big inflationary blow expected in the next few months. For this they must give the lion's share of the credit to the temporary recession and the consumer restraint which lies behind it.

* * *

Shame of Cicero

Last July when a Negro ex-serviceman attempted to move into a flat in the white working-class town of Cicero, a suburb of Chicago noted for its connection with Al Capone, his furniture was burned by a mob, he and his wife were threatened with violence, and a number of people were injured when the National Guard was called in to stiffen the police, who had stood idly by. The Negro, Mr Clark, charges in addition that he was beaten by the police and ordered to leave town. At the height of the riot, the mayor and chief of police could not be found.

It was expected that the Cook County grand jury would indict these negligent officials as well as the leaders of the mob. Instead, an indictment was brought against the owner of the flats, her Negro rental agent, and a Negro lawyer, for conspiring to sell the pass to Negro tenants. Also indicted were a lawyer for the National Association for the Advancement of Colored People, who acted for Mr Clark and, almost as an afterthought, the chief of police. This may have been a calculated test of Negro rights, but its handling by the local authorities is none the less shameful. A special federal grand jury has now been convened, and Cook County has dismissed the indictments against everyone but the police chief. But under the weak federal civil rights laws, an indictment is notoriously easier to obtain than a conviction.

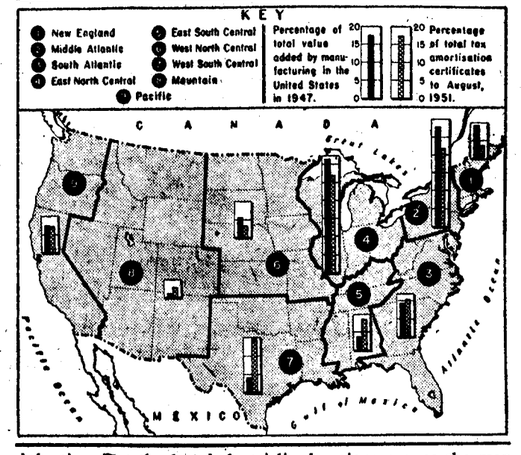
The Cicero riots are not an isolated case. There have been six similar outbreaks in Cook County since 1945 and other cities such as Detroit have not been free from violence. Arson and bombings are now so frequent that insurance companies are reluctant to write fire policies for Negroes in certain districts. White resistance to Negro infiltration has grown tremendously in the past decade, with the flood tide of Negroes moving out of the south to better-paying jobs in northern cities. From 1910 to 1940 1,750,000 Negroes were on the move; in the following seven years, the number was 2,700,000, as Negroes came north to do the dirty work done by Europeans before immigration was shut off. Negroes are crowded into costly and insanitary black ghettoes from which escape is difficult. In 1948 the Supreme Court ruled that restrictive racial covenants were not enforceable at law. But they continue to grow apace, and, as the Cicero case shows, when the mob decides to "enforce" them, local officials seldom have the political courage, if they have the inclination, to defend minority rights. The Cicero case has at least brought this fact out into the open, to the indignation of fair-minded Americans.

* * *

Industry Spreads Out

Although industry is still expected to break all records by spending $25 billion on new plant and equipment this year, an increase over last year's expansion of one-third in money and of one-quarter in physical growth, the latest survey shows that businessmen are beginning to draw in their horns a little. This is the result of shortages of building materials and components, not of second thoughts about capital spending; plans for the latter are in many cases becoming bigger and better every day, for nearly all businessmen expect the country's prosperity to continue.

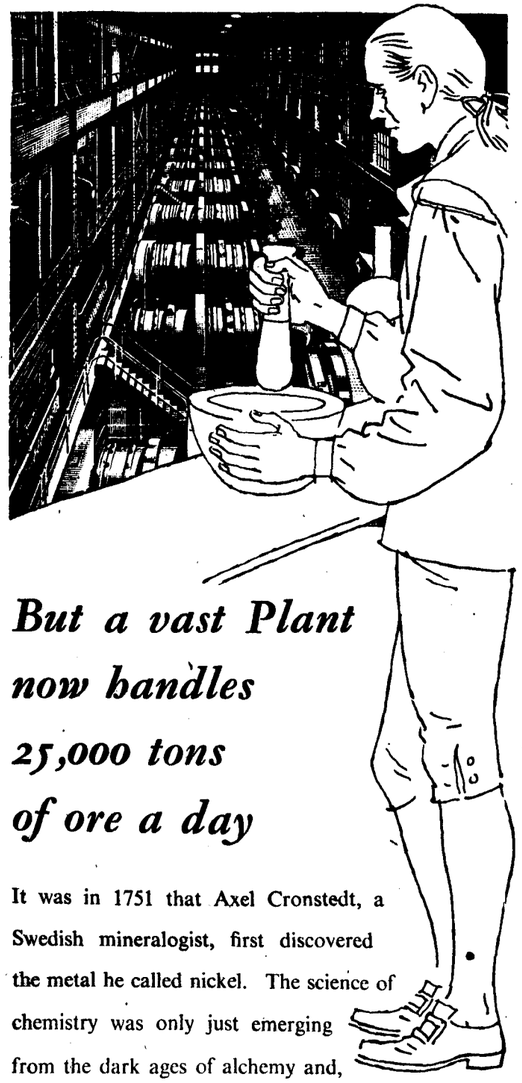
New facilities for the production of basic materials, for the eventual benefit of civilian consumers, have received over two-thirds of the certificates permitting rapid amortisation for tax purposes, by which the government is encouraging industrial expansion needed for the rearmament programme. So far about half of these certificates, by value, have been granted for new plants to be built in the manufacturing heart of the country, stretching from the Great Lakes to the



Atlantic. But the less industrialised regions are, as the map shows, getting rather more than their fair proportion of certificates when judged from the point of view of their share in the country's total manufacturing capacity. Even the Pacific coast, the industrial giant of the last defence programme, is today only holding its own; it is the south-west that is now shooting up, largely as the result of oil and chemical expansion in Texas. This movement away from the coasts and toward the growing markets of the south has been noticeable for some time, but the trend has been accentuated by the pressures of the present emergency, which are forcing manufacturers to put their new plants in the less industrialised areas where labour and other facilities are available.

This natural development is most desirable from the point of view of civil defence, for it is the coastal districts and those around the Great Lakes (on the direct Great Circle route from Siberia) which are most vulnerable to air attack. The absence of any government insistence on the necessity of decentralising industry has been criticised in Congress, but it was Congress which last summer defeated an attempt to make decentralisation a condition of government aid for industrial expansion. Representatives of the old manufacturing areas can always be counted upon to oppose legislation that would keep new jobs from coming to their constituents. Shortly afterwards President Truman himself burned his fingers on this politically hot potato, when he approved a policy for speeding up industrial dispersal.

The question cooled down quickly, however, once the President's statement was cleared of a semantic confusion between decentralisation, a regional affair, and dispersal, a local matter of placing new defence factories far enough apart for it to be unlikely that two will be destroyed by one atom bomb. Half the country's industrial output is said to come from the 35 chief target areas, and the need for dispersal has long been realised. It is now one of the considerations governing the granting of defence contracts and tax amortisation certificates.



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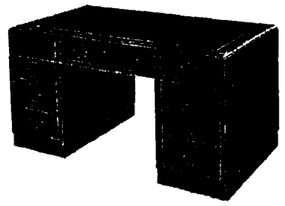

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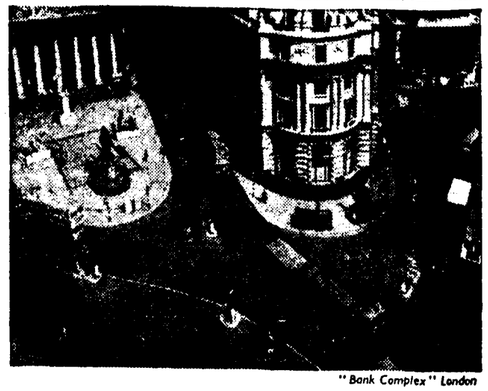

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THE WORLD OVERSEAS

Mr Eden's First Assembly

A PERSIAN will preside over the first session of the sixth United Nations Assembly, which opens in Paris next Tuesday. He will, however, step down as soon as the president of the new Assembly is elected ; his role at the opening session is merely a consequence of the fact that Mr Nasrollah Entezam presided over the 1950 Assembly, which met before Persia achieved its present prominence in world affairs. Fortunately, the convention that the president must be chosen from a different part of the world each year makes it likely that this Assembly will elect a Latin American rather than another delegate from the Middle East ; fortunately, because questions involving the latter region are thickly strewn throughout the agenda.

Never before, in fact, has a UN Assembly met under such a cloud of Middle Eastern problems. Admittedly neither Persia's nor Egypt's dispute with Britain is on the agenda —although either might make its appearance before the Assembly grinds to its end some time in the New Year. Nor is the question of Palestine likely to achieve the prominence of previous years, even if the French, American and Turkish conciliators, who for months have been trying to bring Israeli and Arab views closer together, can produce a definite result during the Assembly. But the states members of the Arab League, who manifested only last week their displeasure with the world organisation by refusing to observe United Nations Day, will certainly air their grievances during the general debate. By the time that debate opens, fuel for their anger may well have been provided by the efforts of France, backed by Britain and others, to prevent the Assembly discussing the joint Arab motion regarding Morocco. A full-dress discussion on this matter—which is discussed by our Paris Correspondent on the next page—would be particularly embarrassing to France in view of its role as host country ; and it can only be avoided if the French argument—that the question is an internal one—is accepted by such "neutral" members as the Latin Americans. In this connection France's recent encouragement of the Latin Union, and M. Maurice Schuman's conferences in Rio de Janeiro, may be significant.

Even if the Moroccan issue can be sidestepped, there can be no escaping the abuse which, when Libya is discussed, will be hurled by Egypt and its friends at the western nations that freed that territory from Fascism and are now grooming it for independence. It is fortunate that the essential decisions regarding Libya were taken at last year's Assembly, when Middle Eastern passions were not running so high. The 1951 Assembly has little to do in the matter except receive reports ; and while this must provide an opening for propaganda by the Arab members, there is no means by which they can prevent last year's arrangements going through.

What Will Russian Tactics Be?

The mere fact that no reference to the USSR has as yet been made in this article indicates the extent to which this year's Assembly differs from its predecessors. It does not, however, imply that the Russians are likely to sit back throughout the proceedings, leaving it to the Arabs to blacken the face of the West. It can be assumed that, as the "hardy perennials" which appear at each Assembly come round again, the Russians will say their usual say, whether the subject is Greece, colonies, Indians in South Africa, human rights, or the admission of Italy to membership. They will, no doubt, again denounce the UN aid given to refugees, the technical assistance given to backward countries, the proposal to merge the Atomic Energy Commission and the Commission for Conventional Armaments, and the extension of Mr Trygve Lie's term of office as Secretary-General ; and they will be supported by the faithful Poles and Czechs. But will the USSR produce any startlingly new proposals?

The Soviet tactic of announcing a simple, propagandist motion after each Assembly has begun is already wearing rather thin. In 1948 Mr Vyshinsky called for a one-third cut in the Great Powers' armies ; in 1949, for a five-power peace pact ; in 1950, for the branding as a war criminal of the first nation to use an atom bomb. What new slogan can the Kremlin now find ? It is rather late to bring up the issue of the rearming of Germany and Japan ; the Communist-led world peace movement has already made much play with that theme, and it would not burst upon the Assembly with the same freshness as its predecessors. Perhaps this year's appeal will be for "talks on the highest level," a suitably vague slogan, calculated to have a certain impact on such westerners as have already forgotten the recent vain efforts of the four Foreign Ministers' Deputies, and on the many "neutrals" who never heard about them. Another possible Soviet move might be a new proposal on German unity ; it is already being suggested that the UN should supervise all-German elections, and a flattering twist might be given to this offer.

Aims in Korea

Unless Mr Vyshinsky's surprise packet takes a very novel shape, it is almost bound to meet the same fate as in previous years ; that is, it will be voted down by the overwhelming majority of member nations, after that same majority has approved a portmanteau resolution reaffirming its attitude on such general issues as resistance to aggression and the control of armaments. Then the Assembly will be able to get down to business. Apart from the Middle Eastern issues, the problem on which action is most urgently needed is Korea. A predominantly Asiatic commission, set up by last year's Assembly, has recommended that the United Nations' political objective must remain the establishment of a unified and democratic Korea, but there is still no sign of a clear statement of the UN's more immediate aims in that country. It will, however, be interesting to see how the Assembly answers the commission's request that the UN should now have more adequate political representation in Korea.

From the British point of view this Assembly has a special interest in that Mr Anthony Eden will be leading the British delegation for the first time. It can hardly be expected that the new Foreign Secretary, who has had only ten days to prepare for his journey to Paris, will take any electrifying initiatives in his opening speech. But the Assembly will enable the delegates of the fifty-nine other member nations to take the measure both of Mr Eden and of his Government, while he in turn will have a chance to talk informally not only with Mr Acheson and M. Schuman, but also with many ministers, such as those from Southern Asia, who are not normally available in Europe. Mr Eden, with his years of experience at Geneva, should be able to take full advantage of this unusual opportunity in spite of the many other pressures upon him.

France and the Moslem World

[FROM OUR PARIS CORRESPONDENT]

DURING the recent naval manœuvres in the Mediterranean General Eisenhower declared that "we" should take cognizance of "the legitimate aspirations" of the Moslem world in that area and, for that matter, all the way from Dakar to the Philippines or else, said the general, "I don't see how we can hold true to our doctrine that we do not want to dominate anyone." This statement has drawn groans from responsible officials in Paris—and not least from the Americans. They see, of course, what the Supreme Commander means, but they see also just what the Moslems of North Africa will like to think he meant in regard to immediate Allied policy. The Moroccan question is to come before the United Nations General Assembly before Christmas; the Tunisian question, after the mammoth tour of Habib Bourguiba, will surely be discussed in the corridors of the Palais de Chaillot; the establishment of the Kingdom of Libya and Cyrenaica, so rich in promise of multilateral discord, is in process and should be completed before the end of the year.

The situation further east is already well known. General Eisenhower's gesture of good will towards the Moslem peoples came at the outset of conversations between Britain, France and the United States on how to handle the complaint filed by the Arab League that France has both unnecessarily prolonged its protectorate in Morocco for its own ends and has also violated the UN Charter of Human Rights. While General Eisenhower's declaration may in a general way be said to puff into North Africa a welcome breath of fresh air, he has not made it any easier tactically for the responsible European powers on the spot to meet the contemporary Moslem challenge, still less to reconcile between themselves the divergencies of policy towards the Arabs which have for thirty years caused so much bad blood between Britain and France.

Morocco on The Move

In French North Africa each region has distinct problems which admit of practical solutions but which equally become insoluble if fanaticism supervenes. General Juin's tenure of office in Rabat coincided with the large industrial development of Morocco that followed the penury of the war years. On the plane of external and internal diplomacy, however, it was often marked by suspicion and downright bad manners. General Guillaume, who has succeeded General Juin with the latter's own blessing, has made an auspicious inaugural tour and has, it seems, established a more friendly relationship with the Sultan who was previously very close to the Independence party (Istiqlal). In his last months as Resident-General, General Juin pushed ahead with one constitutional reform—the formation of local assemblies. These in the French view, are the prerequisite of regional assemblies and of finally a Moroccan national assembly. In spite of the French refusal to declare a time-table of Moroccan independence, there is thus at least some momentum in the direction of realising the "legitimate aspirations" of which General Eisenhower spoke. The next few years will show whether a more liberal French policy can make headway against subversive propaganda and the unsettling presence of thousands of American airmen and their families around the Atlantic aerodromes.

The American trade penetration of Morocco is much exaggerated. It was conducted chiefly by ex-G.Is who came back in the export-import business and for a year or two made hay by selling American goods in an insatiable market and exchanging their large franc profits into dollars at Tangier. This triangular process, which was made possible only by American exemption from the French exchange control, caused a depreciation of the franc and consequently a French prohibition of imports for the purchase of which foreign currency had not been officially allotted. A rather insignificant Moroccan trading-lobby then succeeded in provoking an ideological response from Congress with the cry that American traders were being penalised by the protectorate when the United States still retained free trading rights within the Sherifian Empire under a treaty of 1836. This dispute, which is at present before The Hague Court, hardly constitutes a genuine intergovernmental quarrel.

It is therefore unlikely that differences of philosophy or interest will prevent the United States Government from formally supporting the right of France to pursue its policy as protecting power in Morocco as it thinks fit. As to the technique of handling the Arab League's complaint, the Americans, as a matter of principle, do not wish to exclude any subject from the Assembly's agenda. The French fear that, once their fingers are caught in the machinery of Uno, they may be put entirely through the mangle; so they intend to deny the competence of Uno at the outset and to state their refusal to take cognizance of its findings. The British, who support France on the substance of its case, also hold the view that the Assembly is incompetent to discuss the revision of treaties sanctioned by international agreement.

Tactics at Uno

The British who—again rather more than the Americans—incline to the "open forum" view of the United Nations also reject a discussion on human rights, pointing out that the Moroccan case is on this count certainly no more suited to Uno than that of the exploitation of the Egyptian fellah by the Egyptian Government. In sum, diplomatically the French Moroccan case receives British support in return for French solidarity with the British over Egypt and the Sudan—while both powers are upheld by the United States partly in the interests of Allied security, partly on the principle of the non-violability of treaties.

On the latter point, however, there are obvious juridical differences between Morocco and Egypt: the Egyptians have unilaterally abrogated a recent "emancipating" treaty with a defined term. The Sherifian authority, on the other hand, has abrogated nothing. Last autumn the Sultan asked for and was refused a new treaty revising the relationship of the two parties, since when the protectorate has continued its juridically endless sway as defined in 1912. The resolution of the Arab League is made therefore, as it were, on behalf of a Sultan who has no international juridical personality.

But behind the legal niceties which, as always, are used by attackers and defenders only when convenient, there are the contemporary political *desiderata*. What appears to be desired by American expert opinion is that the Europeans should stay put in North Africa and, without sticking rigidly to the letter of past treaties defining rights and powers, should further economic, political and social development to the best of their ability. Such is the sense of General Eisenhower's declaration which springs, presumably, partly from a sense of his country's mission in the world at large and partly from the United States' military need for secure air-bases from Port Lyautey to Tripoli. No more than the Arab nationalists can the Americans rouse any great enthusiasm for the constitutional distinctions between Morocco, the French protectorate in international law; Algeria, the overseas department of France; Tunisia, the French protectorate *de droit interne*, Libya and Cyrenaica, the future federal kingdom "under licence" and Egypt—independent and suffering from a domestic feudalism that is far more predatory than any of the types of foreign rule in the other areas.

Like Morocco, Tunisia has its "progress-problem." But in this instance political evolution is further advanced. The conversations now going on in Paris between the French

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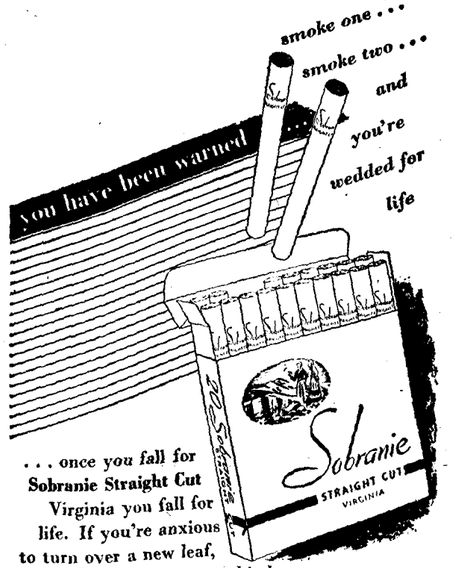

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government and M. Chenik, the Tunisian prime minister, deal not with abstract treaty changes but with the further practical association of Tunisians with the French in the control of their country's affairs. As when the Sultan was parleying in Paris last autumn French *colons*, fearful of threats to their own interests, have hastened after M. Chenik to present their own case to the government. But there is a major difference between Tunisia and Morocco. The local Arab intelligentsia—and it is always the intelligentsia who lead revolutions—are themselves more highly educated and have at their back a more skilled and more educated working class element than have their Moroccan counterparts. (Indeed they are in this respect ahead of all the other Arab states except Lebanon.) They are therefore more likely to be able to bring about improvement without recourse to the only weapon available to the ignorant, which is violence. It may yet be that evolution, not nationalism, will prevail in Tunisia. If so it will become a major factor of stability when in neighbouring Libya the United Nations seems to have laid the perfect conduit-pipe of Moslem fanaticism—from Egypt to French North Africa.

Unrest in Kazakhstan

REPORTS were published in the Western press last week of an alleged "peasant rebellion" in Kazakhstan, the second largest (it is ten times larger than the United Kingdom), but the most sparsely populated, of all the Soviet republics. The reports have almost certainly been much exaggerated. On the other hand there have been signs of unrest in the Kazakh SSR, and complaints about the "selfishness of Kazakh peasants" and the nationalism of the local intelligentsia have been voiced in the Moscow press.

The root of the present discontent seems to lie in the campaign for the recovery of livestock which is being carried out throughout the Soviet Union. The three-year plan for the development of livestock (discussed on page 933 of

The Economist two weeks ago) is supposed to be completed by the end of this year, and the Soviet leaders in their efforts to reach the targets set have tightened their control over the livestock belonging to the state and collective farms. The peasants have apparently taken advantage of the recent amalgamation of collective farms to grab as much as possible of the communal stock. The losses, it is reported, have been particularly noticeable in Kazakhstan which is the main centre of the Soviet sheep and goat population, and where, moreover, work numbers of Ukrainian peasants who were compulsorily transferred to this province because of their opposition to collectivisation. Hence it is not surprising that the campaign for the recovery of livestock has met with stiff opposition in this area. There may even have been some cases of sporadic resistance by the semi-nomadic Kazakh shepherds, who regret the good old days when nobody bothered about how many sheep and goats they possessed. The older ones tend to say nowadays that "Tsar Nikolai was a fool, but Stalin is a clever man: he knows exactly how many sheep and goats I still possess."

The Soviet leaders always fear an alliance between discontented peasants and a dissatisfied intelligentsia. Hence their campaign for the recovery of communal stock has been accompanied by severe blows at Kazakh nationalism. At a recent meeting of the Central Committee of the local Communist party both the first and the second secretary as well as the chairman of the Academy of Sciences, the rector of the University and the chairman of the Writers' Union were strongly criticised for tolerating, and themselves succumbing to, "nationalist deviations."

A similar attack on the nationalist intelligentsia as a potential ally of the discontented peasantry was carried out some time ago in the Ukraine. It is a sign of the development of Kazakhstan that it has created for the Soviet Government a "Ukrainian problem." With its great resources of coal in Karaganda and oil in the Emba region, with the richest Soviet deposits of non-ferrous metals and great possibilities for cotton growing and sheep rearing, the Kazakh Republic is too important to the Soviet Government for it to let the present situation get out of hand. Kazakhstan developed with great strides during the war and it still continues to do so; and the fact that the Soviet authorities now have to deal with a nationalist urban "intelligentsia" is a symptom of this comparatively rapid growth in the urban population. By leading their backward areas along the path of economic and social progress the Soviet Government is changing the nature of the opposition that it has to face in its non-Russian southern and eastern regions.

Perón at the Polls

[FROM A CORRESPONDENT]

ON November 11th, for the first time since the 1853 constitution (now revoked) was introduced, an Argentine president holding office will stand for re-election. Academically the term "holding office" may be incorrect. For Congress has granted President Perón's request for leave of absence from executive duties—a request made, according to Perón, in the interests of electoral freedom. Nevertheless, as this article is being written the President is still at Government House.

Other electoral innovations of Perón's own invention include the election of the president by the direct vote of the electorate; the replacement of the PR system (in force since 1912) which assures a one-third representation in the Chamber to the minority vote, by a system according to which constituencies return one member each by majority vote; and the appearance of organised labour represented by the officially controlled CGT or Labour Federation as an important force in the electoral campaign. A fourth innovation, the women's franchise, is generally attributed to Señora Perón's good offices; women voters in the Peronista ranks are organised in a separate party (*Partido Peronista Femenino*), and all parties have a fair sprinkling of women amongst their candidates. The polling will again be supervised by the army; this is a repetition of a practice initiated in the last presidential election—Perón's first. But as a result of the abortive September revolt, the elections will be held under martial law, unless this is revoked by a last-minute dispensation of the authorities.

Perón's opponents brand the abandonment of PR (slightly modified by a curious provision allotting ten seats to the minority vote) as one more step in a campaign directed towards *de facto* one-party rule within a pseudo-democratic framework. The charge is not unfounded; the new elec-

Aspects of enterprise No. 16

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toral law was preceded a couple of years before by another law which effectively precludes any coalition of parties or any inter-party arrangement designed to avoid vote-splitting. Perón likes to point to his electoral practices as the first instances of electoral freedom in Argentina. But there are subtler means of hanging on to power than the crude election-rigging which kept the Democrats (Conservatives) in office for ten years before the 1943 military coup and has left them with a reputation for electoral mismanagement not yet lived down.

In the pre-election campaign, the balance has been heavily weighted on the side of the regime. It has had control of the popular Press, radio and television, and in fact free recourse to the public purse for the financing of its propaganda machine. Since the overplayed hand in the campaign's earlier stages and the virtual flop of the monster CGT rally last August, when Perón at a preview before making his official appearance on the platform is reported to have rated the CGT chief for what he called "*una ridiculeza*," events have once more dealt the Peronistas a strong trump suit: the September revolt.

The mystery surrounding the origins of this affair is now, if anything, deeper than ever. There are two official "explanations": the Minister for the Army, General Lucero, attributed it to the petty personal ambition of its leader and a small group of friends, while Perón, in a broadcast a week later, painted it as part of a much bigger conspiracy financed by foreign "imperialists" and aimed at the "subjugation" of Argentina. This story at least provided Perón with reinforcements for an old propaganda line and allowed the CGT to polish up a few rather tarnished slogans. It also provided a pretext for arresting a number of opposition leaders (later liberated as another gesture in the interest of electoral freedom), and for tightening up repressive measures: for instance, dissemination of rumours tending to "discredit the Government" was made a penal offence.

One Horse in the Race

With no popular Press, no radio facilities, no unlimited expenses fund, and forced to distribute electoral pamphlets more or less surreptitiously, the opposition has been condemned to virtual inarticulacy. Peronista slogans, on the other hand, scream from walls and hoardings, trams and buses. The two principal parties, Radicals and Democrats, have, it is true, been able to hold their meetings with little interference of an organised kind; but Socialist meetings have been interrupted by the police and party officials have been arrested. Dr Palacios the veteran Socialist leader, was one of those arrested and later released after the September revolt; a fortnight before polling day he withdrew his candidacy and advised his party to boycott the elections. On the whole there is little optimism amongst even the most sanguine of Perón's opponents. If any thoughtful Argentine is asked who will win at the polls he will probably reply: "*El caballo del comisario*"—in Argentina punters at country race meetings are proverbially advised to back the horse owned by authority as represented by the local *comisario*, or police chief.

Nevertheless, November 11th may yet reveal some electoral surprises. A potential source of change is the largely unpredictable women's vote, and of course housewives feel the sharp upward swing in living costs to a peculiar degree. There are also signs of dissatisfaction in the Peronista ranks in some constituencies because party candidates were thrown into the discard and others imposed on them by the CGT. And, of course, abandonment of PR is a two-edged weapon. There is, moreover, a curious but widespread belief in Argentina, now given an added fillip from the presidential demand for six months' leave, that Perón would gladly retire from the political scene, at least temporarily, at a time when the rapid deterioration in Argentina's economy makes the prospect of another term in office far from alluring.

Canada's Arms Dilemma

[FROM OUR OTTAWA CORRESPONDENT]

THE Canadian Government is coming under fire because it has not more to show for the very large arms expenditures ($1.6 billion in the current fiscal year) which Parliament voted last spring. Whether the production programme has been prosecuted as vigorously and as efficiently as it might have been is extremely difficult to say. But it is easy to see several highly frustrating factors which make Canada's defence production exceptionally difficult to plan.

The fundamental fact is that Canada must produce for other people besides itself if it is to produce at all economically. For example, the decision was taken more than a year ago that this country must have facilities to produce at least some of its own military vehicles. With some difficulty in the case of the Willys Jeep, manufacturing rights were obtained from American companies so that the three big Canadian automobile plants might each assemble one type. Canadian General Motors was assigned a 2½ ton 6 by 6 truck; the Chrysler Corporation of Canada a ¾ ton 4 by 4; and Ford of Canada the Jeep or ¼-ton truck. But the requirements of the Canadian armed forces, save in war, would not keep a production line rolling for more than a few weeks. The three automobile factories have therefore set up a sort of pilot assembly-line. It will allow them to get familiar with the American vehicles, and enable efforts to be made to develop an increasing Canadian content in them. But it is clearly not an economic operation. It is a measure of preparedness based on the presumption that, in the event of war, the full capacity of the Canadian automobile industry would be needed.

Aircraft production presents another case. The only way Canada could get modern fighters in the numbers needed was to build them here. The Canadair factory at Montreal is producing F86 (Sabre) jets at a rate sufficient for the RCAF. At full capacity it could produce them in three or four times the quantity. The limitation is that the engines have to come from the United States. If Canada could get twice as many American engines, it could produce enough fighters to supply the RAF, which would eagerly welcome them, as well as its own air force; and the per-unit cost would be correspondingly reduced.

Canada's second big aircraft project, the A. V. Roe (Canada) Company at Malton, outside Toronto, is the first to achieve near independence of either U.S. or British components. The big twin-engined jet fighter, known as the CF-100, was designed in Canada for Canadian conditions. The engine which is to go into it, the Orenda, was also designed and built by A. V. Roe (Canada) Ltd. Subsidiary factories have been started here to supply parts, down to the blades in the turbine; and British manufacturers of components, such as the Rotax Company, have been persuaded to open Canadian factories to serve A. V. Roe. The one major part which still has to come from Britain is the fuel system. Eventually Canada will have its first self-contained aircraft plant. The CT-100 will be the first genuinely all-Canadian aircraft both in its frame and its power-plant. But it is not yet in production. All that yet shows is the very high capital cost and four prototypes.

The one shining example of a really satisfactory and economic operation is the gun-plant at Sorel, Quebec, which is building the 3-inch 50 calibre naval gun for both the Canadian and American Navies. But it would never have worked out if Canada had not taken the initiative and started making the guns for its own use—on a strictly uneconomic basis.

The United States is virtually the only country that can afford to buy Canadian arms production and it is virtually the only country that does not want it. For all the talk about

North American integration and all the exhortations from American Ministers, the American procurement authorities are exasperatingly slow in placing orders here. Yet Canada is officially holding to the policy of using all-American standards until more widely standardized types are adopted. The production experts, now running a powerful Department of Defence Production under Mr C. D. Howe, insist that this is the only policy which makes industrial sense.

The argument on the other side is that, if war comes, it is Britain and western Europe which will be looking to Canada for arms, and that therefore Canadian industry should be set up as reserve capacity in support of British industry. This would mean tooling up to produce British types. It had to be this way last time because the United States did not come into the war for two years. But Canada learned by hard experience how difficult it is to adapt British designs to North American standards. This time the Americans are not only in from the beginning, but their weapons and their standards are widely spread throughout the whole Nato area. In wartime the United States, even more than Canada, would be the reserve arms supply for the whole alliance. Canada's relatively modest contribution might just as well come in the form of American types which will be in general use anyway. This, at any rate, is the general thinking here, but obviously it does not mean that the Canadian forces can switch overnight to American weapons.

For some time to come it looks as though the Canadian forces will have to be ready to use both British and American weapons. The principle of North American standardisation stands as a goal to aim at. But its application may require a good deal of flexibility, particularly so long as the United States maintains its general attitude of self-containment in arms production.

Moscow on the British Elections

Moscow's reaction to the results of the British election was exceptionally swift and sober. As soon as the outcome was known, a Tass report argued that Labour's defeat was due to the betrayal of its "peace promises." "The electors who voted for the Conservatives"—claimed Tass—"have apparently some hopes of the possibility of a change in British policy. However, the advent of the Conservatives to power will hardly bring about a change, for the Labour Government in fact carried out a Conservative policy."

The same line—stressing that the change of government is unlikely to lead to a change of policy—was picked up almost textually in a carefully worded first page leader in *Pravda*, which may well have been written in, and certainly was approved by, the Kremlin. It would seem that the Soviet leaders are taking great pains to show that the advent of Mr Churchill to power does not close the door to negotiations. Another pointer to Russia's desire to negotiate was the new attitude to the Conservative leader himself. Hitherto he has been the "warmonger," the "interventionist," the favourite victim of Soviet cartoonists, comedians and pamphleteers. During the electoral campaign itself Moscow still reminded its readers and listeners that Churchill thought of crushing the Soviets as early as 1917, and that it was he who was the precursor of the Atlantic alliance and the anti-Soviet front. Yet *Pravda's* article commenting on the results dropped the epithets and stated soberly that "the Conservatives led by Mr Winston Churchill have come to power."

True, there was a touch of ambiguity in *Pravda's* diplomatic leader. If, on the one hand, it insisted that the "so-called rivalry" between the Tories and Labour was—in the words of another Soviet commentator—"more of a duet than of a duel," on the other hand it stated that "the defeat of Labour . . . has a great deal of political significance." This contrasting note may be due to Russia's general apprehension about the right-wing swing that has been gathering momentum in Western Europe for some time. The departure of the British Labour Government may well in their eyes symbolise the end of a period. On the morrow of the war Communists were represented in many Western Governments and the latter were in most cases led by socialists. Now the Communists have no share in the government of Western Europe and the British Labour party is—with the exception of Scandinavia—the last workers' party in Western Europe to be switched from power into opposition.

This indecision may partly account for the three distinct phases in the Soviet propaganda on the British election. At first, the Soviet press and radio attacked both the Tory and the Labour leaders alike. Then, on the eve of the poll it concentrated its onslaught on the Conservatives, spoke of the dangers implicit in a Tory victory and urged its sympathisers to vote Labour. Finally, when the result was announced, it reverted to the theory of indifference and favoured the "*no change*" argument.

Moscow has taken this election seriously, since it indulged but little in absurdities and then not for long. There were few arguments "from Pickwick's Papers" or descriptions of rotten boroughs. The nearest thing was the accusation used by both *Pravda* and the *Red Star*—that

> the present voting system in England does not guarantee the most elementary democratic right to secret voting and clearly serves the purpose of controlling and influencing every voter.

(This claim was based on the fact that by comparing the counterfoil and the ballot paper one *could* find out for whom the vote was cast.) *Pravda's* London correspondent continued for some time in the lighter vein, describing the election as a family campaign with the Churchills helping each other and Mrs Attlee a "political chauffeuse—taking her knitting needles to the steering wheel . . . frantically driving the family car from town to town." Even in his polling day cable he told the story of a man who painted the portraits of Churchill and Attlee on the pavement and put a hat next to each. The amount of the collection in each hat thus served as a sort of electoral thermometer.

Yet, as soon as the result was known entertainment made way for serious political argument. This immediately tried to make it as obvious as possible that a change of government does not prejudice the possibility of talks. The Russians may now wait for the reaction to their feelers, but they may also give some more hints on their intentions on the 34th anniversary of the October Revolution, which is to be celebrated on November 7th.

THE BUSINESS WORLD

Taxation of Profits—II

Profits Tax in Practice

AN article in *The Economist* last week traced the history of the comparatively modern idea that profits are proper taxable game, and portrayed the development of the Profits Tax from its prewar antecedents of the National Defence Contribution. The next stage of the discussion is to justify the judgment on which last week's article ended, that the Profits Tax is as complicated, fickle, and anomalous a tax as has ever been charged in this country. The greatest difficulty arises in connection with the additional tax that is payable on distributions. To understand the matter it is necessary to work through the cumbersome machinery of the Act stage by stage. In the first place, Profits Tax is charged at the maximum rate, now 50 per cent, on all profits; secondly, non-distribution relief, now 40 per cent, is given on the amount by which the distributions fall short of the profits charged to tax.

If in a subsequent period the amount of the distribution exceeds the chargeable profit, the excess is made the subject of a "distribution charge" to the extent of the non-distribution relief already granted. Thus if in Period I the profit was £20,000 and the distribution £15,000, while in Period II the profit was £15,000 and the distribution £20,000, the liability for Period I would be £20,000 at 50 per cent less £5,000 at 40 per cent equivalent to £8,000, whilst in Period II the liability would be £15,000 at 50 per cent plus a distribution charge of £5,000 at 40 per cent, i.e., £9,500 in all. Thus, with the profits and distributions of the two periods combined each totalling £35,000, the total tax payable would be £17,500 or 50 per cent.

"Distributions" is a wide term to the tax authorities; it includes not only dividends paid out of current or past revenue profits but also capital dividends or distributions. It extends to assets distributed in kind except in connection with the reduction of share capital (and in this case the exception does not hold for share capital created by a bonus issue after April 6, 1949). In the case of director-controlled companies, the remuneration payable to the controlling directors in excess of modest limits, together with loans to members of the company, are treated as distributions for the purpose of profits tax. At first sight, these provisions might seem no more than is necessary to protect the revenue. In many cases, however, the rules governing distributions act harshly, for they rest on the unfounded assumption that any distribution must have been made primarily out of the latest fund of undistributed revenue profits. There are no provisions in the Income Tax or Profits Tax Acts that charge capital profits to tax, but if capital profits are distributed, irrespective of whether they were realised before or after the 1947 Act or whether they had been set aside to a separate fund without any ambiguity, they are quite arbitrarily deemed to be paid out of the undistributed revenue profits on which the latest, and highest, non-distribution relief has been granted, and Profits Tax at the rate applicable to distributed profits becomes payable thereon. The injustice may be illustrated by an example, in which the reserves and non-distribution relief of a company are assumed to be as follows:

	Additions to Revenue Reserves	Capital Profits	Total	Non-distribution Relief	
				Rate	Amount
	£	£	£	%	£
1946 or earlier	90,000	110,000	200,000	...	...
1947	10,000	...	10,000	15	1,500
1948	20,000	...	20,000	15	3,000
1949	40,000	...	40,000	15	4,500
				20	2,000
1950	30,000	...	30,000	20	6,000
1951	40,000	60,000	100,000	40	16,000
	230,000	170,000	400,000	...	33,000

Such a company will, by the end of 1951, have received non-distribution relief of £33,000, representing an average rate of 23½ per cent on £140,000 of additions to revenue reserves between 1947 and 1951. The original capital profits may date from, say, 1925, while the surplus of £60,000 in 1951 may arise, say, from an asset nationalised in 1948 of which the take-over price was not agreed and paid until 1951.

If the original capital profit of £110,000 had been distributed the additional Profits Tax payable would have varied with the date of payment as follows:—

Paid in	Profits Tax Payable
1946 or earlier	Nil
1947	1,500
1948	4,500
1949 January to September	9,000
1949 October to December	11,000
1950	17,000
1951	28,500

Where an old capital profit is suddenly distributed in this way while at the same time substantial revenue profits remain undistributed and thus gain relief, the law reasonably assumes that the label placed on the distribution has little meaning, and that the distribution should be deemed to come out of revenue profits and not from capital profits. Even in such a case, however, there are strong equitable grounds for contending that the distribution is made rateably out of the revenue profits that have been retained since 1946. If this were conceded, the additional profits tax payable would in the example given, amount to £25,902 and not to £28,500, which is the liability when the distribution is deemed to have been made out of the latest profits. It ill befits the Revenue authorities, in view of their attitude to stock-valuation, to insist on "last in first out" when, as here, it suits them to do so.

But if, subject to this reservation, some case can be made out for the existing treatment of the distribution of old capital profits, there can be no justification for treat-

ing the distribution of a post-1946 capital profit in the same way. If the company has paid normal dividends out of its revenue profits, it is not unreasonable that directors should wish, for normal business reasons quite unconnected with the saving of tax, to pass on to shareholders any capital surpluses resulting from sales or nationalisation of assets. But if the surplus of £60,000 received in 1951 had been distributed in that year, there would have been a liability for profits tax of £20,000—the 1951 non-distribution relief on £40,000 at 40 per cent (£16,000) together with the relief in 1950 to the extent of £20,000 at 20 per cent (£4,000). If the compensation had been received and distributed in 1948 the additional liability would have been only £4,500. That this point can be extremely important is shown by the experience of Guest, Keen & Nettlefolds Limited, which apparently had to find some £600,000 of additional Profits Tax in order to make a capital distribution of about £2,800,000 out of the compensation that the company received on the forced realisation of investments.

The treatment of capital distributions is particularly onerous where the object of the distribution is to provide funds for the payment of Estate Duty. A typical case would be a company that was worth £100,000 before the war and was wholly owned by an individual who had few other assets. In 1939, the death of that individual would have involved a liability for Estate Duty in the neighbourhood of £20,000, which might have been met without extreme difficulty by his executors and beneficiaries. But suppose that one of the assets of the business is a property worth £50,000 before the war but now worth £150,000; the assets of the company would thus total £200,000 and Estate Duty would now absorb £110,000. To meet this liability, the company might sell the freehold property and take a lease of it with the result that the rent payable would substantially reduce future profits. The capital profit of £100,000 would then be distributed and the executors would be placed in possession of funds with which to meet Estate Duty.

The "clawing back" of non-distribution relief previously given has radically altered this situation; it imposes what can only be described as a heavy fine on capital distributions. The amount of the penalty will depend upon the fund of non-distribution relief previously granted. In the earlier stages of the Profits Tax, when non-distribution relief was only at 15 per cent or 20 per cent and no substantial fund of relief had been built up, it was not necessarily onerous. As the years pass and more and more non-distribution relief is obtained at 40 per cent by the normal ploughing back of revenue profits, the additional Profits Tax payable in respect of a capital distribution will grow so that on a capital distribution of the £100,000 needed to pay the Estate Duty in the case instanced a total of £40,000 might be required to satisfy the distribution charge. Admittedly, Profits Tax is deducted in arriving at profits for Income Tax purposes so that the real burden of the Profits Tax liability is usually little more than one-half of its nominal amount. Even so, the payment of a net amount of £21,000 as a result of a capital distribution of £100,000 must seem heavy, especially to the executors who are making the distribution for the mere purpose of paying the proceeds over to the Estate Duty Office. And in extreme cases, the Profits Tax liability may exceed the total of the assessable profits for income tax so that full relief cannot be obtained.

There is another matter connected with non-distribution relief that is entirely inequitable. If the whole of the profits earned since January 1, 1947 had been distributed, it would seem reasonable to assume that no non-distribution relief would arise and hence, if any additional distribution was made out of profits earned before 1947, no additional Profits Tax would be payable. This is not the case. The profits of any period are divisible into three parts: one part goes to pay the Profits Tax, one goes in income tax and the third is available for the payment of a net dividend. If the largest possible dividend is paid, its net cost, together with Income Tax added back, will fall short of the total profits by the amount of the Profits Tax, and this difference will attract non-distribution relief. In consequence, if any profits of an earlier period are distributed there will be a distribution charge.

Once again, technical jargon fails to explain the working of the tax and resort must be had to an illustration. Suppose that a company has a balance of £40,000 on its profit and loss account from the undivided profits of 1936. From 1937 to 1950 no profits are made but in 1951 there is a profit, subject to tax, of £100,000 and the directors decide to pay the largest possible dividend out of the year's profits. By using algebra, they will find that the £100,000 will go as follows:—

	£	£
Profits tax:—		
£100,000 at 50 per cent ...	50,000	
Less Non-distribution relief:—		
£100,000 – £64,285		
£35,715 at 40 per cent ..	14,285	
		35,715
Income tax on £100,000:—		
£35,715 at 9s. 6d.	30,535	
Net dividend	33,750	
		64,285
		£100,000

Having dealt with the profits in this way, the directors may well assume that, on any logical basis, they have finished with Profits Tax. In the following year they earn no profits but decide to distribute the balance of £40,000 outstanding from 1936 as a tax-free dividend. By a queer whim of the taxing statutes, the payment is deemed to be a gross dividend of £76,180 from which tax at 9s. 6d. in the £ has been notionally deducted leaving £40,000 net; originally, in 1936, the profits would have been £53,330 less tax at 5s. (£13,330). They will then find that before they pay a dividend they must provide for a Profits Tax distribution charge of £14,285, this being the non-distribution relief in respect of 1951; the largest net dividend they can pay, ignoring certain Income Tax complications, will be £25,715 (equivalent to £48,981 gross) which is all that will remain of the £40,000. It can never have been the intention of the legislature to impose a charge of this description.

Although the fact still comes as a shock to countless business men when they are confronted with it, the fund of non-distribution relief is of great practical importance. It is liable to be clawed back when dividends are paid out of past profits, when capital profits are distributed, on liquidation, or in certain cases where capital created out of bonus issues is redeemed. It is often most material whether a distribution is made on the last day of one financial year, or on the first day of the next, when the fund would have been further increased by the whole of the non-distribution relief of that year. Unfortunately, general accountancy practice has not yet deemed it necessary to indicate on the balance sheet, by note or otherwise, the additional liability for Profits Tax that would arise if distributions were made from reserves. Revenue reserves are by definition available for distribution and it is wrong to expect shareholders (and indeed directors) to appreciate without specific indication in the accounts that any attempt to distribute the reserves would lead to substantial Profits Tax liabilities for which no provision has been made. Accountants would normally have regard to the quantum of non-distribution relief in assessing the value of shares in a company on behalf of a purchaser, and it is understood that the Estate Duty Office is prepared to allow a concessional deduction—in contrast with the ruling that future Income Tax is a contingent liability that cannot be taken into account. To be really "true and fair" the balance sheet should indicate how much non-distribution relief has been received.

Next week's article will deal with one or two further notable anomalies, will discuss the incidence of Profits Tax, and will then consider the broad problem of the future of the tax.

Nuclear Power

(By a Correspondent)

THE spate of public discussion about the possibilities of economic nuclear power shows no sign of diminishing—despite the fact, to which Sir John Cockcroft recently drew attention, that little factual material has been released upon which scientists outside the Atomic Energy Projects can base any real assessment. Even the more responsible comments seem at variance. Sir Claude Gibb for example, told the British Association Meeting in August that nuclear power at a fairly economic cost "is not far off." A month before, the 1950-51 report of the Advisory Council on Scientific Policy had seemed slightly less enthusiastic:

> The Committee's view is that there is a reasonable prospect that atomic power can be developed on a large scale and that the cost would not ultimately differ widely from that of power derived from coal. The Committee point out, however, that a number of technical problems still remain to be solved. . . . What appears to be clear on present knowledge is that the capital cost of an early type of atomic power station would be substantially greater than that of a coal station, but that its fuel costs might well be less. After full discussion of the problem, we conclude that the development of atomic power stations to the stage when they can contribute substantially to the power resources of the country is likely to take a generation at least.

The implication is clear: nuclear power is possible, but its development towards an economic basis remains a problem.

This view is strengthened by recent statements from the United States Atomic Energy Commission that orders have been placed for a nuclear-powered submarine for delivery in late 1953 and that development of a nuclear-powered military aeroplane is proceeding. The commission has stated elsewhere that the aircraft development may require a decade. In such military applications economic considerations are a secondary factor only. In this country, studies are proceeding on "power pile" designs, and the results of this work, together with estimates of cost of the programme, will be presented to the Government at an early date.

*

Many writers have suggested, and Sir John Cockcroft confirmed this year, that two main lines of approach to the technical problem of economic nuclear power are being pursued. The first concerns a pile that uses natural uranium as fuel. Natural uranium is composed of a mixture of two varieties of the metal that have almost identical physical and chemical properties, except that one, uranium 235, is a nuclear fuel and readily undergoes fission; whilst the other variety, uranium 238, is not a nuclear fuel itself but is transformed in a pile into a second nuclear fuel known as plutonium. In a natural uranium pile the uranium 235 fuel is destroyed progressively as the pile is operated, but since plutonium is formed this automatically delays the time when the pile ceases to operate from lack of fuel. It has never been stated just how long this process can proceed, but it is believed that with an optimum design of the pile the nuclear reaction ceases after most of the uranium 235 and about one per cent of the uranium 238 has been used up.

Recently, as reported in *The Economist* of September 1st, Mr Charles Thomas, of Monsanto Chemicals in the United States, proposed that his company should be allowed to build plutonium-producing piles in which the heat energy could be extracted at a useful temperature. By selling plutonium to the United States Atomic Energy Commission and using the electric power the company hopes to compete commercially with existing AEC plutonium installations. The commission has signed agreements for studies by four groups of firms, of which Monsanto Chemicals and its associate, the Union Electric

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Company, form one group. The studies are expected to last twelve months and to deal with the engineering and economic aspects of such dual-purpose piles as Mr Thomas described and to " recommend industry's role in designing, building, and operating such piles." The companies are to bear all costs except those incurred by the AEC in acting as consultants. If the plutonium is not extracted from the fuel rods in a natural uranium pile, or ceases to have a high value, there is no clear indication that the nuclear power so obtained is likely to be sufficiently cheap to warrant its immediate large-scale development, at least in the United States: however, Sir John Cockcroft indicated last year that the possibility is sufficiently attractive for research and development to proceed very actively.

The atomic piles referred to so far employ a " moderating " material to decelerate the flow of neutrons formed in the fission of the nuclear fuels, so that the neutrons are moving slowly when they cause further nuclear fissions. If a considerable amount of plutonium is mixed with natural uranium to form a new type of fuel element, the nuclear reaction can proceed without slowing down the neutrons, and a very compact system results. The second line of development of nuclear power concerns such reactors. By careful design it is believed that as much or even more plutonium may be formed than is used up ; if this is so, all the uranium 238 in natural uranium can ultimately be burnt after conversion to plutonium, instead of only about one per cent in the natural uranium piles. Such systems have been referred to rather loosely as " breeder piles." The AEC has announced that an experimental breeder system is nearly complete at its Idaho test site, and there is little doubt that Britain will undertake similar developments. It is also possible that a " breeder " system might be built using thorium and a nuclear fuel produced from it in a pile and known as uranium 233. It is unlikely, however, that much is yet known about this system either here or in the United States ; its development will almost certainly follow upon the plutonium-uranium system.

Technological problems of nuclear power piles have been referred to, in general terms, in various expert statements, but it is not to be expected that any detailed statements will be made just yet about their solution. It is clear, however, that in seeking fuel elements and coolants that have suitable nuclear properties and will stand up to the intense radiations in a pile, the metallurgists and engineers have turned to metals such as beryllium and zirconium, which have had only a limited use in the past, and to liquid metal coolants that have had no general use in past engineering practice. The AEC has made this very clear in its statements, which indicate that a period of development of pile materials is in progress, as a result of which many new pile designs may become possible. The problems of chemical treatment of fuel elements and the safe disposal of radioactive wastes are also matters requiring much attention, but authoritative sources seem reasonably hopeful on both accounts. For breeder pile programmes inexpensive waste treatment processes become of great economic importance.

*

Numerous estimates have been published about the cost of nuclear power. No very reliable data exist, even within the informed circle—as is shown by the fact that even the AEC is only now inviting estimates that will necessitate twelve months' study by four groups of companies. But certain rough comparisons may be drawn from the energy content of various fuels and crude estimates of pile cost and lifetime. The capital cost of a new thermal power station is now about £50 a kilowatt installed. Comparable estimates for atomic power have ranged from £10 to £200: it now seems a reasonable long-term possibility that the substitution of an atomic pile for the coal-burning sections of such a plant would add perhaps £50 a kilowatt to its capital cost. An American press release in December, 1949, gave a price of $50 per lb for small quantities of metallic uranium. Assuming this price could be reduced on a larger scale, a rounded figure for the cost of processed uranium can be taken as £10 a lb, and if about one per cent of the energy in the natural uranium can be utilised, the cost of nuclear fuel in a natural uranium pile, for the same production of heat, might be about the same as that of coal (about three-tenths of a penny a unit in the British Electricity Authority's best stations). Suggestions that 100 per cent, or even 10 per cent, of the total energy could be utilised in a natural uranium pile do not seem well founded. Breeder piles use a concentrated fuel such as uranium 235, plutonium or uranium 233: estimates published in America in 1949 suggest that at present such materials might cost at least £20 million a ton, though advances in technology may reduce this considerably. Even at that figure, the nuclear fuel cost for a given output of energy would not be greater than that of a coal-fired station. It has often been stated that nuclear fuels are very cheap and that the main costs of nuclear power would arise from capital charges. In the case of natural uranium piles, this is by no means certain ; high-grade uranium ores are scarce and the cost of extracting the element from low-grade ores might prove expensive. Since it appears that breeder systems, for the same development of power, would require little more than a hundredth of the uranium ore needed in a natural uranium pile, this would argue strongly for the development of breeder piles ; as would the fact that it is only in such systems that thorium could be used. In such piles, the problem is to obtain a cheap processing cost for the nuclear fuel produced in the pile, in order to cover the cost of periodical removal of the radio-active fission products arising from the burning of the nuclear fuel.

A book on the subject published recently bore the somewhat ambitious title " Economic Aspects of Atomic Power."* As might have been expected, it contained little new information on atomic power ; such estimates as are given refer to very early US data. Much of the book is devoted to providing an assortment of data on the costs of industrial processes, their relation to power costs and the availability of power throughout the world. It is fairly obvious, for example, that the aluminium and graphite industries prosper in a locality possessing cheap hydro-electric power and that very cheap nuclear power, if attainable, might open up new localities for such industries. Since the authors of this book are well known, its lack of basic data raises a fundamental question: when can technological information on nuclear power be made generally available? Until it is available, only a selected few, inevitably isolated from general industrial activity, will be in a position to judge the possibilities.

With the passage of time, the " security " importance of information gradually diminishes—particularly when

* " Economic Aspects of Atomic Power," by S. H. Schurr and Jacob Marschak, Princeton University Press. (London: Oxford University Press.) 289 pages. 40s.

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the same information may be made more widely available in America. Once the nuclear fuels become generally available and the main directions of the use of nuclear power become clear, the subsequent development of nuclear power will become mainly a matter of the allocation of resources and the devotion of time to a solution of the detailed technical problems. These may be solved rather better in some particular laboratory or firm than another one, but some solution is likely to be found within a reasonable time wherever the work is done. At this point, the question of industrial security will tend to replace military security, and the latter will no longer be a controlling factor in the release of the basic information. It will then be possible to publish all that is required to make conventional economic assessments of nuclear power; this may perhaps happen within a decade. What can be done now?

In the United States many large firms have been intimately associated with the atomic energy production and research facilities. Industry there possesses enough informed staff already, so that independent though secret assessments can be made and projects devised by industry for the development of nuclear power. This country after the war had little experience of production of nuclear fuels and there were no such facilities for it as were available in the United States; it is only recently, following the establishment of production facilities for nuclear fuels, that work on the power pile programme has been able to start. Industry has not taken such an active part in this country as in America, and there is only a very small body of informed opinion outside government circles. This has been largely due to the overloading of industry with export and rearmament work, so that no one firm feels able to make the effort required. For this reason it has been suggested that a separate corporation deriving its staff from industrial and government establishments might be formed in this country to help in nuclear power development. If, as this proposal assumes, many high-grade key staff might be borrowed for a limited period, it would then be possible to use their specialised knowledge in a way that is quite common in the United States. This is of even greater importance to Britain, since the key men are comparatively so scarce and thinly spread. Some such liaison between the government establishments and general industry seems imperative.

It is not easy to sum up a situation in which many of the facts are so elusive. For the layman there are two simple facts on which to fasten. The first is that nuclear power can be used now for the raising of steam at useful temperatures and pressures and, for example, for the generation of electricity. The second is that its development is therefore a matter of technical advance to reduce costs to a point where it can compete with other forms of energy. The argument that Britain is short of coal and therefore urgently requires another immediate source of energy is somewhat specious. If we have a great economic demand for more power, more coal will be dug, if the price is sufficiently high (there is plenty underground). In this case the ordinary household or industry will economise in its use. It may well be, however, that nuclear power will form a way of providing the heat for generating steam and electricity that would be more pleasant for the workman than the digging of coal; on these grounds, and within reason, immediate development might be held to be justified upon "social" grounds. On the other hand, it seems essential, bearing in mind the expanding requirements for energy, that some alternative source should eventually be found in the world. Those countries that have no indigenous fuel sources are in a difficult position in these days, and nuclear power may seem a possible early solution to them. However, only a highly industrialised nation is in a position to undertake the long and complex process of nuclear power development: it is for this reason if for no other that the United States and United Kingdom have a responsibility to proceed actively on the work. In the United Kingdom, the present indications are that much of the preparatory work has been satisfactorily accomplished, and that the stage has been reached for more active participation in design studies by private industry or the British Electricity Authority.

Business Notes

Markets Slide after Tory Victory

The City's response to the election results has defied all the forecasts—all, that is to say, except those of a select band of the shrewdest observers. Though the new Government had still to show its hand, the dismissal of the Labour Government signified of itself an end to nationalisation, to the project for statutory dividend limitation, and to spiteful drives against capital—three policies among many that have fallen with crushing severity upon the investing community. Yet every day since the results of the poll were known, Throgmorton Street has grown gloomier and gloomier, and prices have tumbled in almost every section of the markets. That staid barometer, the ordinary share index of the *Financial Times*, has fallen during the week from 138.3 on election day to 132.2; it is now (Thursday) actually below the level ruling just before Mr Gaitskell's notorious speech of end-July, and is fully eight points below the peak of mid-June. (Opposition papers, please copy.) This behaviour gives a telling retort to those ex-Ministers who five weeks ago were trying to make party capital out of the brief boomlet that greeted the announcement that Labour would go to the country; these spokesmen had rashly launched their gibes before that five-point rise was converted into a net gain of a mere 0.8—with the index back to 134.4 by October 2nd.

The reaction on that occasion was in fact a much more rational movement than the short-lived buoyancy; and the same is true of the speedy post-election loss of last month's gains. It might be said that both down-swings signify that investors are showing a more than customary realism—a recognition that the Tory policy for the economic crisis needs to be one of sweat and tears, and a hopeful forecast that a firm disinflation is in prospect. But in fact there is no such simple explanation. So far as can be discerned from a jumble of many conflicting views—in which opinions of what should be done are particularly entangled with those about what will be done—the City is fairly evenly divided between people who are gloomy because they fear that the government will not be tough enough and those whose gloom springs from apprehended toughness. It is only on the question of monetary policy that the sponsors of these two quite opposite diagnoses have tended to come together: expectations of an early move to raise interest rates have grown steadily stronger throughout the week, and have left a heavy mark on gilt-edged, shorts and longs alike.

"Technical" Shake-out

Investment behaviour founded on these quite general but conflicting views is far from being, however, the whole explanation of this week's experience in the markets. A major influence, which mainly accounts for the size of the movements, was the technical state of the market itself. In the later stages of the election campaign a considerable speculative position had been built up on the assumption of a Tory victory—by short-term buyers, strong and weak, professional and amateur alike. Many of these would have been sellers in any case before the Stock Exchange account ended on Tuesday; and, had their hopes been realised, their stock would have been readily taken up by a wave of post-election buying from the general public. But, for the more general reasons just noted, the wave of buying never came. Jobbers needed no gift of insight to detect the selling orders that were approaching and, in self-protection, they marked prices down.

Then, almost inevitably, the mood of nervousness took charge, and the pressure actually intensified after the opening of the new account. All the favourable market factors were seemingly quite forgotten—the relief at the demise of legal

	Jan. 1	June 14 *a*	July 31 *b*	Aug. 31	Sep. 20 *c*	Oct. 2 *d*	Oct. 25 *e*	Oct. 31
Gilt Edged†								
2½% War Bds 54/56	103	101¼	101⅛xd	102⅛	102⅛	102⅛	102⅛	102⅛
2½% Exch 1955 ...	101⅛	100⅛	101⅛	101⅛	101⅛	101⅛	101⅛	101⅛
3% Savs. Bds. 55/65	101⅛	97⅛	97⅛xd	97⅛	97⅛	97⅛	97⅛	97
3% Br. Transp. 78/88	91¼	85½xd	85⅛	84	83⅛	83⅛	85	85⅛
2½% Treas. Stk 1975	70⅛	65⅛	65⅛	64⅛xd	64⅛xd	63⅛	65⅛	63⅝
2½% Consols	70⅛xd	64½xd	65⅛	65⅛xd	65⅛xd	64⅛xd	66⅛	64⅝
Industrials								
Ass. Port. Ciment £1	80/-	109/4½	101/3	107/6	110/7½	109/4½	111/3	108/9
Austin 5s.	28/1½	36/4½	30/7½	31/10½	36/3	33/9	35/-	33/9
Bass £1	148/1½	152/6	145/7½	150/-	151/10½	148/1½	149/4½	148/1½
Brit. Oxygen £1....	89/6	100/-	93/9	96/6	97/6	97/-	98/-	96/6
Courtaulds £1	58/9	50/6	46/3	48/3	51/10½	48/9	51/9	49/9xd
Dunlop £1	64/9	67/-	60/-	66/3	68/9	65/7½	68/-	66/-
Gen. Electric £1....	81/3	97/6	90/-	92/6	97/6	94/6	97/6	95/6
Imp. Chem. £1	42/6	53/6	48/6	50/6	52/6	51/10½	54/-	51/10½
Imp. Tobacco £1 ..	105/7½	103/9	100/-	103/9	103/9	101/3	102/6	100/-
P. & O. £1	55/6	66/6	60/6	67/6xd	71/-	45/*	48/6	47/6
Turner & Newall £1	85/7½	101/3xd	90/-	95/7½	97/6	98/1½	100/7½	100/7½
Vickers £1	35/9	55/3	47/6	48/6	53/9	50/3	52/-	48/9
Woolworth 5s.	43/6	49/6	43/6	47/3	47/6	47/-	49/-	46/9
Anglo-Iranian £1 ..	110/-	107/6	107/6	111/3	108/9	105/-	111/3	112/6xd
Shell Transp. £1 ...	66/3	96/3	86/3	90/-	96/3	93/9	98/1½	95/7½
Ang.-Amer. Cpn.10s.	137/6	155/-	165/-	156/3	172/6	163/9	156/3	156/3
Crown Mines 10s. ..	102/6	85/-	85/-	82/6	87/6	86/3	86/10½	86/3
Union Cpn. 12s.6d.	10⅜	10⅛	10⅛	10⅛	10⅛	10⅜	10⅛	10⅛xd
Financial Times Ord. Share Index	**123·1**	**140·4**	**127·1**	**133·0**	**138·8**	**134·4**	**138·3**	**132·7**

* ex 50% capital bonus (27/9/51) † Net prices.
(*a*) Peak Date of Industrial index. (*b*) "Post-Gaitskell Low." (*c*) Crest of election boomlet and (*d*) the subsequent nadir. (*e*) Polling Day.

control of dividends, the hopes of more rational depreciation allowances, and the pervading reassurance given by the advent of a government to which investors might look as, if not their natural friends, then at least not as their mortal enemies. Instead, all attention was suddenly concentrated upon the consequences of disinflation, upon the unknown terrors of the promised "form of excess profits tax"—and even upon the theory that the simultaneous weakness on Wall Street heralded the end of inflation and of easy (paper) profits. And over such reflections there brooded the uneasy feeling that, in view of the narrowness of the government's majority, the respite from drives against the investor might, after all, be shortlived.

* * *

Back to Bank Rate?

When the market is swayed by arguments so confused and contradictory as those of the past week, its behaviour obviously affords no useful guide to the future trend. The decisive consideration in the next few weeks and months will be the degree of toughness in the government's economic and financial policies—and the extent to which, if toughness is forthcoming, the investing community understands its implications. The City, at least, is becoming aware that a firm disinflation would mean that paper profits would be harder to win, but it has not yet appraised the vital consideration that, if the policy succeeded, the paper would be worth its face value—and the further prospect that, if the depreciation allowances are adequately amended, paper profits will become real profits.

These, however, are longer-term possibilities. In the immediate future the focus of attention is bound to be the government's attitude towards monetary policy, which has already come to be widely regarded as the testing-point for its intentions in economic policy as a whole. Although City opinion is still sharply divided on the question of the merits of a tighter money policy (and is even more confused in its guess-work about what the effects might be in detail), there is now a general expectation that some definite step will be taken—probably by Bank rate action next Thursday. Even the opponents of dearer money recognise that a move in this direction is almost the only measure of general disinflation that could be imposed forthwith. They recognise, too, that an increase in Bank rate, though far from being the only way of initiating a tighter money policy, would be a gesture that could impress opinion overseas. Reasoning on these lines has generated a pervasive rumour that the rate will be raised next Thursday to 4 per cent because a rise to merely 3 per cent would, it is argued, be insufficiently conclusive.

Somewhat curiously, this expectation was shared even by many of those who hold that the smallness of the government's majority will compel caution in economic policy, and especially in its approach to the problem of retrenchment. Yet a strong monetary policy would make little sense—and might, indeed, prove in practice to be untenable—unless it were flanked, as soon as possible, by equal strength in budgetary policy. The right way to get the surest results from quick monetary action would be to make it plain that parallel measures would follow as soon as they could be formulated. If this were done, then conceivably a lower rate than 4 per cent might suffice, at least for the time being, to impose a valuable restraint. On the other hand, unless there were a general conviction that economic policy as a whole would be strong, then even an increase in Bank rate to 4 per cent might quickly prove to have been only a hollow gesture—even if there were determination to make such a rate effective in the technical sense.

* * *

Forward Sterling Improves

The many free exchange rates that reflect world opinion about sterling have so far shown very little reaction to the result of the election. Transferable sterling, which was quoted in New York at $2.40-$2.41 on polling day, thereafter hardened to $2.40½-$2.42. Security sterling has made a slightly more impressive response, moving up from $2.23-$2.25 to $2.25-$2.28. The rate for Bank of England notes in Zurich (the best organised of the foreign markets for sterling notes) has improved from Frs. 10.00-10.15 a week ago to Frs. 10.22½-10.35, having in meanwhile touched Frs. 10.35-10.50. The three months forward rate for sterling in New York, which just before the election had dipped to $2.71, has since recovered to $2.76½. There has been a considerable volume of business in forward sterling in the New York market. The bulk of that business has been of a speculative character and has been transacted on Continental account. Any forward business for which genuine commercial justification can be proved is eligible for the official facilities provided by the Bank of England, which buys and sells forward dollars on the basis of a spread of ¼ cent per month over or below the official spot rates of $2.79⅞-$2.80⅛. The speculative character of much of the sterling business in New York is reflected in the fact that the spot rate has been consistently bid at $2.80⅛ this week, indicating a one-way market dominated by the covering of oversold positions.

Production — and the Forecast

Industrial output in Britain, as measured by the Central Statistical Office's index, stood at 127 (1946 = 100) in August this year, and seems likely to have reached 146-47 in September, compared with 123 in August and 143 in September last year. Since July, therefore, output has been falling—by a very slight margin—to fulfil the forecast in the 1951 Economic Survey that it would be 4 per cent higher this year than last.

The seasonal increase in production that normally reaches a peak in November could ordinarily be counted upon to redress the balance and achieve the forecast increase for the year as a whole: but that increase may itself be lessened this year by material shortages. These are already affecting many industries. In the holiday month of August the component index for manufacturing industries reached only 132, compared with 147 in July and 128 in August, 1950, while the level of building and contracting was lower than a year before, as it has been consistently since the beginning of the year. From recent comments by engineering companies, for example, it appears that the full effects of the shortages of non-ferrous metals and of steel have been felt really sharply only in the last two months: these effects have yet to appear in the index.

* * *

Rationing for Steel

One of the first industrial questions that the new economic ministers may be called upon to consider is the allocation of steel. This is due to come into force on December 3rd, and the fairly elaborate system chosen is presumably far advanced in preparation: but within the steel industry doubts are once again being expressed whether this system is the right one. After consultation with the industry, the last Government again chose the "M-form" system, under which steel supplies are allotted in the first instance to Government departments, responsible either for defence production or for civil industries. These departments then issue to steel consumers authorisations to buy steel for specified purposes or to permit their sub-contractors to buy steel (by quoting the symbol and number of the original "M-form"). Formerly, the only exceptions to this control of steel by "end-uses" were certain common-service products such as ball bearings, bolts and nuts, and electrodes; steel for these purposes was allotted in bulk to their producers.

When the necessity for re-imposition of steel allocation was accepted by the industry and the Government this year, the "M-form" scheme appears to have been decided upon because the industry and steel consumers were familiar with it, rather than because of any belief in its intrinsic efficiency. All parties remember its loopholes and the abuses to which it became subject, particularly between the end of the war and the abandonment of the system in April, 1950. There is some feeling within the industry that this cumbersome "end-use" allocation system, with its inevitable though limited "policing," is unnecessary this time, since the demands of rearmament cannot compare in size with those of defence production in wartime: and that some system of bulk allocation to industries, which could then share out the steel between individual consumers, would serve the purpose.

It is only with the close estimates of steel supplies and of defence demands possessed by the Government and certain representatives of the industry that an informed choice can be made between these two systems. If rearmament radically alters the pattern of demand, then control by end-use may be unavoidable. There is also the question whether all industries are sufficiently strongly organised at the centre to carry out such allocation effectively. The larger industries consuming steel might perhaps be served fairly effectively by either system: their supplies, in any case, are backed by close contact with suppliers. But whether steel could be equitably shared out among the many small engineering firms, for example, by some committee drawn from among them may be rather more doubtful. The final choice can be judged only when the margin by which supplies will generally have to be reduced is known. Here the total amount of steel available for 1952 will be crucial: a current "leak" in Washington suggests that a large proportion of the 800,000 tons of steel Mr Gaitskell asked for (partly in its ore and scrap equivalents) may be forthcoming next year to supplement the output of the British steel industry.

* * *

The Trend of Credit Creation

The banking figures for October tell with added emphasis the same story as that presented by the returns for some months past. Credit creation is continuing, but it is running at a very much slower rate than that of last year. In the four weeks to mid-October, net bank deposits rose by £46 million, whereas in the similar period of 1950 they rose by the near-record amount of £150 million. The margin between the two movements is thus more than twice what it was in the previous month, for the September make-up disclosed an increase of £28 million this year compared with £78 million last year. Over the past three months the net rise in deposits has been only £15 million, whereas last year it was no less than £222 million; in consequence, the two curves have now intersected, and aggregate net deposits, at £5,981 million, now actually stand £25 million below last year's figure. This contrast looks even more striking when it is observed that in this period net demands on the banks for advances have been much larger than in 1950. Last month advances rose by £20 million (to the new peak of £1,897 million), whereas in October, 1950, they dropped by £4,000,000.

These figures show that the dominant influence upon the credit trend is that the Government is borrowing much less from the banking system than it expected to have to do when the budgetary plans were framed, and very much less than it was borrowing in the similar period of 1950. This is not the favourable sign that it might appear to be at first glance. It is simply the monetary counterpart of the crisis on the balance of payments. The Government's ability to avoid heavy borrowing from the domestic banking system is explained by the fact that it is getting large sums from the sale of gold, from swinging from credit to debit at EPU, and from borrowing the fast-rising sterling balances of overseas monetary authorities. Last year precisely opposite influences were at work: the Government was then borrowing sterling from the banks in order to buy gold and lend to EPU. It is worth noting that the superficially favourable appearance of this year's credit trend makes an ominous parallel with 1947; then, too, the external crisis produced a marked deceleration in the rate of credit expansion.

* * *

Belgian Exchange Muddle

The confusion created by Belgium's precipitate action in reintroducing export licensing and refusing all sales of Belgian francs by the National Bank except against duly authorised export licences is gradually clearing. An average delay of about ten days appears to be normal in authorising a transfer from a non-resident or "B" Belgian franc account to the account of a resident in respect of a current transaction. There has, however, been very little resort to the tolerated free market in EPU currencies. Most Belgian traders to whom payments are due from other EPU countries have been prepared to wait until all formalities of export licensing and exchange control authorisation have been completed. It can be claimed for the new regulations, however, that for the time being they have effectively stopped the inflow into Belgium of speculative money through veiled commercial transactions.

One of the steps taken by the Belgian authorities was to subject the accounts of foreign banks in Belgium to a ceiling, the figure in each case being fixed somewhat arbitrarily and by reference to average balances maintained over a previous period. In many cases this ceiling has been found wholly inadequate for the normal working needs of the banks concerned. The Belgian authorities have laid it down that if the balance in any such account exceeds the ceiling the excess will be transferred automatically to the account of the Central Bank of the country in question. If, for example, a British commercial bank's account in Belgium exceeded the ceiling, the Belgian authorities are liable to transfer the excess to the account of the Bank of England with the National Bank of Belgium. There has in fact been a tendency to exceed the ceilings because of the delay in making payments from these accounts to resident accounts. In most cases, however, the Belgian authorities appear to have shown considerable elasticity in dealing with the situation and have allowed the ceilings to be exceeded without taking the threatened penal action. The Bank of England is again selling Belgian francs for immediate delivery, but all such sales are subject to the condition that the operations come within the ceiling of the buying bank ; they are also subject to any delay in delivery due to the control exercised in Belgium.

* * *

Allocation of Tungsten and Molybdenum

The tungsten and molybdenum committee of the International Materials Conference in Washington has had a rough passage ; after many weeks of difficult negotiations, it has at last announced the allocations of these two metals for the fourth quarter of this year. The fact that there are only two months of the quarter left is an indication of the number of hurdles that had to be negotiated. A provisional scheme was introduced for the third quarter ; it fixed a range of prices for tungsten and limited the purchases of importing countries, but it covered only ores and concentrates. The new scheme goes further ; it includes primary products and lays down specific quantities that producing countries must export.

Tungsten production is increasing ; supplies available to the free world in the last three months of this year are estimated at 3,245 metric tons, compared with 2,800 tons for the third quarter. Estimated requirements for the period, excluding stockpile purchases were, however, some 80 per cent larger than available supplies. As usual, defence needs have been met in full, and the remaining supply (to cover civilian and indirect defence needs) has been distributed proportionately to countries' requirements. The production of molybdenum in the fourth quarter is estimated at 4,720 tons, compared with 4,400 tons in the third quarter, total requirements were 70 per cent larger. The same procedure adopted for tungsten is used for molybdenum, and the allocations of the two metals are shown in the accompanying table. The United States, for example, will be allowed to use 1,550 tons of tungsten ores (900 tons will be imported and the remainder obtained from domestic production and stocks), but it will have to export 45 tons of primary products. Britain's allocation is 690 tons of tungsten ores (of which 680 tons are imported), with an export commitment of 35 tons of primary products. The main sources of supply of tungsten are Bolivia, Portugal, Spain, Australia, Brazil and South Korea, while the United States, Chile and Norway are supplying between them all the exports of molybdenum ores and concentrates.

ALLOCATIONS OF TUNGSTEN AND MOLYBDENUM
(metal content : metric tons)

	Tungsten			Molybdenum		
	Supply of Ores and Concs.	Export of Primary Products	Import of Primary Products	Supply of Ores and Concs.	Export of Primary Products	Import of Primary Products
Austria	6	...	50	...	...	21
Australia	15	...	5	...	...	14
Belgium	3	...	12	....	...	16
Brazil	...	...	...	...	...	8
Canada	25	...	65	...	...	48
France	285	20	...	252	25	...
Germany	308	10	5	157	1	...
Italy	20	...	20	20	...	10
Japan	105	40	...	40	...	...
Netherlands	8	...	4	5	...	5
Norway	...	...	7	...	...	...
Portugal	...	...	...	...	...	2
South Africa	10	...	3	...	...	5
Spain	14	...	10	...	...	7
Sweden	202	65	...	106	13	...
Switzerland	...	...	1	...	...	12
Turkey	...	...	3	...	...	...
United Kingdom	690	35	...	538	25	...
United States	1,550	45	...	3,620	90	...
Yugoslavia	...	...	10	...	...	4
Reserve	4	...	20	2	...	2
TOTAL	3,245	215	215	4,720	154	154

Price has been a particularly difficult problem—at least for tungsten. In the third quarter exporters agreed to charge not more than $65 a short ton and importers agreed to pay not less than $55 a ton. This arrangement was a temporary one, but the committee recommended by a majority vote that it should be continued in the fourth quarter, and member countries are accepting that decision. A new method, however, will have to be devised for next year. The official American export price has been accepted for molybdenum, since the United States is providing nearly two-thirds of the total exports of this metal.

* * *

Prices Since the Election

The result of the election has had no discernible effect on the commodity markets, a fact that demonstrates once again that Britain is no longer the country that calls the tune

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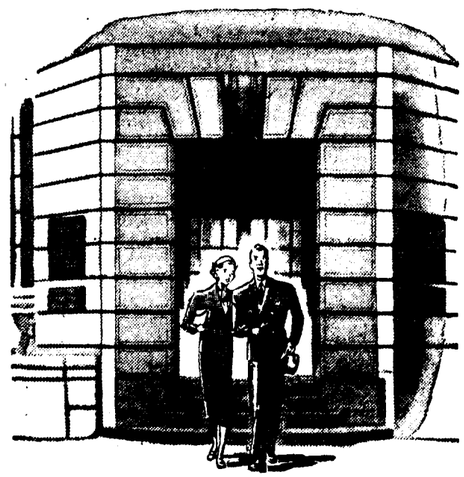

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in commodities. In recent weeks prices have conformed to a fairly set pattern. The general decline that started last February has virtually petered out and prices have lately been reasonably stable. The day-to-day fluctuations in particular markets have been explicable by seasonal influences or by events peculiar to those commodities. And during the past ten days nothing has happened to disturb that pattern. Even wool prices, which oscillated sharply after the beginning of October, have become much more subdued and are now

COMMODITY PRICES

	June, 1950	Mar., 1951	June, 1951	Oct. 3, 1951	Oct. 10, 1951	Oct. 17, 1951	Oct. 24, 1951	Oct. 31, 1951
Wheat (cents per bushel)	216⅛	245 11/16	234⅛	247⅛	246 11/16	252 1/16	254⅛	252⅛
Maize (cents per bushel)	148	177 1/16	166⅛	175⅛	177⅛	178⅛	178⅛	178⅛
Sugar, Cuban (cents per lb.)	4·30	6·50	7·10	6·35	6·35	6·30	6·25	6·15
Cocoa, Accra (cents per lb.)	32·25	38·37	38·12	32·75	32·62	31·62	31·00	30·50
Coffee, Santos (cents per lb.)	52·50	56·25	63·75	55·50	55·50	55·50	55·50	55·75
Cotton, US Middling (cents per lb.)	31·95	46·06	46·06	37·80	37·90	37·90	38·10	39·35
Wool, 56's (d. per lb.)	81	270	135	115	122	98	113	113
Wool, 64's (d. per lb.)	140	314	169	154	177	130	155	142
Jute (£ per ton)	120	193	219	155	155	160	160	160
Sisal (£ per ton)	130	243	246½	231½	225½	225½	224	214
Tin, London, spot (£ per ton)	601½	1,285	950	975	1,005	1,025	1,025	988½
Rubber, spot (d. per lb.)	24	62⅛	45½	44⅛	44⅛	47⅛	46½	45⅛
Tung oil (£ per ton)	218	295	300	300	290	290	286	286
Shellac (£ per ton)	237½	365½	356	362½	372½	372½	373½	362½
Tallow (cents per lb.)	4½	14½	11⅛	9⅛	9⅛	9 1/16	9⅛	9⅛

almost steady, at around 142d. a lb. for merino 64's. Cotton, on the other hand, has continued to rise and, though the rise this week has been the sharpest of the month, it is by no means startling. Jute is steady while sisal has fallen. Prices of grains, cocoa and sugar have also weakened.

Tin and rubber have both fallen during the week—though rubber only slightly, and it still shows a net rise on the month. The main non-ferrous metals (copper, lead and zinc) have been unchanged this week, and in their "free market" quotations, too, there has been no significant movement. Among the minor commodities, shellac has fallen and tung oil and tallow have shown no change. But all three are cheaper than at the beginning of October. The prices of all the commodities listed in the accompanying table are still above their prewar Korean level with the single exception of cocoa. Most of them are well above that level; wool is only slightly above it. The comparison with June, 1951, however, is more varied. Wheat, maize, coffee, cotton, jute, rubber, tin and shellac are higher than they were then, while cocoa, sugar, wool, tung oil and tallow are down.

This apparent indifference of commodity markets to the political happenings in Britain is not surprising. In the first place, Britain is no longer the largest consumer of any of these primary products, and in most cases it is no longer the largest importer. That role is being assumed by the United States. Secondly, Britain is facing an economic crisis that will not be cured merely by a change of government but only by radical changes of policy—and the new government has still to show its hand. Thirdly, many of the commodities are still purchased by Britain on government account and although the change of government is raising hopes of a restoration of greater freedom in commodity trading, those hopes cannot at the moment be translated into speculative operations.

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"Frustrated" Cars from Canada

Of the 4,000 unsold British cars that are being shipped back from Canada by the Austin and Nuffield organisations, at least half will be put on the home market under conditions that call for some comment. The state of the cars will not be known until they arrive at the docks, but some brought back under similar circumstances a year or two ago were certainly not in mint condition. Besides overhaul and reconditioning, the cars will need conversion from left- to right-hand drive before they can be sold in this country. The Nuffield Organisation, it appears, intends to add at least the greater part of these costs to the usual domestic selling price, plus the freight and insurance charges incurred in bringing the cars back from Canada. Most of these cars are Morris Minors that normally sell at £333. The home buyer will therefore be asked to pay as much as £200 above this list price—with purchase tax in proportion—for cars that might more properly have been expected to sell at a discount. Indeed, the element of depreciation has been tacitly recognised by the British Motor Traders' Association, which although subjecting these cars to a covenant that bans their immediate re-sale, has decided that the restricted period should be shorter than the two years imposed on new cars. The Austin Motor Company has announced that, if it sells any of the reconditioned cars at home, they will be offered at the normal list price.

Many members of the motor industry have privately expressed doubts about the wisdom of Nuffield's departure from this practice. The company will have no difficulty in finding buyers for the 2,000 or so cars at the higher price, but its tactics do appear to be an unreasonable exploitation of the oddities that arise in a sellers' market that is subjected to partial control. Anyone who has long had a new car on order and who is now offered an older car at a substantially higher price is entitled to feel aggrieved.

* * *

"Automatic" Rise in Petrol Prices

This week's rise in the price of petroleum products by a halfpenny a gallon reflects an increase in tanker freight rates according to a formula that has become almost automatic. Any control of the price of an international commodity must obviously take market influences into account, and in petroleum the transport element in the price varies according to an index maintained by a committee of London tank shipbrokers. This index is based upon two-year time charter rates for an average tanker travelling between the Netherlands West Indies and the United Kingdom; the brokers issue "awards" every six months, at the beginning of April and October, and the Ministry of Fuel and Power adjusts the petroleum price 28 days after notification of a change in the price awarded. The transport element in the price of petrol therefore varies in accordance with the rates obtained by independent tanker operators; of the 28 million tons of tanker tonnage afloat in the world today, some 13 million tons belong to owners with no direct interest in oil.

* * *

Delays in Port

Perhaps the greatest contributory factor to the continued high level of shipping freights is the unsatisfactory rate of "turn-round" in ports all over the world. This considerably reduces the carrying capacity of the existing merchant fleets of the world, and its effects are widespread. Labour troubles are often responsible, particularly in Australia and New Zealand. Similar difficulties are now being experienced in the Port of London where the lightermen are indulging in go-slow tactics. Here the result has been a general slackening of operations in the port.

But there are more fundamental reasons for the congestion in the world's ports. In London the volume of exports passing through the port has doubled since before the war, and the port facilities themselves were heavily damaged during the war. Repairs have been carried out, but the normal programme of expansion and improvement has fallen into arrear, hampered by the restrictions on capital

expenditure. London is a port in which much of the cargo handled is discharged overside into lighters, and there is a serious shortage of these, causing the discharge on to dock quays of timber that would ordinarily be taken to wharves elsewhere on the river for inland distribution. Congestion on the quays and in the warehouses means that many lighters are held idle until unloaded. This congestion tends to pile up along the line until, in fact, the ocean-going cargo ships find themselves acting as floating warehouses instead of ocean carriers. The clearance of warehouses and the delivery of export cargoes to ships are similarly impeded by delays in road and rail transport; liners that must adhere to fixed schedules are sometimes compelled to sail with holds partly empty.

* * *

Research into Cargo Handling

Similar difficulties are common to many ports, not only in this country, and it is doubtful whether they can be resolved piecemeal. An attempt to approach them on an international and technical basis has been made in the proposal to form an International Cargo Handling Co-ordination Committee. With this in view a meeting of experts and observers from many maritime countries took place in London on Tuesday, to discuss provisional articles of association. The proposal has much to commend it, since for the first time an attempt has been made to embrace all the diverse factors of trade and transport that may affect, or be affected by, poor turnround in ports. Matters of study are not intended to be confined to the practical details of port operation, but will extend to other items that can influence the loading and unloading of ships. The problem of feeding the ports by complementary transport systems must be the subject of investigation, as well as the design of ships themselves and of cargo-handling equipment on ship and shore. Methods of handling materials and packing goods in factories ashore require study, so that the cargo may flow from origin to consumer without delay through some difficulty of handling unknown to the individual links in the chain.

At the preliminary meeting, delegates and observers, ranging from shipbuilders, packers and manufacturers to officials responsible for strategic planning, stressed the difficulties they had experienced in the past of obtaining suitable information when dealing with new problems. The first task of the committee, provided it receives adequate financial support, will therefore be to collate technical information in every branch for dissemination. Eventually it may be able to analyse the problems of particular ports and make recommendations for their solutions. It is also hoped to set up a research station in which model tests can be carried out on ideas for improving equipment on ship or shore. Special studies will be made of handling cargoes in tropical and primitive harbours, and of war transportation problems. The committee deserves support by governmental and inter-governmental bodies, but its success will depend not only upon the practical contributions of technical experts, but upon whether it avoids being overloaded by administrative discussion.

* * *

Sufficient Aluminium

Because rainfall in north-eastern Quebec has been abnormally low for several months, Britain's total supplies of aluminium this year may be somewhat smaller than was expected. Upon that rainfall depends the output from the hydro-electric stations on the Saguenay river that supply power to the Aluminum Company of Canada's smelter at Arvida, which supplies almost all the aluminium that Britain imports. Arvida's current production is roughly 6,500 tons below its capacity of 37,500 tons a month, and may be further curtailed; the company expects operations to be affected for the remainder of this year and in the early part of 1952.

It had been hoped that Britain would be able to obtain 200,000 tons of aluminium from Canada during 1951, compared with its total imports of 141,240 tons last year. In the first nine months of 1951 some 131,000 tons have in fact been imported, 125,000 tons of it from Canada. But Alcan estimates that of a total output of 400,000 tons of aluminium for 1951 it will be able to export only some 182,000 tons to Britain. That might imply total imports into Britain of perhaps 190,000 tons this year, since imports from Norway and other countries were just under 6,000 tons in the first three-quarters of this year. Home production of virgin aluminium is still running at about 30,000 tons a year. Total supplies of the primary metal may, therefore, be roughly 220,000 tons this year. During the first half of this year the consumption of virgin aluminium, some 91,000 tons, was rather higher than supplies, necessitating the release of some 10,000 tons from Government stocks. But in the holiday months of July imports and home production totalled much more than consumption, though this grew; and over the year, despite the expansion of aircraft production, the Government will be able to build up its stocks beyond the 40,000 tons held in the last quarter of 1950. Consumption of secondary metal in the first half of this year was also augmented by releases from Government stocks; though scrap collections are no higher than last year, the total despatches of secondary metal, 65,920 tons, were not much lower than during the whole of 1950. Aluminium supplies as a whole, this year, should therefore meet the demands of rearmament and most civilian users, though the industry's fabricating capacity—some 320,000 to 330,000 tons—cannot be fully employed.

Imports, moreover, seem certain to increase in later years. The Ministry of Materials, while discussing with Alcan its present difficulties in delivering aluminium according to contract, seems confident of receiving 250,000 tons in 1952. Under contracts made this year the Government is to advance the Canadian company up to $120 million by the end of 1953, to assist expansion. In return it is to receive a million tons of aluminium during the four years from January 1, 1952, and to have a first call on 200,000 tons in each year until 1971; Alcan further guarantees to maintain a total smelting capacity of 400,000 tons a year, capable of being brought into production on nine months' notice. The company has also a number of small forward contracts with industrial customers in the United States. Its present expansion plans, which are to cost $300 million, call for a total smelting capacity of 545,000 tons by 1955, and it has entered into contracts with a corporation owned by the Norwegian Government for the smelting, in addition, of 7,500 tons a year until 1954 and 20,000 tons a year for the following 14 years.

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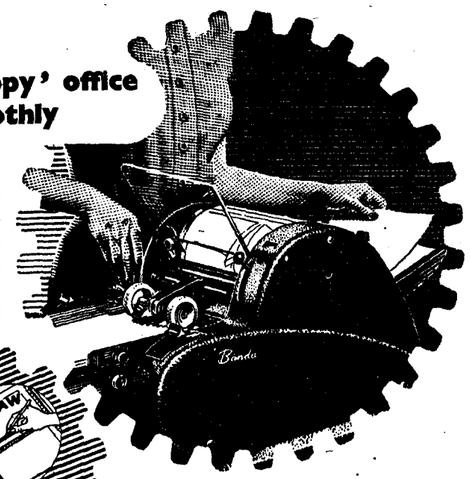

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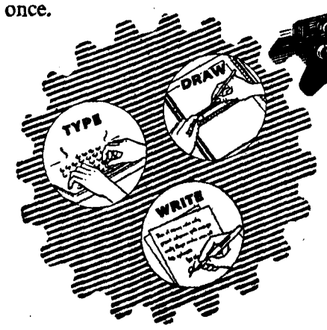

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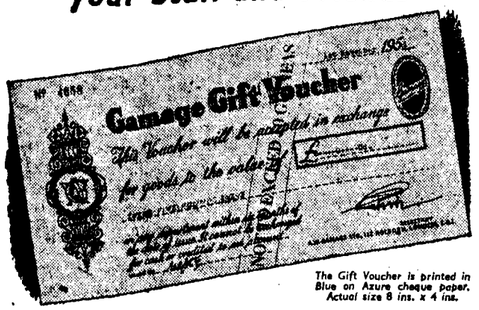

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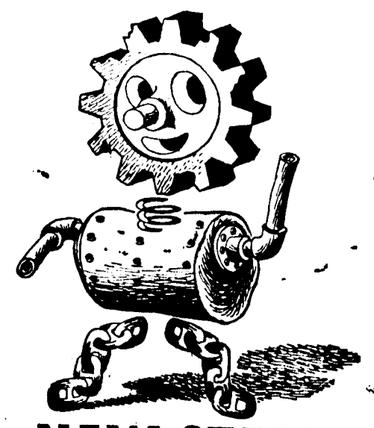

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Food for Caterers

When rations are cut, the first plea generally heard is that supplies of rationed foods to restaurants and canteens should be cut instead. The official reply has always been that these supplies are too small to have any effect on the domestic ration. Last week the Ministry of Food published a detailed list of allocations of the main rationed foodstuffs to catering establishments and institutions during the first half of this year. Some of the figures are a little surprising. They reveal, it is true, that, as the Ministry has often pointed out, hotels and restaurants account for only 4-6 per cent of total civilian consumption, which excludes allocations to manufacturers and trade users. But the proportion for all catering establishments varies from 8 to 14 per cent. Supplies to institutions account for approximately 2 per cent.

The meat ration in the first half of this year reached its lowest level since the war, yet 14 per cent went to the caterers. Hotel and restaurants took 5 per cent, industrial canteens 3 per cent, and day schools and nursery canteens 6 per cent. This last proportion seems high, but it is one that can most easily be defended on social grounds. The allocation of margarine was also large—14 per cent, of which 6 per cent went to hotels and restaurants, 5 per cent to canteens and 2 per cent to schools. But during this period the domestic ration of margarine was not fully taken up. The tea allocation amounted to 11 per cent, of which 6 per cent went to hotels and restaurants and under 5 per cent to canteens; if economy is to be found anywhere, scope exists here. Yet a reduction in the number of cups of tea served in either a factory or a restaurant would instantly arouse a rage of protest from all sides; tea is one of the more profitable lines of catering. The allocations of the other foods—bacon, cheese, butter, cooking fat and sugar—look innocent enough and give little cause for criticism.

ALLOCATIONS TO CATERING ESTABLISHMENTS
(January to June, 1951)

	Meat	Bacon	Cheese	Butter	Margarine	Cooking Fats	Sugar	Tea
	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent	Per cent
Hotels, restaurants	4·8	3·8	5·0	4·6	6·2	5·8	4·9	5·9
Industrial canteens	3·4	3·3	4·2	3·4	5·4	4·6	4·1	4·7
Social clubs	0·3	0·2	0·5	0·4	0·6	0·4	0·5	0·6
Schools, nurseries, etc.	5·6	0·9	0·6	0·3	2·0	1·2	0·9	...
Total catering	14·1	8·2	10·3	8·7	14·2	12·0	10·4	11·2
Institutions	2·4	1·9	1·3	1·4	1·7	1·5	1·4	1·8
Domestic cons.	83·5	89·9	88·4	89·9	84·1	86·5	88·2	87·0
Total civilian	100·0	100·0	100·0	100·0	100·0	100·0	100·0	100·0
Consumption	*Tons* 422,200	*Tons* 204,900	*Tons* 111,600	*Tons* 166,700	*Tons* 170,400	*Tons* 87,700	*Tons* 513,500	*Tons* 91,300

The Ministry's case would seem to be sustained. But that surely is not the end of the story. Supplies to caterers fluctuate with the domestic ration, and, so long as the ration is more or less adequate, such a policy is acceptable. But when the domestic ration has to be cut to meagre proportions—as with meat earlier this year—a case could be made out for a proportionately greater reduction in supplies to both restaurants and canteens.

* * *

Air Mail Rates and Airline Finances

The Post Office has agreed to increase the rate that it pays British Overseas Airways Corporation for the carriage of air mail from 11s. 1d. per ton-mile to 14s. 2d. This increase, although described by the corporation's chairman as "very acceptable," is smaller than that for which BOAC was asking. Both British airlines have frequently complained that they get a poor deal from the GPO because the rate for carrying British mail has always been lower than the international rate settled by the Universal Postal Union and the International Air Transport Association. The present international rate is 6 gold francs per tonne-kilometre for long distance operators and half this sum for short journeys. Each government, however, has the right to negotiate its own terms with its own operators. The increase granted by the Post Office to BOAC brings the long-distance rate up from 3.27 to 4.17 gold francs per tonne-kilometre. British European Airways obtained an increase in air mail rates last year and has been receiving 9s. 10½d. per ton-mile for mail carried out of the country; the internal air mail rate is lower. BEA is therefore getting the equivalent of 2.9 gold francs per tonne-kilometre, only 0.1 franc less than the international rate, but the difference has cost the corporation £60,000 in its past financial year. At BOAC it has been estimated that, had the corporation received the agreed international rate in the past, it would have earned an extra £3,000,000 a year.

The airlines have therefore some grounds for complaint about their treatment at the hands of the GPO, but, on the other hand, it has always been recognised that there is a big element of subsidy in the international rate. There is an even larger element in the rates that some countries, in particular the United States, pay their operators for the carriage of air mail. There even appears to be some degree of subsidy in the GPO rates although, according to the Treasury, this is not intentional. The Committee on Public Accounts has frequently discussed these air mail rates and last year it was said in evidence that the rate received for air mail was then three to eight times that paid on ordinary freight. On the London-New York route, BOAC was receiving, in terms of gold francs per tonne-kilometre, a passenger rate of 1.94 francs, a freight rate of 1.23 francs and a GPO rate for first-class mail of 3.96 francs (about 5.05 francs at the new rates). So big a difference seemed to the committee hard to justify on the purely commercial grounds of charging what the traffic would bear, the more so since the railways charge less for mail than they do for other kinds of freight. The airlines are understandably anxious to make a good financial showing. But as, unlike many other operators, they are already openly subsidised by Parliament, is there a sound reason for increasing this second, concealed, subsidy?

* * *

Firmer Cotton

The cotton market has become distinctly firmer in recent weeks and Egyptian prices have risen quite sharply during the past seven days. Karnak is now about 85d. a lb compared with 74d. a week ago; American middling is 1¼ cents dearer at 39.35 cents a lb. Futures have also risen, but hardly in sympathy; if anything they have dictated the trend in spot prices. The Raw Cotton Commission has kept pace with these moves and has increased its forward quotations six times in six successive working days. American middling for November delivery is 1d. dearer at 39d. a lb, whereas Karnak is 9d. dearer at 82½d. a lb. The Egyptian prices have not been raised to the full extent of the rise in Alexandria.

The reason for the firmness is not far to seek. As an article in *The Economist* of October 20th showed, there will be no glut of cotton this season, despite the welcome recovery in world production. Consumption is still running at a high level; last season it reached a record figure of 33 million bales, and though this season's figure may be

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BARCELONA TRACTION, LIGHT & POWER COMPANY, LIMITED

Following upon the publication of the Order of the Spanish Court made on 27th August, 1951, giving preliminary sanction to the sale by auction in Spain of the assets of Barcelona Traction, the Prior Lien Bondholders' Committee asked the Sindicos of the Spanish bankruptcy for an assurance that, in the event of such sale taking place, provision would be made for the payment to the Prior Lien Bondholders in sterling of the full amount of capital and arrears of interest due to them. The Committee has received a formal assurance from the Sindicos that they will take all steps possible in accordance with the relevant legal provisions not only so that the Prior Lien Bondholders but also so that the other Bondholders of Barcelona Traction shall likewise receive the moneys owing to them in the contractual currency. This assurance confirmed the legal advice which the Committee had received from the outset.

It is not, of course, possible to forecast when such a sale will take place. Meanwhile, and independently of the Sindicos' assurance, the Committee has been able to obtain from Helvetia Finance Company Limited an undertaking that, as soon as the necessary formalities have been completed, it will make a public offer to purchase in sterling all outstanding Prior Lien Bonds at a price equivalent to par plus all coupons matured since 1st December, 1936.

The Committee's duties have always been limited to the protection of the interests of the Prior Lien Bondholders by whom it was appointed. Its principal object has therefore been to procure payment in full in sterling of the principal and arrears of interest due to the Prior Lien Bondholders. At an early stage the Committee also considered that it was necessary for a full investigation of the Company's affairs to be carried out. The position now is that all Prior Lien Bondholders should shortly be able to obtain payment of their claims in full in the contractual currency and an investigation of the Company's affairs has been completed by experts appointed by the British, Canadian and Spanish Governments, in which connection an inter-Government Minute was signed and published in June, 1951.

Having been instrumental in arranging for Helvetia Finance Company Limited's offer to be made and having procured the formal assurance by the judicial administrators of the Spanish bankruptcy that in the event of a sale in Spain the Bondholders' claims will be paid in the currencies to which they are respectively entitled, the Committee considers that it has performed its function of protecting the interests of the Prior Lien Bondholders. The Committee's term of office would in any event finally have expired in April, 1952. It has accordingly with effect from the date of publication of the offer dissolved and terminated its appointment under the powers conferred by the Bondholders' Resolution of 8th April, 1948.

26th October, 1951.

smaller, the decline is likely to be modest. Further, the estimate of world output has been reduced. The American crop, though still very large, is not quite as large as at first expected, while the first official estimate of the Egyptian crop puts it at only 1,700,000 bales compared with the earlier forecast of 2,000,000 bales, and last season's crop of 1,760,000 bales. As Egyptian estimates are known to err on the side of caution, this first estimate may prove to be low: more Egyptian cotton is likely to be available this year than twelve months ago. The provisional estimate for world production, however, has been reduced from 36 million bales to 35 million bales.

These factors undoubtedly explain the present strength of the cotton market. They do not, however, explain the recent sharp rise in Egyptian prices. The Alexandrian market is notorious for its speculative character, aided by intrigue and government regulations that at different times control minimum prices, stocks and offerings. A shortage of dollars is usually a bull point for Egyptian cotton—particularly for the shorter staples, such as Ashmouni, which can replace American staples—but even that fact would not explain a rise of 11d. a lb for long-stapled Karnak. It would seem that the Alexandrian market is again showing the world how manipulation can yield profits.

Shorter Notes

At a meeting in London last week, representatives of the three sections of the film industry—the Cinema Exhibitors' Association, the Kinematograph Renters' Society, and the British Film Producers' Association—agreed to strengthen their existing liaison committee in the interests within the industry. This unity, they feel, will be needed in the forthcoming discussions with the new government upon Entertainments Duty: approaches to both major political parties by the CEA during the election campaign found neither prepared to commit itself to accept in advance that cinema taxation represented "unfair discrimination." Agreement among cinema exhibitors upon an alternative and preferable tax formula does not appear as yet to be complete. But the most serious difficulty with which the CEA has at present to cope is the recent withdrawal from its ranks of the Rank Organisation's Circuit Management Association—representing all the 550 cinemas in the Odeon and Gaumont-British circuits. Mr Rank has not as yet publicly explained his move, though in the trade it is believed to arise from disagreements concerning CEA policy over the "Eady" tax scheme and questions of entertainments duty. Nor is there any indication how long the withdrawal will last; without the backing of the Odeon group the CEA would be considerably hampered in negotiating for the trade.

★

The report of the productivity team from the shoe industry that visited the United States last autumn is the longest yet published. It described American techniques and layouts in considerable detail because the team is convinced that the key to the high productivity of the American industry lies in the attention given to planning the flow of work through the factory. Such effective "methods engineering" means that about 95 per cent of American shoe workers are on some form of incentive payment compared with only 50 per cent of the British workers. To help factory reorganisation, it was suggested that the British customer should be educated to accept a more standard product; here the team appeared to contradict its own findings. In one of the factories visited, the team was shown what a consumer would call eight entirely different shoes; they were in fact made from one basic design. Standard shoe design, in the American sense, does not limit consumer choice. There is no sound reason why the consumer of fashion goods should be expected to sacrifice variety in order to streamline production inside the factory.

Company Notes

Calico Printers.—Almost certainly the most prosperous section of the cotton industry since the war has been the printing and finishing trades. Trading profits of one of the biggest combines in this group, Calico Printers, have mounted steadily and in the year ended June 30th last jumped from £3,548,841 to £5,214,216; the latest advance in earnings, however, may be a reflection of rising prices rather than of physical turnover.

Despite bumper profits, the company has pursued a very cautious dividend policy, and in the latest year the ordinary dividend has been merely maintained at 12½ per cent. The growing threat of Japanese competition, the uncertain course of raw material prices in the future and the inflation of stock and plant replacement values have all influenced the directors in their decision to place the emphasis upon the reinforcement of reserves rather than upon distribution to equity shareholders. In the latest financial year, £700,000, against £600,000, has been transferred to the parent company's general reserves and £765,157, against £264,242, has been appropriated by the group to "reserves against stocks and debtors."

	Years to June 30, 1950	1951
Consolidated earnings :—	£	£
Trading profit	3,548,841	5,214,216
Total income	3,705,600	5,383,108
Depreciation, etc.	834,793	1,004,549
Taxation	1,367,564	2,320,867
Group earnings for ordinary stock	*865,062*	*978,856*
Ordinary dividends	138,238	151,955
Ordinary dividends (per cent)	12½	12½
Retained by subsidiaries	176,491	101,465
General reserve	600,000	700,000
Added to carry forward	*Dr. 49,667*	40,436
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	6,786,985	6,860,671
Net current assets	7,333,096	9,613,881
Stocks	6,045,043	7,836,457
Cash	646,682	1,233,885
Reserves	7,341,968	9,784,314
Ordinary capital	2,010,736	2,010,736

£1 ordinary stock at 44s. 3d. yields £5 13s. per cent.

Rising prices may largely account for the increase in the book value of stocks from £6,045,043 to £7,836,457 and of debtors from £2,474,935 to £3,152,958. At the same time, the liquid resources of the group have been strengthened; cash balances have risen from £646,682 to £1,233,885, and tax reserve certificates from £9,000 to £507,500. The year's appropriations to reserves have played a part here, but it must also be noted that subsidiary companies have increased their indebtedness to the banks from £40,898 to £321,474 and that some £290,000 worth of investments, the book value of which has fallen to £2,802,670, has been sold. The full effect of Japanese competition may not be felt for two or three years to come, so that Calico Printers may enjoy the sellers' market a little while longer.

★

Fairey Aviation.—During the twelve months covered by the full accounts of Fairey Aviation to March 31st last the company's contribution to the rearmament programme was reflected in a phase of development and research leading to the beginning of actual production. It was pointed out in a note on October 20th that this would probably mean a higher level of disposable earnings in the immediate future, but it might also mean a greater emphasis on reinforcing reserves. The chairman's remarks upon expenditure on capital account help to strengthen this impression. In the latest financial year the net book value of fixed assets has shown only a small increase, from £744,474 to £769,172, but at the year-end the company was already committed to the expenditure of another £300,000, and since then a further £325,000 has been committed. Such sums have to be spent if the company is to fulfil its obligations under the rearmament programme.

Fortunately, the company enters into the production stage in quite a strong financial position; net current assets totalled some £2,800,000 on March 31st and cash holdings £1,300,000. The extent of the capital outlays already planned—apart from the others that may lie ahead—makes it likely, however, that the company will feel the need at least to maintain the proportion of current profits ploughed back to buttress reserves. In these circumstances, equity shareholders can hardly expect large increases in dividends.

	Years to March 31, 1950	1951
Consolidated earnings :—	£	£
Trading profit	605,285	560,004
Prior years' profit	404,074	246,981
Total income	1,016,723	816,428
Development expenditure	447,690	83,786
Depreciation	125,728	128,615
Taxation	65,000	80,276
Ordinary dividends	141,136	134,892
Ordinary dividends (per cent)	25	25
Retained by subsidiaries	28,529	57,363
Development reserve	100,000	...
General reserve	...	150,000
Added to carry forward	*Dr 73,052*	12,399
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	744,474	769,172
Net current assets	2,624,748	2,829,848
Stocks	2,578,212	2,494,316
Cash	1,084,030	1,314,022
Reserves	2,281,258	2,513,091
Ordinary capital	1,027,750	1,027,750

10s. ordinary share at 84s. 3d.xd yields £7 6s. per cent

★

Electric and Musical Industries.—On the assumption that Mr Gaitskell's dividend limitation proposals are now dead, the directors of EMI have been quick to fulfil their earlier promise to add a further 4 per cent dividend to the interim ordinary dividend of 8 per cent when circumstances permitted. In a full preliminary profits statement it is announced that the additional 4 per cent, making a total distribution of 12 per cent for the year ended June 30th last, will be paid on December 20th. The remarkable expansion in earnings certainly justifies this increase. The statement a month ago that profits were "substantially" greater than in the previous year appears in the light of the profit figures, just released, to have been an understatement. Group net profits have almost doubled, rising from nearly £343,000 to £663,000. When, however, taxation is added back and deductions are made for tax rebates and prior years' profits, the advance appears more striking still; net trading profits before tax then appear to have jumped from £310,000 to £1,532,000. These results certainly suggest that the group's factories have been working to full capacity and that raw material and component shortages have been successfully overcome.

	Years to June, 30, 1950	1951
Consolidated earnings :—	£	£
Profit, before tax	310,301	1,532,000
Exceptional income	234,007	790,000
Taxation	201,499	959,000
Group earnings for ordinary stock	*97,377*	*561,874*
Ordinary dividends	127,726	182,881
Ordinary dividends (per cent)	8	12
General reserve(a)	175,000	b1,150,000
Added to group carry forward	28,652	18,993

10s. ordinary stock at 23s. yields £5 4s. per cent

(a) In subsidiary companies' accounts. (b) Including a surplus of £700,000 arising from E.P.T. adjustments, etc.

Within the last trading year the question of the group's liability for excess profits tax on overseas subsidiaries' earnings and of double taxation relief has been settled with the taxation authorities. As a result of this settlement, a surplus of £700,000 has arisen and has been transferred to the general reserves of subsidiary companies. A further sum of £450,000, against £175,000, has been appropriated to these reserves from profits. On the assumption—by no means a slight one—that these reserves are freely transferable within the group, the ordinary dividend is covered more than three times by distributable earnings.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 24, 1951	Price, Oct. 31, 1951	Net Yield, Oct. 31, 1951 (n)	Gross Yield, Oct. 31, 1951
			£ s. d.	£ s. d.
War Bonds 2½%.....	101⅛	101⅛	...	... e
Mar. 1, 1951-53			0 5 4	1 11 11f
War Bonds 2½%.....	101⅜	101..	...	... e
Mar. 1, 1952-54			0 14 6	1 19 10f
Exchequer Stk. 2½%	101½	101½	0 12 11	1 15 6
Feb. 15, 1955				
War Bonds 2½%.....	102⅜	102½	0 6 4	1 11 6s
Aug. 15, 1954-56			0 14 6	1 18 11f
Funding 2½%.....	102½	101⅜	...	1 10 0s
June 15, 1952-57			1 4 3	2 12 1f
Nat. Defence 3%...	103⅜	103⅝	0 8 0	1 19 1s
July 15, 1954-58			1 1 8	2 11 1f
War Loan 3%	103⅜	103⅜	0 14 6	2 2 10s
Oct. 15, 1955-59			1 2 10	2 11 0f
Savings Bonds 3%..	97⅛	97	2 10 1	4 0 10s
Aug. 15, 1955-65			1 17 0	3 6 7f
Funding 2½%.....	97⅜	97⅛	2 0 1	3 4 7e
April 15, 1956-61			1 13 0	2 17 3f
Funding 3%.....	92⅜	92½	2 15 3	4 5 4s
April 15, 1959-69			2 5 8	3 12 6f
Funding 3%.....	94⅛	94½	2 1 5	3 11 8s
Aug. 1, 1966-68			2 0 4	3 10 6f
Funding 4%.....	104½*	103⅝	1 12 10	3 10 1s
May 1, 1960-90			1 19 4	3 16 5f
Savings Bonds 3%..	92⅜	91½	2 12 11	4 3 7s
Sept. 1, 1960-70			2 2 4	3 12 9f
Savings Bonds 2½%	90⅛*	89⅜	2 5 11	3 11 3s
May 1, 1964-67			2 2 6	3 7 9f
Victory Bonds 4%..	104⅜	104⅜	1 16 6	3 12 11s
Sept. 1, 1920-76				
Savings Bonds 3%..	90⅛	89½	2 10 2	4 1 3s
Aug. 15, 1965-75			2 3 2	3 14 2f
Consols 4%.....	97⅛	97⅜	2 3 4	4 3 0f
(after Feb. 1, 1957)				
Conversion 3½%....	88½	87½	2 2 2	4 0 6f
(after Apr. 1, 1961)				
Treasury Stk. 2½%..	65	63½	2 1 5	3 19 0f
(after Apr. 1, 1975)				
Treasury Stk. 3%...	77	75½	2 1 9	3 19 9f
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	96⅛	95⅜	2 1 11	3 17 1s
June 15, 1977-80			2 1 6	3 16 7f
Redemp. Stk. 3%...	85	83⅜	2 5 1	3 17 4s
Oct., 1986-96			2 2 11	3 15 4f
War Loan 3½%.....	86½*	85⅛*	2 2 11	4 1 8f
(after Dec. 1, 1952)				
Consols 2½%.....	66½	64½	2 0 7	3 17 5f
Brit. Elect. 3% Gtd..	90⅜	90	2 6 5	3 17 0s
April 1, 1968-73			2 3 5	3 13 11f
Brit. Elect. 3% Gtd..	89⅜	89½	2 4 1	3 15 0s
Mar. 15, 1974-77			2 3 11	3 13 9f
Brit. Elect. 3½% Gtd.	95⅜*	95½*	2 1 7	3 15 9s
Nov. 15, 1976-79			2 1 2	3 15 5f
Brit. Tpt. 3% Gtd..	84⅜	83½	2 8 7	4 1 2s
July 1, 1978-88			2 4 11	3 17 7f
Brit. Tpt. 3% Gtd..	90⅜	90	2 6 5	3 17 0s
April 1, 1968-73			2 3 5	3 13 11f
Brit. Gas Gtd. 3%..	83½*	82½	2 5 5	3 17 11s
May 1, 1990-95			2 4 3	3 16 11f
Brit. Gas Gtd. 3½%.	98⅛	98	1 19 10	3 14 0s
Sept. 10, 1969-71			1 19 7	3 13 9f
Brit. Iron & Steel 3½%	95⅜	94½	2 2 1	3 17 0s
Feb. 15, 1979-81			2 1 10	3 16 8f

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 3 months. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Oct. 24, 1951	Price, Oct. 31, 1951	Yield Oct. 31, 1951
%	%					£ s. d.
40	*b*	20	*a* Anglo-Am. 10/-	7⅜	7⅜	3 16 10
25	*b*	5	*a* Anglo-Iran £1..	5½	5½*	5 6 8
20	*c*	7½	*a* Assoc. Elec. £1.	92/6	92/6	4 6 6
27½	*c*	7½	*a* Assoc. P. Cem. £1	111/3	108/9	5 1 2
40	*c*	35	*c* Austin 5/-	33/9	33/9	5 3 6
†20	*b*	†5	*a* Bass £1	150/7½	148/1½	6 8 9
40	*c*	5	*a* Boots 5/-	26/3	26/3	3 16 2½
9	*c*	7	*a* Br. Celanese 10/-	42/9	40/9*	4 14 3
12	*b*	8	*a* Br. Oxygen £1..	98/-	96/8	4 2 11
5	*a*	7½	*b* Coats £1.....	61/3	60/-	4 3 4
6½	*b*	5	*a* Courtaulds £1..	51/6	49/9*	4 10 6
6½	*a*	16½	*b* Distillers 4/-	24/-	23/-	3 18 3
15	*c*	17½	*c* Dunlop £1.....	68/-	66/-	5 6 1
10	*c*	12½	*c* Ford £1	56/10½	56/10½	4 7 11
17½	*c*	22½	*c* Gen. Elect. £1..	97/6	95/6	4 14 3
21	*b*	11	*a* Guinness £1....	145/7½	145/7½	4 7 11
15	*a*	17½	*b* Hawker Sid. £1.	37/9	37/6	5 6 8h
9	*b*	3	*a* Imp. Chem. £1.	54/-	51/10½	4 12 6
18½	*b*	13½	*a* Imp. Tobacco £1	102/6	100/-	6 8 0
7½	*b*	5	*a* Lancs. Cotton £1	46/3	44/4½	5 12 8
10	*c*	13½	*c* Lever £1	57/6	55/7½	4 17 1
15	*c*	7½	*a* Lon. Brick £1..	63/9	62/6*	4 16 0
15	*a*	60	*b* Marks & Sp. A 5/-	100/-	96/6	3 17 9
8	*b*	8	*a* P. & O. Def. £1.	48/6	47/6	4 9 10p
7½	*a*	17½	*b* P. Johnson 10/-	46/-	44/-	5 13 8
†5	*a*	†7½	*b* "Shell" Stk. £1.	98/9	95/7½	4 19 9
12½	*b*	12½	*a* Tube Invst. £1.	6⅞	6⅞	3 15 6
20	*c*	5	*a* T. & Newall £1.	100/7½	100/7½	3 19 6
8	*c*	10	*c* Union Castle £1	41/6	41/-	4 17 7
50	*c*	20	*a* U. Sta Betong £1	73/9	69/4½*	14 8 3
10	*b*	2½	*a* Vickers £1.....	51/9	48/9	5 2 6
27½	*b*	15	*a* Woolworth 5/- ..	49/-	46/9	4 10 11

(h) Yield basis 20% after capital bonus. (k) Yield basis 10%. (p) Yield basis 105% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended October 27, 1951, total ordinary revenue was £73,181,000 against ordinary expenditure of £62,283,000 and issues to sinking funds £150,000. Thus, including sinking fund allocations of £11,448,000 the deficit accrued since April 1, 1951, is £82,089,000 compared with a surplus of £58,937,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951-52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Oct. 28, 1950	April 1, 1951 to Oct. 27, 1951	Week ended Oct. 28, 1950	Week ended Oct. 27, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	429,648	503,672	16,555	16,136
Sur-tax	128,000	39,000	40,000	700	1,100
Estate, etc., Duties	180,000	105,350	107,400	3,500	3,000
Stamps	55,000	28,800	36,000	1,000	1,100
Profits Tax & E.P.T.	312,650	160,520	177,400	7,250	5,400
Other Inland Rev.	500	60	95	...	...
Special Contributn.	1,500	3,200	1,850	100	30
Total Inland Rev.	2302400	766,578	866,417	29,105	26,766
Customs	930,500	505,438	568,277	15,471	13,850
Excise	720,500	398,516	422,062	31,516	27,062
Total Customs and Excise	1651000	903,954	990,339	44,987	40,892
Motor Duties	62,000	11,515	13,440	620	795
Surplus War Stores	20,000	24,321	25,026	77	1
Surplus from Tradg.	50,000	30,974	65,927	...	...
P.O. (Net Receipts)	5,400	900	2,000	900	2,000
Wireless Licences	13,600	6,000	5,000	1,350	...
Sundry Loans	27,000	18,148	19,666	...	...
Miscell. Receipts	105,000	54,955	49,951	1,769	2,727
Total Ord. Rev.	4236400	1817345	2037746	78,808	73,181
SELF-BALANCING					
Post Office	179,451	94,600	103,200	3,600	3,200
Income Tax on E.P.T. Refunds	4,900	5,648	3,309	111	70
Total	4420731	1917593	2144255	82,519	76,451

Expenditure	Estimate, 1951-52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Oct. 28, 1950	April 1, 1951 to Oct. 27, 1951	Week ended Oct. 28, 1950	Week ended Oct. 27, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	290,956	290,639	...	1,224
Payments to N. Ireland	38,000	20,132	20,637	1,446	1,586
Other Cons. Funds	11,000	4,852	5,566	135	226
Total	584,000	315,920	316,842	1,581	3,036
Supply Services	*3425640	1452107	1791545	41,945	59,247
Total Ord. Expd.	*4009640	1748327	2108387	43,526	62,283
Sinking Funds	...	10,081	11,448	255	150
Total (excl. Self-Bal. Expd.)	4009640	1758408	2119835	43,781	62,433
SELF-BALANCING					
Post Office	179,451	94,600	103,200	3,600	3,200
Income Tax on E.P.T. Refunds	4,900	5,648	3,309	111	70
Total	4193971	1858,56	2226514	47,492	65,703

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £275,715 to £3,180,040, the other operations for the week increased the National Debt by £11,066,488 to £26,589 million.

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	700
E.P.T. Refunds	86
Housing (Scotland) Act, 1950, s. 94(2)	649
Local Authorities Loans Act, 1945, s. 5(2)	9,250
Miscellaneous Financial Provisions Act, 1950, s. 2(1): N. Ireland Exchequer	1,500
Development of Inventions Act, 1948, s. 1(1)	25
Cotton (Centralised Buying) Act, 1947, s. 21(1)	6,000
Miscellaneous Financial Provisions Act, 1946, s. 2(1) War Damage: War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	330
	21,540

* CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	3,046	Treasury Bills	7,611
Other Debt:—		Nat. Savings Certs.	600
Internal	50,734	2½% Def. Bonds	1,075
		3% Def. Bonds	218
		Other Debt:—	
		External	19
		Ways and Means Advances	8,190
		Treasury Deposits	25,000
	53,780		42,713

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Oct. 28	3170·0	2041·1	471·3	...	585·5	6268·0
1951						
July 28	3220·0	2176·9	340·5	...	344·5	6081·9
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
,, 11	3220·0	2164·2	280·2	...	379·5	6043·9
,, 18	3230·0	2212·0	296·6	...	355·0	6093·6
,, 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3240·0	2277·7	326·7	...	290·0	6134·4
,, 8	3240·0	2301·5	306·9	...	290·0	6138·4
,, 15	3240·0	2368·4	328·2	...	265·0	6201·6
,, 22	3240·0	2364·7	354·6	...	265·0	6224·4
,, 30	5596·3		342·4	...	290·0	6228·7
Oct. 6	3240·0	2425·2	347·6	...	250·0	6262·8
,, 13	3240·0	2471·1	356·6	...	225·0	6292·7
,, 20	3250·0	2515·4	371·0	...	200·0	6336·5
,, 27	3270·0	2287·8	362·8	...	175·0	6095·6

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Oct. 27	250·0	535·8	250·0	10 2·98	65
1951					
July 27	230·0	342·8	230·0	10 2·56	53
Aug. 3	240·0	365·6	240·0	10 2·45	50
,, 10	260·0	354·1	260·0	10 2·78	62
,, 17	260·0	341·4	260·0	10 3·02	68
,, 24	260·0	318·7	260·0	10 3·36	77
,, 31	250·0	342·8	250·0	10 2·87	63
Sept. 7	260·0	346·0	260·0	10 2·95	66
,, 14	250·0	332·1	250·0	10 3·07	67
,, 21	240·0	335·9	240·0	10 4·87	23
,, 28	260·0	338·7	260·0	10 2·98	68
Oct. 5	250·0	327·4	250·0	10 5·13	69
,, 12	260·0	365·5	260·0	10 2·64	58
,, 19	250·0	339·9	250·0	10 2·97	64
,, 26	230·0	313·4	230·0	10 2·91	63

On October 26th application for 91 day bills to be paid from October 29 to November 5, 1951, were accepted dated Monday to Saturday as to about 63 per cent at £99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million were offered on November 2nd. For the week ending November 3rd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 29 Weeks ended Oct. 21, 1950	Totals 29 Weeks ended Oct. 20, 1951	Week ended Oct. 20, 1951
Savings Certificates:—			
Receipts	44,900	94,500	2,500
Repayments	74,500	78,400	2,500
Net Savings	*Dr 25,400*	15,900	Nil
Defence Bonds:—			
Receipts	9,700	32,114	1,770
Repayments	28,609	40,981	1,830
Net Savings	*Dr 18,909*	*Dr 8,867*	*Dr 60*
P.O. and Trustee Savings Banks:—			
Receipts	361,470	382,666	12,861
Repayments	348,095	451,355	12,638
Net Savings	*Dr 26,192*	*Dr 68,689*	223
Total Net Savings	*Dr 70,502*	*Dr 61,656*	163
Interest on certificates repaid	16,269	19,230	657
Interest accrued	63,873	70,131	2,455
Change in total invested	*– 16,898*	*– 10,695*	1,959

BANK OF ENGLAND RETURNS

OCTOBER 31, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1351,827,933	Other Govt. Securities	1385,715,889
In Banking Department	48,528,890	Other Secs.	758,449
		Coin (other than gold)	2,510,562
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	332,197,853
Rest	3,282,714	Other Secs.	54,579,984
Public Deps.:—	21,710,104	*Discounts and*	
*Public Accts.**	*14,489,239*	*Advances*	*20,822,097*
H.M. Treas.		*Securities*	*33,757,887*
Special Acct.	*7,229,865*		
Other Deps.:—	396,937,141		
Bankers	*393,891,125*	Notes	48,528,890
Other Accts.	*93,106,016*	Coin	1,216,246
	456,522,963		456,522,963

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Nov. 1	1951 Oct. 17	1951 Oct. 24	1951 Oct 31
Issue Dept.:—				
Notes in circulation	1272·6	1349·2	1346·5	1351·8
Notes in banking department	77·7	51·1	53·8	48·5
Government debt and securities*	1345·2	1396·9	1396·8	1396·7
Other securities	0·8	0·6	0·7	0·8
Gold and Coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·0	15·2	15·0	14·5
Treasury Special Account	266·4	4·5	4·5	7·2
Bankers	318·0	307·5	300·0	393·9
Others	89·3	96·5	91·9	93·1
Total	681·7	423·5	411·4	418·7
Securities:—				
Government	555·3	350·2	335·6	332·2
Discounts, etc.	40·3	14·6	14·1	20·8
Other	26·5	24·5	24·6	33·8
Total	622·1	389·3	374·3	386·8
Banking dept. res.	80·3	51·9	54·8	43·7
"Proportion"	11·7	12·2	13·3	11·8

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

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

	Oct. 31, 1950	Oct. 16, 1951	Oct. 30, 1951
Cereals and meat	154·6	170·8	172·0
Other foods	162·5	180·1	180·1
Textiles	282·5	257·2	255·0
Minerals	319·8	362·9	362·1
Miscellaneous	141·7	198·4	198·4
Complete Index	**207·4**	**222·6**	**223·5**
1913 100	*285·4*	*306·3*	*308·0*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver: London per ounce d.	Silver: New York per ounce c.	Silver: Bombay per 100 tolas Rs. a.	Gold: Bombay per tola Rs. a.
Oct. 25	77·0	88·00	185 4	107 11
,, 25	77·0	88·00	182 12	107 7
,, 27	Markets Closed		183 0	107 8
,, 29	77·0	88·00	182 1	106 9
,, 30	77·0	88·00	No quotation	
,, 31	77·0	88·00	Market Closed	

COMPANY MEETINGS

BRITISH CELANESE LIMITED

RECORD YEAR'S TRADING

IMPROVED FINANCIAL POSITION

MR G. H. WHIGHAM'S STATEMENT

The thirty-second annual general meeting of British Celanese Limited, was held on October 25th at Winchester House, Old Broad Street, London, E.C., Mr G. H. Whigham (chairman of the company) presiding.

The following is the chairman's statement, which was circulated with the annual report and accounts for the year ended June 30, 1951:—

The net profit, before taxation, constitutes a new record and shows a substantial increase over the previous year.

It will be seen from the consolidated balance-sheet that the improvement in the financial position, which has been a feature of recent years, has continued during the year under review. The reserves are again higher, having increased from £3,161,837 to £5,330,646, £1,000,000 of such increase being in respect of the reserve towards increased cost of replacement of property and plant.

Net expenditure during the year on the item land, buildings, plant, machinery and equipment amounted to £1,230,413, and current assets less current liabilities (including future taxation) increased during the year by £1,461,944, and now amount to £8,274,369. The principal feature under the heading of current assets is the increase in the value of stocks, which exceeds the value shown for the previous year by £2,525,140. The volume of the stocks is not excessive for our requirements and the increase in value is due mainly to the higher cost of raw materials and higher wage rates. The increases referred to were provided out of the resources of the group as no new money was raised during the year.

Since the end of the last world war the expenditure of the group on plant expansion, modernisation and replacement has amounted to £5,763,535 and, after providing for the item future taxation, working capital has been increased by £5,135,333. I would remind you that, notwithstanding these substantial additions, only £1,812,500 has been raised since the war by the issue of new capital (in the form of first preference shares). In this connection, it should be noted that, broadly speaking, and viewing the company as a continuing undertaking the ordinary stockholders' interest comprises not only the nominal value of the issued ordinary stock but also the capital and revenue reserves and on this basis the ordinary dividend of 9 per cent. on the nominal capital represents a return of only 2.6 per cent., less tax.

The amount of Funding certificates outstanding at June 30, 1951, was £914,006. £556,671 has been set aside out of the year's profits for the further redemption of certificates in accordance with the conditions of issue. When such redemption is effected there will be approximately £385,000 outstanding.

During the year £177,216 of debentures were redeemed, including £70,000 of a subsidiary company.

The investments in associated companies represent the cost of the company's Common share holdings in Celanese Corporation of America and Canadian Celanese, Limited. Both companies continue to make very satisfactory progress, and the market value of these investments is very considerable, as will be seen from the balance-sheet.

TAXATION AND DIVIDENDS

Taxation equalisation account has been increased during the year by £285,592 and now stands at £1,054,231.

Under the 1951 Finance Act initial allowances on new expenditure on property and plant incurred after April 5, 1952, will be suspended. As a result of this suspension the company will not obtain taxation relief by way of initial allowances on any new expenditure on property and plant incurred after that date and will be called upon to pay taxation much earlier than was expected when the capital projects were originally planned. As an illustration, it is estimated that at the rate of capital expenditure contemplated over the next three years, including that for Wrexham, a sum exceeding £1,000,000 will now need to be provided from other sources instead of being available, as was originally expected, by way of taxation relief.

Much has already been written about the excessive burdens of taxation, and I will not attempt to develop that subject, but I must draw your attention to the very large sum the Government takes in direct taxation, which in the accounts under review amounts to £3,851,894 out of the profits of £7,291,578.

An interim dividend of 6 per cent. on the ordinary stock was paid on July 14th last. You will note from the report that the directors recommend a final dividend of 3 per cent., making a total of 9 per cent. for the year, as compared with 10 per cent. for the previous year. The total of 9 per cent. for the year represents the maximum amount payable, having regard to the implications of the White Paper on Control of Dividends (Cmd. 8318) issued in July last. During the year wages were increased, and recently there has been a further award. Salaries have also been increased. The cost of all these increases will be approximately £800,000 for a full year. As against this, the ordinary stockholders, who number over 10,000, will receive £22,113 (less tax) less in dividends as compared with the previous year. Of the total ordinary stockholders, over 9,000 are registered as holding 500 or less of the 10s. units. Your company complied with the wishes of the Government in making no increase in dividends during the period of voluntary restriction, and it was not until last year that, still observing the request for moderation and restraint, the dividend on the ordinary stock was conservatively increased from 8 per cent. to 10 per cent. Now the dividend is reduced to 9 per cent. This dividend can in no way be considered as being fair to the ordinary stockholders, who are subject to the increased living costs in the same way as the rest of the community.

TRADING

Again I am able to report a record year's trading both in volume and value.

Our chief problems during the year have been concerned with production rather than sales, because the demand pressure upon us has been as great as ever from all our markets and on all our products, with the single exception of those of our goods which carry the heavy burden of purchase tax.

Our manufacturing problems, however, have been serious and have only been overcome by a great deal of ingenuity and hard work. Our first difficulty arose in connection with the supply of cotton linters, our most important source of cellulose. The United States was our main supplier, and our contracts, with Government consent, were placed with American suppliers on conditions which both from the point of view of quantity and of price we regarded as satisfactory in view of the then prevailing conditions. Without warning the United States Government placed a complete embargo on the export of these linters. With the exception of a very small quantity specifically allocated for armament work, no further linters were released by the United States between September last year and July this year, when the quantity allocated to this company amounted to less than one month's requirements. This led us—as well as others, of course—to search for alternative sources of supply. Not only were these supplies physically short but the stress of new inquiries quickly forced prices to fantastic limits. For example, cotton linters were only obtainable at one time at eight times the price we paid at the beginning of 1950. Fortunately, the work we had been doing on improving standard wood pulp to an acetylisable cellulose stood us in good stead, and enabled us to substitute this form of cellulose to some degree, but the use of increased percentages of wood pulp and the assimilation of various qualities and types of wood pulp and linters presented us with many technical problems, and I am glad to say that, despite these difficulties, production has been increased and the quality maintained. Quickly following on the linters problem, there was a crisis in connection with sulphuric acid and the industry was advised by the Government at short notice of a substantial cut in supplies. Although our usage of this chemical is not substantial compared with the quantities required by the viscose industry, it is nevertheless vital to our main process in the manufacture of cellulose acetate. Here again it is owing to the efforts of our people and a great deal of help on the part of the Board of Trade that we managed to overcome the effects of the shortage.

In order to safeguard our future supplies of sulphuric acid, we have agreed to take an interest, commensurate with our usage, in the newly formed United Sulphuric Acid Corporation, Limited, but it will be about three years before supplies from this source are available.

There have been numerous other shortages throughout the year, and all these problems demand constant attention by our executives and require a great deal of time and energy.

In view of the urgent necessity for this country to increase its exports, I am happy to be able to report that your company's direct exports increased sharply in the last year. A substantial part of our turnover was represented by these direct exports and, o

course, much of the yarn and staple which we sell to manufacturers in this country is also exported by them in the form of fabric. The overseas trade was exceedingly profitable last year, and our exports made a substantial contribution to the trading results of the company.

PRICES AND RAW MATERIALS

The effect of raw material shortages upon world prices is, of course, obvious and, in addition to the great increases in the price of cotton linters referred to above, the price of wood pulp has much increased, and the price of industrial alcohol, which is also a principal raw material, more than doubled during the year under review. The cost of coal, transport and packing materials also increased. Fortunately, our output and our increased efficiency have enabled us to absorb a proportion of these increased costs and, although during the year under review it has been necessary to increase the prices of our yarns, it is significant that whereas for example the price of our 140 denier on bobbin increased by an average of 13d. per pound, during the same period similar counts of cotton yarn increased by 28d. and wool by 118d., although recently cotton and wool prices have fallen to some extent. During the year we have been consuming our stocks of raw materials bought at less than current replacement costs. The maintenance of our present selling prices will largely depend upon our ability to buy these raw materials at reasonable prices and on our being able to obtain them in sufficient quantities.

PLANT EXPANSION AND INCREASE IN SHARE CAPITAL

As indicated in my speech last year, it is the board's intention to undertake a considerable amount of plant modernisation each year and, pursuant to this policy, your board have approved during the year further substantial expenditure, the major part of which is in respect of the Spondon factory, where progress continues to be satisfactory.

In regard to the proposed spinning plant at Wrexham, the difficulties referred to last year having been substantially resolved, contracts have been placed for the construction of buildings for the first spinning unit.

During the year we have made good progress in plant installation in our new factories at Wigan, Jarrow and Blyth and, as a result, we have obtained a very much increased output. The majority of the labour had not had any previous experience in textile manufacture, but is progressively becoming more proficient, and we do not contemplate any difficulty in getting these factories into full production as soon as the balance of the machinery is installed, most of which is promised for delivery during this financial year.

Last June application was made to the Capital Issues Committee for permission to raise approximately £3,500,000 in connection with the Wrexham project by the issue of ordinary shares to be offered, in the first instance, to existing ordinary stockholders. The application was approved and Treasury consent was received. Had this been proceeded with the issue would have involved an increase in the authorised ordinary share capital. Shortly afterwards, on account of the Chancellor's statement foreshadowing legislation on the limitation of dividends, it became problematical if that issue could be carried out on the basis originally intended.

In view of the heavy capital expenditure already sanctioned and the future expenditure envisaged as being needed in addition to that for the Wrexham project, it is clear that substantial new capital will be required during the next few years. It is still the opinion of your board that the most desirable method of raising such capital is by the issue of ordinary shares as and when market and other conditions permit. Authority to increase the authorised ordinary share capital must therefore now be sought. Your approval is, accordingly, being asked to increase the authorised ordinary shares from 5,400,000 to 12,000,000 shares of 10s. each. It does not, of course, follow that more than a part of the unissued shares will be issued at any one time.

RESEARCH AND DEVELOPMENT

Elsewhere in this statement I have indicated the practical value of some of our past expenditure on research in connection with our principal raw materials. Ultimate profitability is one of the aims of industrial research and, in order to obtain the best and quickest results, we set up an economic picture before engaging our resources on any major project of research work. With this critical background and in the light of current achievements there is convincing justification for further increasing our expenditure on research in a controlled and orderly fashion. Such properly regulated research is the forging process for the competitive weapon of the future. It many times involves going back to first principles, challenging our procedures and preserving receptivity of mind to current scientific and technical progress. Our industry, where the market is an expanding one, demands that we should continue to improve our regular processes by simplification to attain the goal of productivity—more and better product per unit of human effort. We shall continue our investigations and install equipment for the better security of supply and the lowering of cost of our basic raw materials. In addition, we are, however, not neglecting the field of new fibres of the so-called purely synthetic type—although our view is that for some time to come their application will be somewhat limited to special uses. There is evidence that in the future they may perform a very useful function in the growing number of mixtures with the natural fibres and with already established man-made fibres.

Our yarn and fabric development departments continue their valuable work in extending the end uses of our products and establishing their acceptance in many new sections of the industry. The use of our products for defence purposes naturally involves more than usual attention at the present time. In addition, our technical service department gives highly effective service to all our customers. This service section was a pioneer organisation in the textile industry and, over the many years it has been operating, it has not only built up considerable goodwill with our customers but has also given them practical advice and assistance of great value.

FUTURE OUTLOOK

The future outlook is dominated by world politics. Important markets can be closed to us overnight or affected by suddenly imposed tariffs; vital raw materials can be denied to us by a stroke of the pen; and any attempts to make long-term forecasts are completely hazardous. It is, however, reassuring to know that the world is becoming more and more conscious of the man-made fibres and, in the rising demand, the great versatility of cellulose acetate assures us of a leading place in both continuous filament yarn and staple fibre.

Several new yarns have appeared during recent years and more will undoubtedly appear in the years to come; but up to date nothing in this line has occurred to shake the faith of your board in the inherent value of Celanese yarn and its versatility in application. No doubt each new yarn produced will fit into a niche in the general textile business to which its particular qualities are suited; but, in the case of cellulose acetate yarn, your board is still of the opinion that it is the best all-round textile fibre. It is, moreover, substantially lower in price than all the newer synthetics.

I referred last year to the production and export of rayon from Germany and Japan. In 1950, Germany's output of rayon was 25 per cent. greater than in 1949; during the same period Japan increased her rayon output by 100 per cent. and her exports of rayon piece goods were nearly six times as great by volume as in the previous year. However, her production and exports were overwhelmingly composed of viscose rayon. No doubt Japan's output and exports will continue to increase but, as I pointed out last year, it is worth while to bear in mind—although this is a short-term point of view—that the bulk of the existing capacity is chiefly designed to produce viscose and not acetate rayon.

PERSONNEL

It is the board's intention to set up a fund, to be administered by trustees appointed by the board, the primary object of which will be the payment of pensions to long-service works employees. The trustees will also have power to make grants of a benevolent nature to employees or to their dependents. It is the board's intention to make annual contributions to the fund so long as the company's finances permit.

The scheme has been submitted to Inland Revenue for approval, and its introduction is, of course, dependent upon such approval being granted.

The number of personnel employed by the company and its subsidiaries at our head offices in London and in factories, warehouses and offices throughout Great Britain is now over 16,000. The board is anxious that all its employees should be treated in accordance with the highest standards practised in British industry, and constant study is being given to this problem. The company also wishes to continue to attract staff of the best quality. There are excellent opportunities for suitable young men to progress to senior positions throughout the organisation, and it is only by the steady intake of able new entrants that our commercial and technical progress can be maintained.

I take this opportunity of thanking all our employees for the co-operation which has made possible the success the company has achieved.

The chairman said: Ladies and gentlemen, I regret that Dr Camille Dreyfus, who is in America, is unable to be present.

This year my statement was circulated in advance with the report and accounts in order that stockholders might have a better opportunity of considering it.

I propose, with your agreement, that the report and accounts and the statement be considered as read.

In my statement I referred to plant expansion and increase in share capital, and I would now like to add that we are negotiating for the raising of new finance by an issue of ordinary shares on the assumption that the resolution authorising the increase in capital, to be submitted later in the meeting, will be passed. I cannot give you details at the moment as the terms will not be settled, in any case, until after the election. If and when negotiations are completed you will receive a circular setting forth the terms of the offer to shareholders.

The report and accounts were approved and the resolution increasing the authorised capital was passed.

RONEO, LIMITED

FINANCIAL STABILITY FURTHER STRENGTHENED

LARGE INCREASE IN SALES

SIR GREVILLE S. MAGINNESS'S REVIEW

The forty-fourth annual general meeting of Roneo, Limited, was held on October 30th at the Holborn Restaurant, London, the chairman, Sir Greville S. Maginness, presiding.

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

Ladies and Gentlemen,—In submitting the accounts for the year ended June 30, 1951, I assume that you will agree to take them as read in view of the fact that they have been in your hands for the statutory period.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Taxation amounting to £409,217 accounts for over two thirds of the profit, after providing £107,962 for depreciation and amounts written off, thus leaving a net profit of £197,200 for the year.

It is proposed to augment our reserves by appropriating £80,000 to plant replacement reserve, making this £280,000; adding £30,000 to general reserve, raising this to £280,000, and transferring £10,000 to investment reserve, bringing this figure to £20,000. Dividends on the 6 per cent. and 10 per cent. preference stocks, less tax, for the twelve months ended June 30, 1951, have been paid. On the ordinary stock an interim dividend of 5 per cent., less tax, has already been paid and it is now recommended that a final dividend of 12½ per cent., less tax, be distributed, making the total for the year 17½ per cent., less tax. I will have more to say about this later. After giving effect to these proposals and recommendations the amount to be carried forward to next year is £241,410 as against £213,487 brought in from the previous year.

CONSOLIDATED BALANCE SHEET

It will be seen that the financial stability of the company has been further strengthened inasmuch as the net liquid assets now amount to £1,573,172 showing an increase of £187,870 over the previous year and the revenue reserves including the carry forward on profit and loss account but excluding taxation now total £821,410 as against an issued capital of £661,378.

TRADING

Our sales increased by approximately 20 per cent. over last year, notwithstanding the difficulties of obtaining additional labour and sufficient raw materials. The further increase in our net profit disclosed in the directors' report is due partly to increased turnover and partly to a further improvement in the efficiency of our manufacturing operations and sales methods. I would remind you that to this end we have expended no less a sum than £500,000 during the last six years—an expenditure which we could not have afforded had we not ploughed back into the business sufficient reserves to meet the costs of such improvements.

Such reserves represent the vital life-blood of industry. The welfare of all those engaged in any business in whatever capacity depends upon an adequate retention of profits to provide for improved methods, replacement of plant, and expansion in productive capacity. The present system of taxing retained profits provided for these purposes restricts the healthy development of industry, for which the nation will have to pay a heavy price in the long run.

MACHINES AND SUPPLIES

The sales of both machines and supplies reached a record in volume and in value both at home and abroad. The Roneo "500" with its outstanding economy in running costs has now firmly established itself in the front rank of duplicating machines. The Policy model has more than justified our expectations, as is proved by the growing list of satisfied users.

STEEL OFFICE EQUIPMENT

The steel equipment section of our business continues to be hampered by the shortage of steel sheets, which was accentuated during the past year. The result has been that we are still unable to manufacture our normal range of well-established lines and only supply reduced quantities of others. We have, therefore, been obliged to concentrate still more upon those lines of high conversion value which has been our policy since material shortages manifested themselves. In this connection the systems side of our business has occupied an outstanding position. This company is the pioneer of controlled filing systems and manufactures the well-known Visible "80" Filing System which possesses three outstanding advantages—it is easy to understand, simple to operate, and is as fool-proof as any filing system can be. The demand for Visible "80" continues to grow and we have had to still further increase our manufacturing capacity in this line.

In the visible record section we have recently introduced an entirely new range of machine posting trays called "Flyweight" for use in conjunction with mechanically posted records. These are constructed throughout of light alloy and plastic. The outstanding features are extreme lightness—as their name implies—and speed of operation. They should make a strong appeal to banks, financial and other commercial houses.

EXPORTS

Our sales abroad increased by 21 per cent., compared with the previous year, and reached record figures to date, both in volume and in value. They were more than two and a half times what they were in 1947. These results whilst very gratifying are largely due to the abnormal state of affairs in the world generally, where demands still outstrip supplies. The real testing time has still to come, and I see no reason—on the longer-term prospect—to change the views which I have previously expressed as to the extent of the competition which this country will have to face in world markets. In the meantime, we have the satisfaction of knowing that our sales representation abroad has attained a higher standard of efficiency than ever before.

DIVIDEND POLICY

In my address last year I pointed out that the company had aligned itself with others in pursuing a policy of restraint whilst the wage freeze continued, and I added that if conditions should change your board would review the position in the light of all the circumstances ruling at the time.

The circumstances have changed. The wage freeze is ended. Your board feel fully justified therefore in recommending a modest increase of 2½ per cent. less tax for the year which, although this can now perhaps be regarded as academic, did in fact comply with the terms of the White Paper on the control of dividends.

NATIONAL SITUATION

In considering the results and future prospects of our own company we have to take account of the background of the general situation of this country—both nationally and internationally.

In addressing you in recent years I have endeavoured to draw attention to some of the salient facts of that situation as they have appeared to me at the time. Perhaps I may be permitted to do so again on the present occasion, although I am very conscious of the difficulties of such a review at this time when there are so many uncertain factors to be considered.

In particular, we are meeting this year at a time when a general election has just taken place and when a new Parliament is about to assemble. This is, of course, not the occasion for me to offer any comment on the purely political aspect of our national situation, but these circumstances nevertheless add to the difficulties of forming a clear idea of the outlook for this country. I will, however, attempt to assess the economic considerations which appear likely to influence our future.

REARMAMENT AND TAXATION

This time last year the Government had recently embarked upon the rearmament programme which, at that time, was estimated as being likely to raise our total defence expenditure to some £3,400 million over the succeeding three years. Since that time revisions of the programme and of the estimates for it have increased that figure to some £4,700 million, and it is quite clear that the problem of the burden of taxation on which I then commented has thereby become even more difficult. As I pointed out last year taxation in this country absorbs some 40 per cent. of our entire national income and that is a position which is unprecedented in the history of this country in peacetime or, for that matter, in any other modern state.

At the same time I referred to the virtual impossibility of the Chancellor of the Exchequer being able to raise additional taxation from taxpayers in the higher income brackets. I was very interested to see that the General Council of the Trades Union Congress drew the attention of the T.U.C. to this same fact when they stated in their annual report this year that if all personal incomes above £2,000 were taxed completely away—leaving the persons concerned with no income—this would yield only about £230 million extra. The Chancellor of the Exchequer in the last Parliament when addressing the Trades Union Congress last month stated the matter in a somewhat less extreme form when he drew attention to the fact that if all the excess net income over £2,000 a year were taken by the Treasury it would bring in only £53 million. The latter figure represents only about an eighth of our national expenditure on food subsidies.

When I spoke to you last year the position in regard to our overseas balance of payments had shown a substantial improvement and at the beginning of this year our gold

and dollar reserves had increased sufficiently for Marshall Aid to this country to be suspended. Since then, however, there has been a serious deterioration in the terms of trade from the standpoint of this country, due largely to a rise between July, 1950, and July, 1951, of some 75 per cent. in the prices of imported raw materials.

DOMESTIC PROBLEMS

The Treasury recently announced a fall in the gold and dollar reserves of the sterling area equivalent to more than £200 million—a sum which represents nearly one-sixth of these gold and dollar reserves. This is by no means the full story. The domestic outlook is itself far from encouraging. We are likely again to suffer a fuel crisis during the coming winter. Steps are being taken by industry to meet this position as far as practicable, and an attempt is being made by the Government to bring home the full seriousness of the situation to all consumers of fuel and power. Fresh difficulties, too, have arisen in regard to transport. Difficulty in obtaining many classes of skilled labour is almost universal, and as if this were not enough a new factor is emerging which we have not previously experienced. For the first time since the war it seems certain we shall be faced with a fall in steel production. This occurs at a time when increasing quantities of steel are required in connection with the Defence Programme.

While in recent years we have been faced by a succession of crises we are likely in the coming winter to meet many of these difficulties in an aggravated form simultaneously. It would be idle to expect that we can easily or quickly resolve these problems. There are, however, two things which can be done to assist our position. Firstly, in view of the over-riding importance of the Defence Programme there must be a rigorous limitation of all unnecessary Government expenditure in other directions. This is essential both with a view to avoiding a further increase in the existing heavy burden of taxation and wherever possible obtaining some alleviation of it, and also with a view to removing any unnecessary demands on national resources of manpower, materials and productive capacity. This is a matter which, of course, calls for Government action and all that we in industry can do is to draw attention to its fundamental importance. Secondly, it is clear that everything that we in industry can do to achieve higher production and reduce costs will assist towards the ultimate solution of our difficulties. Our task will not be easy especially in view of the situation in regard to fuel and raw materials. Co-operation and the maximum effort by all constitute the contribution which those engaged in industry can make. To secure the necessary co-operation it is essential that everyone should appreciate the facts of the situation. That appreciation will not be achieved by equivocal statements. Too often in the past government statements about the difficulties of these postwar years have been accompanied or immediately followed by other statements from these same sources which have attempted to gloss over the hard realities of the situation.

It is, of course, all too common to describe as "defeatists" those who have the courage to speak of our national problems with a sense of reality. It is only by stating these unpleasant facts frankly and recognising them that we can hope to meet them successfully.

TRIBUTE TO STAFF AND WORKPEOPLE

In conclusion I would like to express once more on behalf of the Board our sincere thanks to the staff and workpeople for their continued loyalty and devotion to the interests of the Company, and I feel sure that stockholders will wish to join the Board in this expression of appreciation.

The report and accounts were adopted.

WILLIAM DOXFORD AND SONS, LIMITED

DR E. P. ANDREAE ON DIVIDEND POLICY

The fifty-ninth annual general meeting of William Doxford and Sons, Limited, was held on October 26th in London.

Dr E. P. Andreae, the chairman, in the course of his speech, said: The results of another year of continuous full employment are recorded in the accounts and will, no doubt, be considered satisfactory. The trading account, after charging £47,545 in respect of special expenditure on research, shows a profit of £600,442 and the net profit is £267,442, an increase of £33,009. The sum available for appropriation is £382,848, of which £100,000 has been transferred to general reserve and £18,219 to capital reserve for plant extensions and renewals.

We are again recommending the capitalisation of £50,000 from undivided profits and, if that is approved, the issued ordinary capital will be 650,000 shares of £1 each, still a modest figure in relation to the capital actually employed in the business.

Notwithstanding the satisfactory results of the year, which provide ample justification for a higher dividend, your directors felt compelled, in view of the Government's declared intention to restrict dividends, to reduce the final dividend from 15 per cent. to 12½ per cent. which, with the interim dividend of 5 per cent. already paid, would be the maximum permissible for the year under review, if the proposed legislation reached the Statute Book.

Our decision was made before the announcement of a General Election, and was based on our conviction that it would be against the interests of shareholders were we to ignore the proposed legislation of any Government for the time being in power, quite apart from the fact that, in this case, had we done so, we ran the risk of a still further reduction in the rate of our dividend for the following year.

BOARD'S INTENTION

I am at a disadvantage in having to address you on the day following Polling Day, but before the final results of the Election are known. In any case, our dividend recommendation for the year under review must stand as already announced, but, in the circumstances, I think it would be only fair to shareholders to disclose the fact that, had it not been for the threat of enforced limitation, we had intended to recommend a final dividend on the ordinary shares of 20 per cent., which would have meant a total distribution of 25 per cent. for the year. This, in our opinion, would have been a proper recommendation, based on the merits of the case.

I am further prepared to say that, if, for any reason, the proposed legislation for restriction of dividends were to be abandoned, then, other circumstances permitting, we as your directors would be willing to give prompt and sympathetic consideration to a compensatory distribution, possibly in the form an an early interim dividend in respect of the current financial year. Such a distribution would, of course, apply equally to the new issue of 50,000 shares proposed for your sanction at this meeting.

The popularity of the Doxford Engine continues unabated, and at present engines totalling at least 1½ million horse power are under construction by or on order from ourselves and our numerous licensees throughout the world.

The report was adopted.

ALLIED INDUSTRIAL SERVICES, LIMITED

RECORD OUTPUT

The seventeenth annual ordinary general meeting of Allied Industrial Services, Limited, was held on October 26th at Bradford, Mr W. H. Rhodes, C.B.E. (chairman and managing director), presiding.

The following is an extract from his circulated review:

During the year under review the general volume of output from our combined factories was the highest yet achieved in any similar period. The coming into operation of the increased plant installed at the new extensions to our waste spinning mill some months earlier than was originally anticipated, has been one of various factors contributing to this increased output. Again the demand for the various products we service, as well as those we sell, has been at a consistently high level and, as a result, every department of the group has shown appreciable increases in volume of output.

The net profit of the parent company for the year amounts to £159,814 and after bringing in the balance from last year and deducting additional taxation payable £181,074 is available for allocation. It was our intention to recommend that the same rate as declared last year should be applied to the increased capital. In view of the White Paper on dividend limitation, however, we have decided to recommend that no change should be made in the gross amount distributed.

Concerning the present year, of which over three months have now gone, our output to date has exceeded that of the corresponding period of last year, and provided the demand for our products continues and that our essential supplies are obtainable throughout the winter months, it is expected that our output generally will be maintained during the present year.

The report was unanimously adopted.

FINNEYS SEEDS

The fifth annual general meeting of Finneys Seeds Limited was held on October 29th at 18, St. Swithin's Lane, London, E.C.4, Mr Ernest Cornwall (the chairman) presiding.

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

I have much pleasure in presenting the accounts for the year which ended on June 30, 1951. They present a picture recording once again a period of successful trading, which is all the more gratifying having regard to the anxieties due to the wet spring, which entailed great changes in the cropping programmes of many of our customers.

The accounts show that the profits have been fully maintained, in fact there is a remarkable similarity between our turnover and profits for the past two years.

Competition becomes keener each year, and while we shall always sell our seeds as reasonably as possible, combined with the best quality, our chief concern will be, as always, only to offer the finest stocks and strains procurable.

On the whole, the quality of seeds and grain harvested this year, despite weather difficulties, is much better than at one time anticipated.

Our forward order position is very good and the numbers received to date are in excess of those for the corresponding period last year. We have every hope that this position will continue to improve as we are appointing more agents and travellers.

We desire to place on record our gratitude to the officers and staff of the companies, who continue to render yeomen service.

The report and accounts were adopted.

TRINIDAD PETROLEUM DEVELOPMENT COMPANY

ACTIVE AND SUCCESSFUL YEAR

NEED FOR REVISION OF U.K. TAXATION POLICY

EXPLORATORY DRILLING AND ORE RESERVES

MR KENNETH MOORE'S REVIEW

The annual ordinary general meeting of the Trinidad Petroleum Development Company, Limited, was held on October 29th at the Abercorn Rooms, London, E.C.2, Mr Kenneth A. E. Moore, F.C.A., presiding.

The secretary (Mr J. Mytton), having read the notice convening the meeting and the report of the auditors, the chairman said:

Before we pass on to the broader aspects of the company's affairs it occurs to me that, although the accounts are set out with the utmost clarity, some remarks on various items may help in their interpretation.

First of all, the increase of about £243,000 in the balance from production account arises mainly from the fact that, under our contract with United British Oilfields of Trinidad, our production is sold, not at crude-oil prices (which have remained more or less stationary in recent years) but by reference to the Gulf Coast export prices for the principal products contained in the crude, arrived at by a process of analysis. These products, which comprise gasoline, gas-oil and fuel-oil, realised rather higher prices during the past year.

On the other side of the profit and loss account the only item calling for comment is the very large sum of £654,000 spent during the year on oil wells and development account.

This represents the costs of, and incidental to, the drilling of 22 wells of an average depth of just over a mile. Some of these wells were much deeper than this average and one went down over 2½ miles.

I propose, later in my address, to return to this subject and to the question of proved reserves.

PROFIT AND ALLOCATIONS

However, to get back to the accounts, you will see that, after charging drilling expenditure £654,000, depreciation of plant, etc., £249,000, and £23,000 for directors' and management remuneration the profit for the year, subject to taxation, was £740,000. Taxation takes an increasing toll (£430,000) and, by way of contrast, dividends, if confirmed, absorb about £185,000. This leaves £125,000, out of which £25,000 has been put to reserve for supplementary pensions, and £100,000 to general reserve—little enough having regard to the inflated cost of maintaining and replacing plant and of exploratory drilling. The foregoing appropriations leave the carry-forward practically unchanged at £198,380.

This brings me to the balance-sheet position:—

The capital employed now exceeds £2,900,000, as compared with an issued share capital of £1,700,000. The difference of some £1,200,000 is almost entirely accounted for by reserves of one kind and another built up out of profits over many years.

On the face of it, the financial position looks very strong, with current assets amounting to £1,538,000 against current liabilities of £721,000. But, of the current assets, over £700,000 is more or less permanently locked up in stores, stocks and debtors and, in fact, the cash assets of about £800,000 are no more than sufficient to cover with a modest margin the current liabilities of £721,000. And if you look a little further into the balance sheet you will see a note to the effect that contracts outstanding in respect of capital expenditure are estimated at £320,000 and future taxation (that is, the tax payable in the next fiscal year on this year's profits) amounts to over £400,000. Thus you will appreciate that we have to do our best by good housekeeping and by a comparatively conservative dividend policy to conserve and to add to our cash resources. The killer, of course, is profits tax, which at £180,000 is almost equal to the amount we are distributing by way of dividend.

PROFITS TAX

Profits tax is perhaps the most mischievous tax ever imposed. It is a subtle and cumulative poison in the system of private enterprise, in that it is payable wholly out of profits withheld from distribution and therefore militates against the building-up of a business by the time-honoured process of ploughing-in. It militates also against the raising of capital from outside, because it imposes a fine of 50 per cent. on any dividends paid. It is sapping the strength of British industry and is highly objectionable on that ground alone. When applied, as in our case, to the revenue derived from the extraction of irreplaceable mineral resources situated overseas it is indefensible both on economic and political grounds. I may mention that neither Canada nor America taxes profits as such earned in another country.

Quite clearly the present taxation policy of the United Kingdom is not only damaging to Trinidad's economy but is also putting British overseas enterprise at a great disadvantage compared with its transatlantic counterpart.

I trust that our new Government will speedily modify the profits tax and, at least in the case of overseas mining and oil companies, abolish it altogether. I hope, too, that they will look into the whole question of taxation policy on profits earned outside this country with a view to removing injustices, which are not only giving rise to criticism and ill-feeling in colonial and other overseas countries (as is made abundantly clear to all who visit them) but also having unfortunate effects at home.

CHAIRMAN'S VISIT TO TRINIDAD

To return to our domestic affairs, I again visited Trinidad early this year in company with our managing director, Commander Lavington.

The new and liberalised constitution introduced last year following elections based on universal suffrage, is working well. I had the opportunity of meeting some of the new ministers who are co-operating with our industry, and we with them, in the task of improving working, living and economic conditions in Trinidad by the efficient and enlightened conduct of its oil industry, a task in which our general manager, Mr Bennett, both in his duties with us and as a member of the Legislative Council, is making a valuable contribution

I also had the pleasure of meeting and conferring with the Governor, H.E. Major-General Sir Hubert Rance, whose wisdom and guidance Trinidad is singularly fortunate to have in this formative phase in its history.

On our oilfields there were abundant signs of continued progress in all aspects of our activities, thanks to a keen, competent and loyal staff and a good spirit amongst our many employees.

Our workpeople, I know, realise that their fortunes are linked with the continued success and progress of our operations, which alone have made possible the good wages, the improved housing, medical, educational, recreational and other amenities which they enjoy.

I venture to think that Trinidad has turned its back on any ideas of nationalising its oil industry, preferring the wise course of co-operation between government, community and industry, to the mutual advantage of all.

DRILLING OPERATIONS

On the subject of our drilling operations, you will remember that on a previous occasion I mentioned that they have, so far, been confined to about one-third of the total land area over which the company holds oil rights.

If you were to look at a marked map of the south-west part of Trinidad you would see that our holdings, which now amount in all to about 70,000 acres, are principally in the Palo Seco, Coora, Quarry, Los Bajos and Moruga districts, with a spur to the north-east in the Central Ranges.

In the first four named districts we have drilled altogether some seven hundred wells which have given us an intimate knowledge of the geological structure over some 6,000 acres in all scattered over a superficial area of about 25,000 acres. It is only in respect of the comparatively small area of 6,000 acres that our geologists feel justified in computing what are termed proved reserves, and you will be glad to know that, in their view, they would be sufficient to maintain the present rate of production for many years to come. The reserves in the remaining 64,000 acres are, as yet, a matter of conjecture, and will remain so until they have been thoroughly explored by the drill. That process is continually going on, and, by way of example, the wells completed during last year can be sub-divided as follows:—

	Cost
Sixteen exploitation wells (bread and butter wells drilled in proved areas)	£283,000
Three semi-exploratory wells, two of which gave good production and substantially increased the area of our known reserves	132,000
Three exploratory wells, two of which must be regarded as failures and one of which, Coora 188, as I shall tell you presently, is producing oil and raises hopes of important discoveries	239,000
	£654,000

Of the three exploratory wells, Moruga No. 1 ran into difficulties owing to the collapse of the formation between 6,000 and 8,000 feet, and ultimately had to be abandoned as a failure.

Marabella No. 1 at an early stage raised everyone's hopes by unexpectedly entering the Cretaceous formation at 3,500 feet, and thereafter extremely hard drilling was encountered. It was a great disappointment when, at 6,500 feet, it was found that we were, geologically speaking, back where we started, and that what had been drilled through with great difficulty was nothing but an immense overthrust. Subsequent tests gave small quantities of oil, but no commercial production. Further tests are still in progress.

HERRERA DISCOVERY

Coora No. 188, to which I referred last year, was eventually drilled down to 13,471 feet. A narrow belt of the Herrera sand—one of the objectives—was encountered just below 8,500 feet and the Cretaceous soon after 13,000 feet. This well was all but wrecked by the premature explosion of a perforating gun at 8,978 feet, but was ultimately recovered by very creditable salvage operations carried out by our engineers. Tests of the Cretaceous gave a small amount of oil and much salt water under great pressure but no commercial production. Subsequent tests of the Herrera have, however, yielded sustained production of oil averaging 100 barrels a day through an exceptionally small flow-hole at a pressure of over a ton per square inch. This is the first Herrera production we have achieved in our main fields and may be of great importance, though it would be dangerous to jump to premature conclusions.

Our geologists, however, think there is a good prospect that this Herrera sand extends over a considerable part of the company's holdings in the Coora Field and, possibly, in the Palo Seco Field also. There are reasonable grounds for hoping too that further to the north the sand may thicken and therefore prove more prolific.

In order to prove or disprove the extent and capacity of this Herrera discovery, two further exploratory wells have been put in hand but it will be some months before we know the answer. If the promise of Coora 188 is confirmed by these two wells proving good producers from the Herrera sand, it would be an event comparable in importance with the original discovery of the Coora Field, which has contributed so much to the company's prosperity in the last ten years.

As Coora 188 cost £170,000 to drill the present production from it would hardly make it a paying proposition but, from the geological point of view, it has, of course, provided invaluable information. I repeat, however, that it would be dangerous to jump to premature conclusions.

From what I have said you will appreciate that we have before us many years of intensive exploratory work, the outcome of which will be of vital importance not only to us but to the future prosperity of Trinidad.

We regard this work as an inescapable duty from all points of view and we intend, as a matter of policy (as I have no doubt would be your wish) to continue with our programme in spite of the great expense and commercial hazards involved.

DIRECTORATE AND STAFF

To turn to more personal matters, as you will have seen from the report, Sir Claud Hollis, owing to advancing years, is not seeking re-election. For many years he has contributed valuable advice in the conduct of the company's affairs, drawn from his long experience of Colonial administration. We regret his retirement, but are fortunate in having the opportunity of recruiting as his successor Sir John Huggins, who will bring with him just that facet of experience which in the past has been so useful to us.

It remains for me to take this opportunity of expressing on behalf of the board our most sincere thanks to all, at home and abroad, in the service of the company for their contribution to the continued progress of our undertaking. As shareholders you will, I am sure, wish to join with the board in sending a message of thanks and encouragement to our staff and workpeople in Trinidad, who, I can assure you from what I have seen personally, are doing a really first-class job.

The report and accounts were adopted.

FISHER AND LUDLOW LIMITED

SATISFACTORY RESULTS

MR ARTHUR KEATS'S REVIEW

The thirty-first Annual General Meeting of Fisher and Ludlow Limited was held on November 2, 1951, at the Queen's Hotel, Birmingham, Mr Arthur Keats, O.B.E. (chairman of the company), presiding.

The following is his statement which was circulated with the report and accounts for the year ended March 31, 1951.

Your Board of directors is pleased to be able once more to present accounts, which, although showing a slight contraction of earnings compared with the outstanding achievement of the previous year, are considered, in the light of circumstances which prevailed, to be very satisfactory.

In my statement last year I felt it my duty to point out the possibility of some reduction in trading profit due to rising costs and the introduction of new models with its attendant difficulties. This has been further aggravated during the year by shortages of materials of all kinds, and in particular sheet steel, which for the last three months of the year forced upon us short-time working in some sections of our plant.

Turning to the Accounts, which are fully informative and require little explanation, you will note that the net profit attributable to the group is £328,167 compared with £404,396 last year and this is after charging £245,432 for depreciation and £515,857 for taxation, the latter being particularly onerous as a result of the latest Budget increases.

As mentioned last year the balance of the Ordinary shares of Bendix Home Appliances Limited were acquired, involving the issue of 77,807 ordinary shares of your company. This transaction is responsible for the increase shown in Issued Capital and Share Premium Account. This acquisition is amply justified by the trading results being achieved and which, given reasonable conditions, should continue.

From the balance sheet it will be seen that the financial structure of the group has been strengthened still further in spite of the greatly increased need for working capital brought about by higher prices, steady expansion of trading and the ever-growing proportion of the company's income required to be paid out in the form of taxation.

DIVIDEND POLICY

Your company has for many years adopted a conservative policy with regard to dividends and has ploughed back into the business a considerable portion of its profits year by year, so that the Revenue Reserves and Surplus as shown in the Consolidated Balance Sheet together total £1,152,533. This policy has played no mean part in the healthy and continual development of your Company.

With the latest Government direction on the control of dividends it is possible that the maximum payable during the next three years will be at the rate of 22½ per cent., and this is recommended for the period under review. A further £10,000 is proposed to be allocated to the Staff Benevolent Fund.

We have continued with the policy of extending and modernising our plant and equipment, and capital expenditure amounting to £316,103 was incurred during the year. Commitments for a further £240,000 were outstanding at the date of the accounts. As a result of the withdrawal by the Chancellor of the Exchequer of the Initial Taxation Relief there must inevitably be a slowing down of this process, which, in the long run, can only have a detrimental effect upon British industry and reduce its competitive powers.

PROBLEM OF FULL PRODUCTION

Due to the shortage of materials the maintenance of full production is the chief problem of your Board. We have built up world-wide sales for certain of our products, and it is a source of great disappointment that the strenuous efforts made in this direction are offset by the inability to supply due to these conditions. You may be assured that this problem is receiving constant attention and, wherever possible, substitute materials are being introduced where these have been proved to be suitable and satisfactory for the purpose for which they are intended. This scarcity of materials has undoubtedly curtailed our export activities for the time being, but we are hopeful that some improvement in the position will not be long delayed. We also continue to experience interruptions to production on account of electricity cuts and load shedding.

Our Materials Handling and Factory Equipment Division continue to make satisfactory progress. There is undoubtedly great future scope in this sphere of our activities, dealing as it does with the supply of material handling equipment of all kinds, which is so essential to efficient production.

Your company has been privileged to receive as guests, many visitors from overseas, notably among which were the American team representing the Pressed Metal Industries of America, this visit being sponsored by the Anglo-American Council on Productivity, the Birmingham section of the Institute of Production Engineers who held a Material Handling Conference at our works, and the Institute of Mechanical Engineers.

Our order books remain satisfactory, and it may interest members to learn that your company is making a useful contribution to the Defence programme, both in development and production. During the present year production has been maintained at the maximum possible, taking into account the restrictions that have applied and which have been outside our control.

THE FUTURE

Whilst the year's trading has, in view of the various difficulties encountered, been satisfactory, I feel sure I could not be blamed for taking a not too optimistic view of the future. We have, as you are aware, already received warnings of the serious difficulties that are likely to be encountered with fuel and power, and there does not seem to be a possibility of an early improvement in the material situation. With such uncertainties it is difficult to hope for any better results, but you may be satisfied that your Board will use its utmost endeavours to obtain continuance of present achievements.

In conclusion, I wish to express your gratitude and that of your Board, to the Management, Staff and all employees of our organisation for their loyal endeavours and support throughout the year, which are reflected in the results before you.

The report was adopted.

TRONOH MINES, LIMITED

CONDITIONS IN MALAYA

The forty-ninth annual general meeting of Tronoh Mines, Limited, was held on November 1st at 73, Cheapside, London, E.C., Mr J. H. Rich, chairman of the company, presiding.

The following are extracts from the statement of the chairman which was circulated to the members:—

There is a shortage of mining labour in Malaya. Amongst the reasons might be mentioned the attraction of the profits made by those tapping on small rubber estates and the high wages offered to semi-skilled employees by building contractors.

Despite the official optimistic statements made from time to time, security conditions in Malaya do not appear to have undergone any appreciable change since our last meeting. The regrouping of mine labour is one of the additional measures for dealing with the bandit threat. Under this, all mine labour has to be removed and rehoused in selected areas which are encircled with barbed wire with police guards mounted and a nightly curfew imposed. The cost of this undertaking, which is heavy, falls on the mine.

AMERICAN ATTITUDE

Prominence has been given to attacks by American interests on the tin producers and in particular Malayan producers. Amongst other inaccuracies is the accusation that tin producers were "gouging" the U.S.A. regarding price. One result of these attacks was that the American Government refrained from buying in the open market and restricted the consumers' requirements by 20 per cent. of their consumption for the first half of 1950.

It is not a question of what the U.S.A. or anyone else considers a fair price, but it boils down to the simple question—is the tin required? If so, then the price must be such that the necessary tin will be forthcoming.

The U.S.A. appears to be obsessed with the idea that the sums she has spent on buying tin have inordinately swelled the profits of the producers. But something far more vital than mere profits to producers is involved. The U.S.A. does not appear to realise that Malaya is a bastion in S.E. Asia, putting up a fierce and costly struggle against Communism.

EFFECT OF GOVERNMENT'S POLICIES

It is not properly realised at home how the policies of the British Government, such as the recognition of the Communist Government in China, and the recent capitulation in Persia, have direct repercussions in Malaya. In view of the repeated assurances of Ministers that it was the government's intention that the representatives of our oil interests would remain in Abadan, our withdrawal in face of Persian pressure is bound to have far-reaching effects in Malaya. One of these effects is to raise doubts as to the degree of reliance that can be placed upon the then Prime Minister's statement in March, 1950, that there was no intention of a premature withdrawal from Malaya.

An unequivocal declaration is required from the British Government, making it abundantly clear that self-government will only be granted when the development and progress of the peoples of Malaya show without doubt that they are fitted for it and that when self-governing Malaya will still remain within the Commonwealth. Meanwhile first things must come first, and the great urgency is to resolve the emergency and the terrorist problem so that the necessary development can proceed in settled and peaceful conditions.

The report and accounts were adopted.

HAROLD WESLEY LIMITED

(Manufacturers of Paper Products)

INCREASED SALES AND PROFITS

The fifth annual ordinary general meeting of Harold Wesley Limited, was held on October 25th at the Wesley Social Hall, Wesley Avenue, Harlesden, N.W.10, Mr Percy Day-Winter (chairman and managing director) presiding.

The following is an extract from his circulated statement:

It was the directors' intention to recommend a final dividend of 16 per cent., making a total of 25 per cent., plus a bonus of 2 per cent., giving a full distribution of 27 per cent. for the year ended June 30, 1951, but on July 26th, the Chancellor of the Exchequer made his announcement proposing to introduce legislation to restrict dividends to the average of the two previous years, which, if passed, will "freeze" our dividend to 23¼ per cent. Your directors, therefore, recommend the payment of a final dividend of 14¼ per cent., making a total of 23¼ per cent., for the year and the appropriation of the difference of 3¾ per cent. to a special dividend reserve for payment to shareholders when circumstances permit.

Prudence dictates that a stock depreciation reserve should be created to provide against the possible fall of material prices, and your directors have therefore set aside the sum of £20,000 for this purpose.

The company's factories are in full production and adequate supplies of raw materials have been available to accomplish the satisfactory result shown and it is anticipated that progress will be maintained.

The report and accounts were adopted.

AMALGAMATED TOBACCO CORPORATION

The fifth ordinary general meeting of the Amalgamated Tobacco Corporation Limited, was held on November 1st in London, The Rt. Hon. Lord Llewellin, P.C., C.B.E., M.C., T.D. (the chairman), presiding.

The following is an extract from his circulated statement:—

I regret that this year for the first time I have to report a lower figure of profit as a result of the year's working. This decline in profits has resulted very largely from rising prices of every item coming into the costs of your company's products, while selling prices have remained virtually unchanged. Rising prices have, of course, affected all companies in the tobacco trade, but in our particular case we have had to operate under the injustice we are suffering over tobacco allocations.

The Board of Trade in exercising its control over tobacco is assisted by a Tobacco Advisory Committee, and in our view it is a great weakness of this Committee that it consists only of people connected with the six or seven large companies in the trade, and that no representative of what might be called the medium-sized or smaller companies in the trade is a member.

We consider that a "fair shares for all" scheme, which would give justice to all manufacturers, small as well as large, ought to be adopted. It would be a great relief to your directors if they could get a fair and just settlement of the tobacco situation. It would, I feel, be much easier for us to overcome the difficulties if we were not hampered by a Government control. It would even be easier if that government control paid more regard to the legitimate interests of the smaller companies such as ours.

The report was adopted.

NEEPSEND STEEL & TOOL CORPORATION

MR S. C. GOODWIN'S REVIEW

The thirty-first annual general meeting of this company was held on October 30th at Neepsend, Sheffield, Mr S. C. Goodwin, J.P., the chairman, presiding.

The following is an extract from his circulated statement:—

The trading profits before taxation, have amounted to £743,787, as against £539,554. The dividend and bonus declared on the ordinary stock represents a distribution of approximately 4 per cent., free of tax, on the capital employed in the Neepsend Group of companies.

In accordance with our policy of acquiring companies closely associated with our own spheres of activity, we purchased in the autumn of last year the entire share capital of William Smith & Company (Sheffield) Limited, manufacturers of high grade wires, and also Thomas Hancock & Sons (Saws) Limited, the former being one of the oldest established in the industry and with a very high reputation for its products, and the latter a long established factory specialising in certain types of saws. Both these firms, as also Hattersley & Ridge Limited, have contributed very satisfactorily to the consolidated profits of the parent company for the year under review.

While it is difficult to prophesy for the future in view of the rearmament programme and the high rates of taxation, coupled with increasing costs of production, the latter being specially serious for our important export trade, yet your board have every confidence in being able to maintain that prosperity we have enjoyed for so many years.

The report was adopted.

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Particulars and application forms from Secretary, Civil Service ommission, Burlington Gardens, London, W.1, quoting No. 4093/51; ompleted application forms must reach him by December 6, 1951.

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KENNETH LAWRENCE, Secretary and Registrar.

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Mere Beginning

THE Conservative Government's first programme is the least that could be expected in the desperate position in which it finds the country. The lightness of the proposed legislation is entirely welcome. In this situation it is right that the controversial measure to restore university representation in the next Parliament should be deferred until later in the life of the present Parliament. Greater precipitancy in the return of the steel industry to private ownership would have served no useful purpose. In transport, reorganisation is urgently necessary and the Conservatives ought to have had a fully considered scheme ready; but if it is not ready, immediate action is best confined to the single point of giving more freedom for road haulage operations by private enterprise. The renewal of the existing emergency powers legislation for another twelve months is a regrettable necessity; the breathing space could be well used for preparing a radical measure to deal with the jungle of controls and ministerial regulations next year. And with the promised measure "for strengthening and widening the activities of the Monopolies Commission" the Government is wisely choosing one of the principal fields in which vigorous legislation can be most fruitful and need not provoke unnecessary controversy on purely party lines.

But if the legislative programme is light and useful, the programme for economic action is light and inadequate. It differs in three respects from the policy that might have been expected of Mr Gaitskell if Labour had remained in office last month. Company dividends are to be restricted by an excess profits tax instead of by statutory limitation; in the import cuts there is less emphasis on direct dollar saving than has been customary; and the promise of economy in next year's government spending is a little more definite and convincing than Mr Gaitskell could easily have made it. For the rest, the measures are those that any Chancellor would probably now have found unavoidable. Even the attempt to restrict credit goes no farther, at this stage, than Mr Gaitskell might perhaps have gone after the election.

"The seriousness of the situation," the new Chancellor said on Wednesday, "justifies any departure from precedent." He meant that he would disclose the dollar deficit in the single month of October rather than wait for the usual quarterly statement. For the rest, the present programme follows the precedents set by Labour Chancellors in the previous postwar crises closely enough. It might claim to roll into one the summer import cuts and the autumn capital cuts of 1947. On the other hand, the essential budgetary attack on inflation is postponed till April, whereas Dr Dalton at least made a first move towards it in November, 1947.

The point of this comparison should not be misunderstood. It does not mean that Mr Churchill's Government is exposed to the same blame for doing too little too late as was Mr Attlee's Government four years ago. It is not the Tories' fault that the crisis of solvency has grown unchecked to the point Mr Butler had to describe. Plain though

the growth has been to independent observers, eleven days is little time in which to expect politicians to pass from the atmosphere of an election campaign, and from the more hardened attitudes of six years in opposition, to the realities of office. What is being done at once requires no mean measure of political courage. The Conservative Government will not be condemned for the inadequacy of its first programme. It will be condemned if it supposes that this programme is much more than a first gesture to demonstrate the seriousness of its intent. It will be condemned if Ministers deceive themselves that they are as yet much nearer to solving the permanent problems of the British economy than Dr Dalton was in October, 1947. It will be condemned if they imagine that they can now wait and hope that by April things will not be so bad after all.

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Three-quarters of the immediate programme consists in the restriction of British expenditure overseas. To slow down the accumulation of stocks of strategic materials is a necessary act of prudence. There is also no choice but to abandon hopes of increasing the food rations and some will have to be reduced. The halving of the foreign exchange allowance for tourists is harder to defend because the saving is small and the damage to international good relations may be considerable. The major economy, however, will be in imports of foods and certain manufactured goods from Europe. That is a sad, if partial, retreat from the freeing of trade among Western European countries that had stood as one of the few recent achievements of international co-operation.

Mr Butler certainly did not put the wisdom of this measure beyond doubt. He estimated that the full effect of all the measures to economise foreign exchange would be to save £350 million a year (against a deficit that might otherwise be £500 million or £600 million in 1952). He did not try to indicate how quickly this effect might be apparent in the trade returns, after existing contracts have been honoured. Yet the restrictions, and particularly the restrictions on imports from Europe, can be justified only as emergency measures promptly effective in a desperate situation. In the longer run their effects are certainly mixed and the net advantage is highly questionable. Britain is not the only European country to be pinched by adverse terms of trade. Mr Butler himself took care elsewhere in his speech to emphasise that British problems are "at bottom, the problems of the defence of the free world." The example of a beggar-my-neighbour remedy for a common problem, so promptly set by a Conservative Government here, is unlikely to go uncopied, and in a general retreat from trade liberalisation British exports may well be reduced as much as British imports. There is a particular danger that more scope may in consequence be given to the reviving competition from Germany. And, in any event, the restriction of imports by administrative action will widen the gap between supply and demand in the home market and intensify the need for disinflationary policies to reduce demand.

For these reasons the fresh bout of trade restrictionism will be justified only if it is immediately effective in restoring confidence in sterling, in persuading foreign traders and bankers that under their new Government the British people are determined to cut their coat to the cloth, to live on what they earn. The issue of confidence is decisive. The dollar deficit last month was at the rate of $3,840 million a year. That is nearly as big as the deficit in 1947 and much bigger than the rate during the six crisis months that in 1949 led to devaluation. Speculation against sterling has again reached most alarming proportions. Unless the movement is quickly reversed the dollar reserves can fall to the point of bankruptcy in a matter of months. And it is certain that import restrictions in themselves will not restore the world's confidence in sterling. They are a medicine that has been tried and found ineffective before.

The crux is in the policy of disinflation, and immediately not so much in its practical effects at home as in the sense it creates both at home and abroad that the Government is in earnest about it. For this symbolic purpose the raising of the Bank rate by a mere ½ per cent is pitifully inadequate. As is argued in an article on page 1124, Mr Butler's gradualistic approach to the use of monetary policy may in the long run be as effective as any. It has to be hoped that the outside world will also give him the benefit of the doubt. But he should be fully aware that at the best it will do so for a strictly limited time. If he prefers to go cautiously in restricting credit, then there must be no doubt about the determination behind his other policies.

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Faith in the Government's determination must in any event be based more on the supporting evidence than on the direct monetary policy that, as Mr Butler said, cannot by itself have decisive results. From this point of view the postponement of new building is unimportant. It is avowedly intended to increase, not to reduce, the amount of building work finished next year. It will help to check inflation only to the extent that it makes some building workers redundant by getting the work done more efficiently. And since the Government sticks to its intention of building more houses as soon as possible it can be taken for granted that few workers will, in fact, be declared redundant.

The conclusion is inescapable. The effectiveness of Government policy depends almost entirely on its remaining subdivision: it depends on the promised economies in the Government's own spending next year. And it is here that the programme is most disappointingly cautious. The careful internal review described by Mr Butler will no doubt secure some appreciable pruning of the estimates that would otherwise have been presented. It offers little hope of substantial net economies. The Chancellor rejected proposals for an external review by an independent committee with the argument that it would put Ministers on the defensive on behalf of their departments. If that is true it means that their enthusiasm for economy is, to say the least, lukewarm. In that spirit no internal review will achieve large results, whatever "co-operation" Mr Butler's colleagues have promised him. To cut out "all waste and unnecessary expenditure," to defer or slow down "less essential services"—"wherever possible"—will not transform the British budget. The marginal adjustments will be welcome, but they will not rescue this island from the familiar perils that have this week been "disclosed" with so fine a flourish. If the Conservatives agree that the primary remedy must be to cut Government spending

—and there is no alternative—then they cannot possibly expect to match their policy to the urgency of the situation without cutting welfare expenditure and getting better value for it.

Until this is recognised the Government can offer little but the familiar prescription. It comes close to copying salvation by fleabites—the bites to be made next year. It is Labour's policy of minor expedients breeding major crises. There are, indeed, some improvements. There is a little more inclination to let the economic mechanism work—so long as it works without hurting anyone. There is a bow to economic sanity by charging local authorities the market rate for housing loans; and there is an immediate indication that sanity will not count because if need be the housing subsidies will be increased in order that the higher interest charges will not be reflected in the rents tenants have to pay. One is left wondering where the new policy is even supposed to lead. Is it, in brief, that everything necessary "to make and keep sterling strong" will be done, provided only that ninety-nine people out of a hundred barely notice it?

It is, fortunately, too soon to despair. The Government has had little time to take the measure of its problems. That measure surely cannot long remain hidden. What is at stake is, plainly, the survival of the British economy. It is not only the survival of the trade on which, as the Conservative party well understands, British prosperity and influence were built: On that trade depend also, in the absence of American subsidies, the full employment and the welfare state that the Conservative Government is rightly pledged to maintain. The cuts that will secure survival are cuts not in trade but in the excessive demands on the economy that are limiting and distorting its trade. It was never easy to be confident that a Conservative Government would have the resolution to make those cuts in time. But at least Mr Butler has given himself some breathing-space in which he may go on to more adequate remedies.

Truce without Illusions

THERE was never a moment in the Korean war when greater caution was needed than now in interpreting the news. This is because the news has begun to be good. At the armistice talks in Panmunjom much progress has lately been made in narrowing the field of disagreement about a cease-fire line; in fact, both sides have now made differing proposals about much the same thing—that the present front be taken as a basis for work by a sub-committee, while the main delegations discuss other items on the agenda. At General Van Fleet's headquarters there is also a feeling of greater military strength. The bitter summer and autumn campaigns are regarded as having secured a winter line which the enemy cannot break. Even the hard-pressed people of South Korea have plucked up fresh courage; they are trickling back to Seoul from the extremities of the peninsula and are fanning out again on their shell-torn farms.

On the other hand, all this could be reversed overnight. Neither the speeches and statements of the Communists nor their laboured handling of negotiations across the table at Panmunjom give any certainty that they want an armistice at all. During the Chinese civil war, truce talks were almost invariably used to gain time for regrouping, and in Korea there are reliable reports that the building up of the Communist armies continues apace; even if the United Nations front is strong enough to hold the enemy, something in the nature of an Ardennes offensive would surprise no one on the allied side. Russian aircraft are being used in constantly growing numbers, and the allies are no longer masters of all the North Korean air. In Peking the Chinese leaders continue to prepare their people by warning, instruction, abuse and exhortation, for a long war.

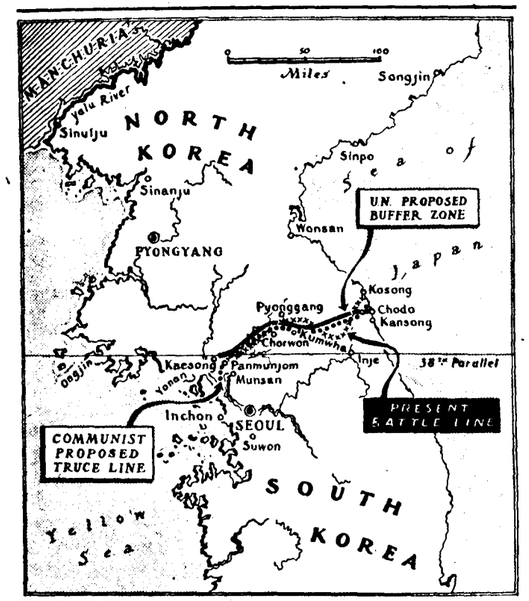
For the moment, however, the balance is on the side of progress in the armistice talks. Whatever their real reasons and whatever their long-term objectives, the Communists, having abandoned their former impossible claim to a truce line on the 38th parallel, have now proposed a line which differs by only a few miles from that put forward by the United Nations. At the same time, if the Communists are sincere in wanting an armistice, it may be that the task of ironing out these few miles may yet prove long and difficult. If they are not sincere, they could afford to yield fairly readily at this point and, having gained some propaganda advantage in appearing to show good will, could make their next real stand on one of the other items on the agenda.

On the United Nations side the armistice negotiations are virtually in the hands of the Americans. This is no more than fair and realistic in view of their preponderant share in the military effort. The other nations which have sent contingents to the Korean war may also rest on the assurance that General Ridgway and his negotiators, led by Major-General Henry I. Hodes, are being extremely cautious in their own interpretation of developments in the truce talks. There has been no let-up in American military preparedness and there is no intention that there shall be, until the last item on the armistice agenda has been agreed. The risk of slackening the effort is nevertheless a real one and it applies as much to America's allies as to the United States. It will grow with every step forward in the armistice talks themselves, a fact on which the Communists, if they are not sincere, may well be counting. The risk in fact is threefold, in respect of the military command on the spot, of American opinion at home, and of public opinion in the countries of Western Europe, where there is already a dangerous tendency to want to end the Korean war at almost any price that can be represented as reasonable, whatever its ultimate consequences.

It is difficult to see how the armistice negotiations can be anything but protracted, however willing the Communists may be to see them concluded successfully. The next item on the agenda is agreement defining the scope and precise functions of armistice commissions, appointed by each side to see that the other does not use the truce to prepare for a new offensive. Given the great aversion of the Russian and Chinese Communists to inspection in any form, it is likely to be difficult even in the most favourable circumstances to devise a satisfactory means of seeing that the Communist command sticks to its undertakings. If that hurdle can be cleared, the next item is the exchange of prisoners. Again, the Russians have a very bad record and both the Chinese and North

Koreans have so far shown complete disregard for the normal conventions of war, such as accepting inspection by the Red Cross and the ministrations of a neutral protecting power. There seems little reason to suppose that they will at all readily agree to the minimum acceptable conditions for the transfer of prisoners.

Lastly, there is the item on the agenda known as "recommendations to governments." It is here that the military armistice talks must merge into the wider political discussions that will have to take place if a truce is to be converted into peace. And it is here, accordingly, that perhaps the main obstacle to a cease-fire will be encountered. This item on the agenda refers mainly to the question of the withdrawal of foreign troops



from Korea. It thereby raises directly the problems which formed the object of the exchange of messages last January between the political committee of the UN General Assembly and the Chinese, at the time when General Wu Hsiu-chuan's mission was at Lake Success. In replying to the Assembly's statement of principles of January 13th, Mr Chou En-lai, the Chinese foreign minister, said on January 17th that the war in Korea could only be ended on the basis

> of the withdrawal from Korea of all foreign troops and of the solution of the internal affairs of Korea by the Korean people themselves; that the United States armed forces must be withdrawn from Taiwan (Formosa); and that the representatives of the People's Republic of China must obtain their legitimate status in the United Nations.

As other events intervened and as the military campaign had developed unfavourably for the Communists by the early summer, Mr Malik made his famous broadcast in June. He no longer insisted on the American abandonment of Formosa or on a Chinese Communist seat at Uno as conditions for a cease-fire in Korea. Both points had been vigorously rejected by the United Nations as in no way connected with the stopping of the fighting. In the exchange of messages leading up to the first cease-fire talks in July, however, it was plain that the Chinese continued to attach the greatest importance to the withdrawal of foreign troops, and it was only as a compromise that the question was deferred for discussion at the cease-fire talks themselves, being placed on the agenda in its present camouflaged form.

Today this problem of the withdrawal of foreign troops, during the twilight between the end of full-scale war and agreement on settled peace terms, must raise in an acute form the enigma of China's—and less directly Russia's—intentions. There can be no question of withdrawing United Nations troops from Korea until the South Koreans are in a position to defend their own interests. They can only do so if their army is bigger, better equipped and more highly trained than it was before the Communist aggression last year, and if there are clear international guarantees that another attack on them would bring the free world to their assistance. The alternative would be to reach a political settlement in which their position in a united Korea was assured—the final objective to which the United Nations is still committed. But either course implies a considerable interval between the moment of armistice and the withdrawal of UN troops. And, while it is not enough in a Communist country like North Korea to secure the withdrawal of the Chinese forces as a condition of UN withdrawal from the South, Chinese withdrawal must move in step with any reduction of UN strength.

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As these wider questions impinge on the armistice talks at Panmunjom, it is clear that there is more and more opportunity for the Communists to prevent final agreement, while at the same time appearing to have made great concessions for peace and being able to place the blame for failure on the Americans. All depends on what they really want at the present stage, which is still a very long way short of the point at which there could be any practical discussions about the wider settlement in the Far East that the free world wants. Apart from the key questions of withdrawal of troops, abandonment of Formosa and a Chinese Government seat at Uno, Peking originally demanded that peace in Asia—as distinct from a military cease-fire in Korea—should be negotiated by seven nations, China, Russia, Britain, America, France, India and Egypt, meeting in China itself. These again are conditions which the free world could not accept, even if a settlement had been reached in Korea.

What is so far still lacking is any firm evidence of a Communist will for peace. Last February, Stalin declared to a correspondent of *Pravda*: "If Britain and the United States of America finally reject the peace proposals of the People's Government of China, the war in Korea can end only in the defeat of the interventionists." This has never been gainsaid, and as a pronouncement by the world's supreme Communist it must continue to be taken seriously. While, therefore, it is right to hope and work for the first step of all, an armistice in Korea, the wider background must never be forgotten. Fortunately, General Ridgway and his colleagues appear to be anxious—perhaps over-anxious—not to be fooled by the first impressions made by each new Communist proposal at Panmunjom. They know from the political experience of the last five years in Korea and from the military lessons of the last few months that they cannot afford to give way without obtaining specific gains in return. It is the duty of the outside world, particularly in distant Europe, to try to understand their problems and not to urge weakness when only strength can mark any real path to peace.

Europe's Arms Inquiry

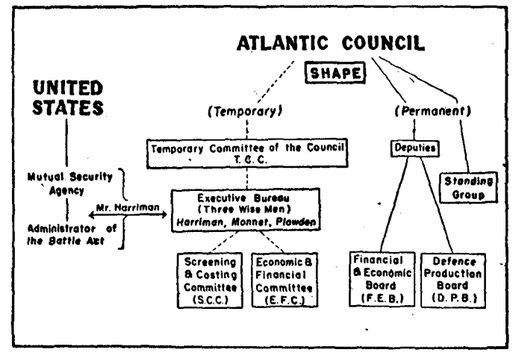
THE layman is only slowly becoming aware of the fact that crucial decisions about the western rearmament for which he has to work, pay and serve are now being taken as much on an international as on a national basis. What, he asks, is happening in the North Atlantic Treaty Organisation? Who are these "three wise men" who travel so assiduously? Why has General Eisenhower been consulting with President Truman about Europe's capacity to rearm? Who is this General McNarney who has appeared in Paris with a fresh set of military experts?

To understand what has been happening since the Ottawa Conference one must go back to the time before that September meeting of the Atlantic Council. Three main bodies were then working on plans for the defence of Western Europe. In addition to General Eisenhower's headquarters near Paris there were the Financial and Economic Board, the Defence Production Board and the military Standing Group in Washington. All had planned themselves more or less to a full stop. The Standing Group had decided what forces were needed from member countries by a certain date if the Russians were to be deterred from attacking Europe. The Defence Production Board had listed the equipment that could and could not be produced in Europe without assuming any great degree of co-ordination, or the existence of an artificial stimulus such as "off-shore" purchases by the United States. It also had a fairly accurate idea of where in Europe surplus productive capacity existed, which would not be used without stimulus, of the extent to which this surplus capacity could meet the gaps in military requirements, and of the main factors preventing it from being used. In almost all countries except Britain the real difficulty lay in an unwillingness or inability to shoulder new financial burdens. The Financial and Economic Board had been analysing these burdens and their impact on economic stability. It found that the problems created by rearmament differed from country to country: in Britain the impact was mainly on the balance of payments, but in France on the cost of living. It added the reminder that, in most cases, current production plans were conditional on receiving economic aid from the United States. But the board was unable to say whether Europe's fears were justified, or what co-ordinated action could ease the burden.

At Ottawa it was clear that the three bodies working independently could get no further and that they had not got far enough. If plans were to become realities, new personalities, a fresh political impulse and a different angle of vision were required. The personalities must be strong and influential enough to be able to commit their countries to the real limit of their capacities. The political impulse must be found to stimulate international solutions and national sacrifices that were beyond the scope of mere officials. The new angle of vision was necessary to put in perspective and to relate for the first time the military needs and economic possibilities. There had to be drawn on the same graph the curve of desirable external strength and the curve of threatening internal instability; somebody had to find the optimum point where these two lines would cross.

Ottawa attempted to provide for this new task in the following manner. The Temporary Committee of the Council (TCC) was formed in Paris, with representatives from the twelve member countries of Nato. After one meeting, it appointed an Executive Bureau (the three wise men), consisting of Mr Harriman (United States) in the chair, M. Monnet (France) and Sir Edwin Plowden (Britain). They appointed two advisory groups to help them: an Economic and Financial Committee drawn largely from the permanent personnel of the FEB and a Screening and Costing Committee under the American General McNarney, who with his efficiency experts from the Pentagon is to use his scissors on the frills of the military programme.

By far the most important feature of this new temporary organisation is the position of Mr Harriman. A few weeks after his arrival in Paris, he was chosen by Mr Truman to administer the American foreign aid programmes, at the head of a new office in Washington called the Mutual Security Agency. In this office are concentrated the functions that have hitherto been



This diagram is only illustrative; it does not necessarily represent channels of responsibility.

scattered between the State Department, the Defence Department and the Joint Chiefs of Staff. It will also include the administrator of the Battle Act, which was designed to limit trade beyond the iron curtain carried on by recipients of American aid. Mr Harriman is thus at the centre of the efforts being made in Paris to co-ordinate European rearmament; he is at the same time at the centre of the organisation in Washington which will direct economic and military aid abroad.

If the first task of the "three wise men" is to find the present point of intersection between military strength and domestic stability, the second is to find ways and means of pushing this point as high up the graph as possible. To do this it was necessary to get the timetable straight, and Mr Harriman's visit to London last week-end suggests that important progress has been made. A not entirely unfounded rumour was circulating that General Eisenhower was dissatisfied with Europe's progress; and there have been many reports that he had sent a personal message to Ottawa pleading for a greater effort from Europe.

General Eisenhower is, in fact, not asking Europe, as it begins to stagger under the present strain,

to shoulder a much heavier load than that which it has already accepted. It is not the total size of the projected programme over the next three years that worries him but the fact that, in implementing this programme, countries are tending to forget the real objective of Nato. This is to deter the Russians not only in 1954, but—to the best of its ability—in 1952 as well. It is just as important—perhaps more—to have 20 divisions fully equipped in 1952, as 80 divisions in 1954. In short, the emphasis next year will be more on equipping the men already trained than on raising new divisions; and this may throw a heavier burden on American industry and a slightly lighter one on European manpower.

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Next comes examination of the content of the programmes in relation to the timetable. The "wise men" began by asking governments for answers to a new questionnaire, designed by themselves, to reformulate as clearly as possible the information on which the financial and production boards had been working. The replies to these questionnaires are still coming in; but it is beginning to look as though the impression given at Ottawa was not very far from the hard reality. Rearmament is a serious threat to the internal stability of Europe.

To some extent the remedy lies in the hands of the separate governments, through the fiscal policies and physical controls which they may or may not feel able to adopt. The Paris committee has to try to screw up its political courage to the requisite point. Yet, even if all are as brave as they ought to be, the dangers will still be great. They can be lessened in two main ways. It may be possible to cut the cost and wastage involved in raising and equipping the armed forces, without impairing their fighting efficiency. Their arms may be too elaborate; their training may be too comprehensive; and their eating and dressing may be too lavish. These and similar questions are being examined by General McNarney and his group. In the wider sphere, the three wise men may have to consider whether the present world-wide distribution of troops is best calculated to keep the peace. Are the Americans protecting the Pacific too well and Europe too little? What should be the balance of strength as between the Far East, the Middle East and Europe? These are global questions and it is not clear who is to answer them; but those who are trying to lighten the burden in Europe can hardly avoid the necessity of doing so.

A second way of lightening the burden is co-ordinated action. A number of people have been talking for the past year about a co-ordinated arms programme, yet practically the only co-ordination that has emerged from it all has been the one-way flow of arms across the Atlantic. It is now clear that there will be no co-ordinated arms programme, in the sense that Europe and America can never be regarded as a single arms production unit and the Nato forces as a single arms market. But if this is impossible, there may yet be co-ordination of a supplementary kind. Where there is unused capacity in Europe that can fill gaps in the military programme at a reasonable cost, it may be possible to use it by some system of joint financing. Instead of selling Belgian and German steel for dollars across the Atlantic, it may be better to divert it to France and Britain, where rearmament programmes are being threatened by the lack of steel and by the lack of dollars to buy it from America.

Finally, the wise men cannot fail to look at the question of American aid. They must consider first how the aid already granted by Congress can be used to the best purpose. Who has first call on the economic aid? Should some of the military aid be used, as Congress finally agreed that it might, for placing contracts for arms in Europe where surplus capacity exists? Or is it quicker, more efficient and cheaper to concentrate it in supplying finished American weapons? They must consider, too, whether Congress granted the aid in the most useful form. It may prove to be healthier for Europe to receive more dollars to keep its civilian economies steady and fewer to defend its frontiers. Mr Harriman will have to decide whether he accepts this thesis and, if so, whether he can ask Congress to alter the existing appropriations accordingly. It is a further object of the Paris exercise to advise Congress on the amount of aid for which it may have to be asked in the next two or three years—and Congress expects detailed advice when it considers next year's appropriations in January, 1952.

Contest in Curves

TELEVISION has let loose upon the unsuspecting public a new medium of misinformation—the graph. Even more than statistics, graphs can seem to prove almost anything. Their use or abuse stimulated one of the few lively exchanges in the recent election campaign. Mr Eden introduced into his television broadcast a graph (the first of the two reproduced on the next page) showing the rise in the cost of living since 1945. This was roundly denounced by Mr Christopher Mayhew as a "fake"; or rather, to be exact, Mr Mayhew first attacked a similar graph distributed in Conservative leaflets and publications, and also reproduced on the next page. Later he applied the same strictures to the one shown by Mr Eden.

The main point of Mr Mayhew's criticism was that the rise in the cost of living had been made to look much steeper than it has actually been by the device of lengthening the vertical axis and shortening the horizontal one; and he produced for his audience a "counter-fake" in which the units on the vertical axis were compressed while those on the horizontal axis were spread, so that the curve was almost flattened out. He also showed an "honest" graph, which, he claimed, fairly represented the rise that had taken place.

The controversy was continued in a vigorous exchange of letters published in the press. It did little to clarify the original point. Is the "honesty" of a graph dependent at all on its scale? Certainly there is no one scale that alone produces an honest result. Technically any graph is accurate which has the scales correctly marked and the points correctly plotted, and, if these two conditions were satisfied the Conservative graph and Mr Mayhew's counter-fake would be, mathematically speaking, equally accurate. To represent the rise in prices by an upward curve is, after all, merely symbolic, and no one gradient is right. There are, however, good graphs and bad graphs. A good graph strikingly represents the points brought out in the accompanying text; its function is to make truth leap to the eye. The scale obviously must depend partly on the dimensions of the paper and on the number of units which it is desired to show along the axes; in the accompanying charts, for example, the curves would have been even steeper if an extra year had been included and the length of the horizontal axis left unchanged. Moreover, a good graph should generally be drawn on such a scale that the curve adequately fills the space allotted and does not leave a desert of unoccupied graph squares.

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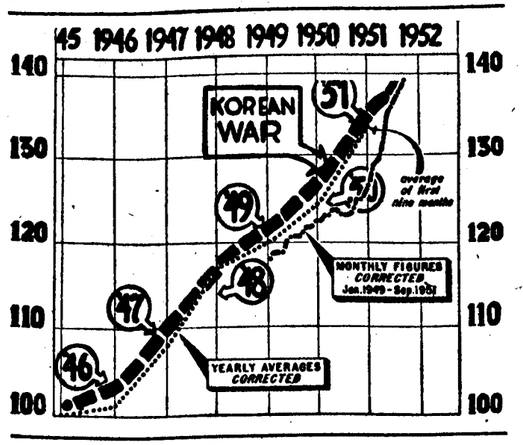
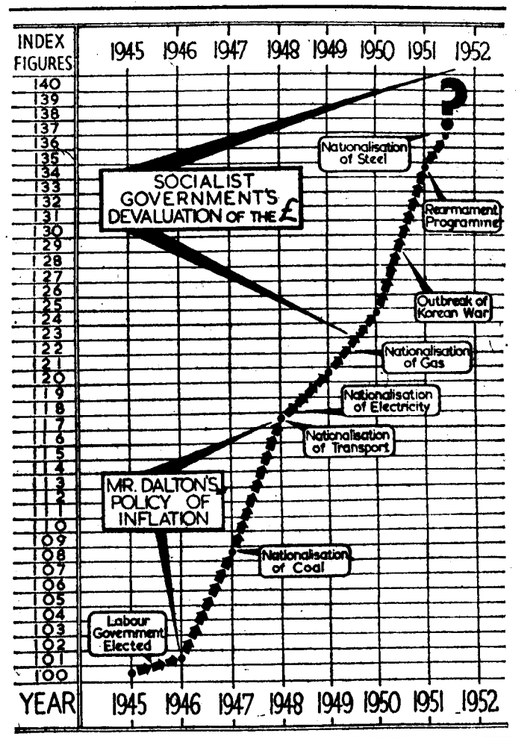
By these tests the scales of the Conservative charts are fairly satisfactory. On the first test, the truth that leaps to the eye is that there has been a very steep rise in prices. Whether it is greater or less than the rise that has taken place in other countries is beside the point, which is that the rise since 1945 has probably been steeper than in any other six years of peace. If that were not so the Conservatives would have had nothing to gain by propaganda about the cost of living. But since it is so,



it is surely perfectly legitimate to represent what has happened by a sharply ascending curve. In the graph shown by Mr Eden in his broadcast the scale was to some extent determined by the dimensions of the television screen. It is true that the draughtsman made the curve steeper than it need have been by not using the whole of the horizontal axis, but some sharpening of emphasis is accepted practice in election broadcasts. And apart from this the curve adequately filled the picture. The same could not be said of Mr Mayhew's counter-fake, where the extension of the vertical axis left the lower three-quarters of the graph as a vacant space. Nor was the flat curve which thus resulted a telling symbol or a good illustration of what everyone has believed himself to be experiencing during the past six years. If they were plotted on Mr Mayhew's scale, prices during many peacetime periods of six years would be represented to the naked eye as perfectly straight lines.

But if the scales used did not justify Mr Mayhew's charges that the Conservative graphs were "fakes," the plotting of the curves put him on firmer ground. The graph used in Mr Eden's broadcast must be one of the worst pieces of plotting ever perpetrated. In the first reproduction, correct curves—in so far as they can be correct on an inaccurately drawn grid—are shown

beside the bricks so erratically dropped by the Conservative chartist. All the lines are drawn from the figures of the London and Cambridge Economic Service adjusted to the base of the average for 1945 equals 100. It would seem that the points shown on the axes marked 1945 to 1950 are averages for each year. That would be legitimate if it were consistent throughout the curve. But the chartist has not wished to deprive himself of the latest and highest figure, and has therefore switched



without warning to monthly figures. This is quite impermissible; the only way to include annual and monthly figures on the same chart would be to show two separate curves, such as are here superimposed on the original chart. But if monthly figures appear at all, the annual figures would more fairly have been attributed to the middle of each year, not to the beginning; for if the last point on the graph refers to the latest month, then the yearly axes refer by implication to the beginning of the year, which is an inappropriate position for an average referring to the year as a whole.

The other Conservative graph is made particularly misleading by its labels about the nationalisation of coal, gas and electricity. The connection between nationalisation and prices is remote, and the real criticism is not that the products of these industries have driven up the cost of living, but that in the present fuel shortage they have been kept too cheap.

This graph is rather more accurately plotted than the other, but it commits the same solecism of mixing annual and monthly figures. The effect is to iron out the fluctuations from the beginning of 1950 and to make the rise in prices during the past twelve months look less steep, compared with the rest of the curve, than it has in fact

been. The mistake has provided the basis for some misleading statements. Mr Eden made the point that the cost of living had been rising ever since 1946 "at an almost continuous rate." "You can see," he said, "that . . . the rate's exactly the same." The implication, more crudely put in Conservative literature, is that the main cause of the recent leap in prices is not Korea and rearmament but "Labour muddle, mismanagement and misrule." The fact is, as the curve of monthly figures shows, that prices were levelling off in the first half of 1950, and have risen precipitately since. It is quite true that the rise in prices in the second half of 1950 was not the consequence of the Korean war, since the steep rise in raw material prices did not immediately affect retail prices. It was rather the delayed consequence of devaluation, for which the Labour Government must be held responsible; it was in 1951 that the effects of devaluation and the American recovery of 1949 were reinforced by the commodity boom and rearmament.

But these are matters of interpretation. The inaccurate plotting of the Conservative charts remains. If any organisation but a political party made half the mistakes it would certainly owe its readers an apology and a correction. It is a solemn thought that the political education of the nation is to a great extent in the hands of the party propaganda departments; and while it is too much to expect that the material issuing from them should be objective, it should at least be scrutinised for its accuracy far more carefully than appears to be done at present.

NOTES OF THE WEEK

Disarmament and Rearmament

There is, at first sight, much that is grotesque in the spectacle of the western powers proposing disarmament at a time when so much of their energy and thought is devoted to rearmament. It is only too obvious that nations cannot disarm and rearm simultaneously. Moreover, the value of such grave and appealing words as "peace," "disarmament," and "inspection" falls steadily every time that they are used to stimulate futile hopes and vague speculations. Sincerity and integrity must be respected in these matters, if the free world is not to fall into the Communist habit of double talk and double think.

Yet President Truman and Mr Acheson were certainly right to take at the United Nations the initiative in putting forward new disarmament proposals that provide for full disclosure of military strength, control of atomic as well as conventional weapons, and international inspection. For four years the Russians maintained preponderant armed strength (Beria boasted of it on Tuesday) in a disarming world. They demonstrated how it is possible to have simultaneously a rearmament policy and a disarmament policy. What they did in a spirit of cynicism the western powers are attempting to do in a spirit of sincerity. Mr Vyshinsky will make a grave mistake if he treats the proposals without respect, for the free world does not want an armament race if it can be certain of peace without it. If there is an element of political warfare in the whole matter, that could hardly be avoided. The Americans could not be expected to sit down indefinitely under persistent charges that they are preparing a new war. To be more insistent, more specific and more spectacular than the peace campaign itself is legitimate diplomacy in the circumstances of the day.

There is also this to be said for the move. If the Russians are not frightened by the present strength of the west—16 divisions in Germany and an inadequate tactical air force can hardly keep Marshal Bulganin awake at night—they may well be worried by the rate at which that strength is increasing. Experience suggests that they seek negotiation at the point where concern is on the point of passing into real fear. That cannot be very far off; and the western offer may therefore prove well-timed. The Russians might, after some delay, see in it an opportunity to show their willingness to deal with the root cause of tension—the cause of which rearmament is only a symptom. And if it is asked what the root cause is, the reply is that the free world cannot accept the assumption that the Soviet Union and its allies are entitled to expand and exploit the political and military position that they gained as a result of the war. There will be no reality either in the UN or any other discussions until more particular matters are bargained about; and the western disarmament proposals rightly stipulate that there can be no disarmament while fighting goes on in Korea.

* * *

The Voice of Beria

At the time of going to press the complete text of the speech made last Tuesday in Moscow by Lavrenti Beria was not available for the full analysis that these annual declarations in celebration of the anniversary of the October Revolution deserve. At first sight, it looks like a defiant and warning utterance, to the effect that the Soviet Union, too, acts from strength. And part of that strength—perhaps the major part—in the Kremlin's eyes lies outside the Soviet Union in the subversive peace movement, in the "national liberation movements" of the Far East, Middle East and Africa, and in the economic crises to which rearmament is said to be leading the capitalist countries.

Of more immediate interest is the information given by Beria about the development of the Soviet economy. He claimed that the level of Soviet industrial production is now twice as high as in 1940. Since one of the purposes of his speech was to stress that the Soviet Union is not afraid of its opponents, Beria displayed statistics on the growth of Soviet heavy industry—and the figures look impressive.

According to this senior member of the Politburo, this year's crude steel output should exceed last year's by 4,000,000 tons; rolled steel production should be 3,000,000 tons above that of 1950, and pig iron production greater by 2,700,000 tons. Coal and oil extraction have risen by 25 million and 4,500,000 tons respectively. (As in Bulganin's speech last year, the current year's figures probably refer to annual production based on 10 months' output.) Thus the Soviet Union may now be producing annually about 285 million tons of coal, 42 million tons of oil, 22 million tons of pig iron and 31 million tons of steel—"more steel than Great Britain, France, Belgium and Sweden put together," Beria boasted.

Comparing this growth with the development during the Five-Year Plan, it appears that if the rate of increase is now slightly lower—which was to be expected—productivity is at least as high. This must involve a tremendous effort, probably at the expense of the consumers' goods industries. Beria's references to the light industries and to agriculture were notably reticent. It is likely that all resources are now being harnessed to keep up the pace of development in the basic industries, and to reach the long-term aims set up by Stalin earlier than was originally expected.

This may be one of the clues to the Soviet unwillingness to publish a new Five-Year Plan. True, Beria stated that the annual plan for 1951 will be exceeded, but he did not say what the targets were. Nor has a new Five-Year Plan been proclaimed, though 10 months have elapsed since the end of the former one. Such intervals, however, are not unusual in times of tension. In the present international situation the Soviet rulers will think twice before revealing their plan, and allowing an insight into the national economy.

* * *

Quiet Beginning

The keynote of Mr Churchill's first speech in the new Parliament was the same conciliation of the Opposition that marked his Cabinet building in such matters as the appointment of Sir Walter Monckton to the Ministry of Labour. The angry Mr Churchill who used to glower from his place on the Opposition front bench, or who delighted in taunting Labour backbenchers into uproar, was replaced on Wednesday by a benign, paternal figure determined to smile at gibes from Labour interrupters and, above all, to resist the temptation to blame the period of Labour administration for the nation's troubles. With equal determination, Mr Butler on Wednesday avoided the temptation to suggest that the economic crisis was something new which had been discovered only when the Conservatives got their "look at the books."

The legislative programme will provoke little immediate controversy. Legislation on the university seats is to be held over until a later date. No direct denationalisation of transport is promised, though "the extension of private road haulage activities is to be made possible." Repeal of the Steel Act is to be held over until after Christmas. Moreover, the Christmas recess itself is to be almost doubled in order to give Ministers a breathing space in which to sort out their policies.

Labour is greatly annoyed at this plan. It feels that Mr Churchill has changed the rules in the middle of the game, and called for a longer half-time just because he is now on the defensive. It would certainly be regrettable if shorter sessions, curbing as they would Parliament's duties of inspection and inquiry, became the general practice; and it is unfortunate that the price of the curtailment is to be paid primarily by private members, who have been deprived of their time for bills and motions before Christmas. But the government can hardly be blamed for taking the extra period for reflection and administration on this one occasion. In 1945 Labour had two months of the summer recess in which to prepare its programme, and the Conservatives are entitled to a similar break. The legitimate fear is that the long recess suggests a lack of advance thinking by Mr Churchill and his colleagues. In so far as they need the long Christmas recess to form a policy, and not just to apply a policy already formed, their action is an unhappy portent.

Apart from the issue of the Christmas recess, Mr Attlee was reluctant to engage in a major action at this stage of the session. He promised that Labour in opposition would be "vigilant but not factious," and contented himself with tilting gaily at the thinness of the King's Speech, at the absence of "any clear line of policy except negation," and at the number of peers in the Cabinet. The Labour party plainly has some hopes that the Government's life will be short; and Mr Attlee, in particular, concludes that the party should stick to an attitude of responsibility in opposition. In this he apparently has Mr Bevan's support. Having reached, by chance or design, a Parliamentary situation that suits him in every way, Mr Bevan is preparing to don the garments of sweet reason and moderation and to make a real bid for leadership of the Labour party. But the past is not so easily forgotten. At Wednesday's meeting the party executive dug up a hatchet they had buried for the duration of the election campaign. There was a heated discussion of the pamphlet "Going Our Way," so inopportunely published the day after the election announcement, and a resolution was passed deprecating its strictures on certain trade union leaders. For the future, however, it looks as though Mr Morrison will have a rival as the advocate of moderation.

* * *

Off the Record

One proposal made by Mr Churchill on Tuesday is greatly to be regretted. That is his decision to ask Parliament to debate defence in a secret session. The Prime Minister's motive was not, he explained, that he intended to divulge to the House of Commons secrets unknown to the general staffs of Europe and America. But he thought that members "should be equally well informed" and that "it is better that we should talk these matters over among ourselves in the first instance without what we say becoming a matter of headlines and discussion all over the world."

This is a complete and damaging distortion of Parliament's function. The House of Commons is the place where Government policy is explained, criticised and defended for the benefit of the public. It exists to lead the continuous popular debate on Government actions that is the essence of democracy. In order to fulfil that purpose the Parliamentary debate must be conducted on the same terms, with the same information, as those possible for the wider debate in the country. In war, under a coalition Government, circumstances are exceptional. Normal political debate is suspended. Parliament can legitimately turn to more technical issues of detailed military policy, issues that cannot be sensibly discussed without some secret information. But as long as the cold war does not rule out normal political controversy it does not create the special circumstances that may justify secret sessions in wartime (though even then their value is open to doubt).

A secret session has obvious attractions for any Government engaged on a heavy defence programme. It eliminates some unfair criticism based on inadequate knowledge of the facts. But is that a net gain even in the short run? The same criticisms will still be made by people outside Parliament, and if Ministers feel unable to answer them without giving away secrets it is hardly to be expected that the ordinary member will be more successful. Even in a secret session he cannot be fully informed on the most vital points of defence policy. A mere fringe of special knowledge is unlikely to make him better at explaining the necessity of particular defence measures to his constituents than he would be if he were convinced of their necessity without special knowledge. And, on the other side of the account, a secret session can only too easily breed new rumours and alarmist speculation.

If Mr Churchill wants Parliament to act as a Council of State on defence matters he would do far better to continue the practice of the last Government, which invited the principal Opposition leaders to private talks. More facts can then be disclosed, clear boundaries of secrecy can be set, the party leaders can be left to indicate to their followers what lines of criticism are mistaken, and outside those boundaries debate can be free for all. What is chiefly needed is not a secret session but one of those detailed accounts of the state of British defences, and of the strategic position, at which Mr Churchill excelled during the war. No one can strike better than he the right balance between the need for security and the need for public understanding, and he makes a grave mistake to limit his audience to the House of Commons rather than to the country whose discussions the House should inform.

The Risks in Egypt

There can be no doubt about the policy of the new British Government towards Egypt. The King's Speech at the opening of Parliament, the reinforcing of the Canal Zone, and the terms of a strong British Note delivered in Cairo, together make its intentions plain. Whether or not the Egyptians ultimately take part in the four power defence command, the British declare that their army is, by right and by Egypt's agreement, responsible for the defence of the Canal Zone until 1956, and will remain so. The fact that all Egyptian parties readily invited it to undertake this task when they felt a danger of war is not altered because they fail to sense or acknowledge that danger now. Meanwhile, arrangements for the four power command are going ahead. Cyprus, Crete and a port in Turkey are all being canvassed as possible sites for its staff headquarters.

The British position in Egypt has its weak as well as strong points. Of the latter the most important is that Britain has American support. This it will retain so long as the troops do not go too far in their tendency to assume more Egyptian civil functions than are strictly necessary to their own security within the limits of the treaty. Physically, also, the position is strong. An army cannot be elbowed out as the oil company employees were elbowed out of Abadan. A dearth of water is the main danger in the towns of the Canal Zone—Suez, Ismailia and Port Said—since all are dependent on the sweet water canal from the Nile for supplies in any quantity. The problem of drinking water can, however, be solved by tanker and distillation plant.

The weakness of the British position lies in the likelihood of serious disturbance inside Egypt. There is more than a possibility that the so-called "freedom battalions," which the Egyptian Government condones, will turn their weapons and guerrilla tactics not against the bristling British army but against the easier game of their Egyptian critics. If insurrection became suddenly nationwide, the task for the British would be clear; kings and pashas might even appeal for succour. But if, as is more probable, incident daily piles upon incident, the decision for or against measures to check incipient insurgence may prove difficult. The British may be tempted to take them, whereas the Americans are traditionally averse to such interference. Efforts must be made to avoid premature action on marginal cases. For such action might disastrously impair the new-found and valuable unity of American and British policies.

* * *

The Shah and Dr Mossadegh

Dr Mossadegh has overstayed his time in Washington. The Shah has now informed him that the worsening state of government finances at home and the temper of public opinion in Teheran, do not warrant further dalliance, and that he must come home. But, as well as outstaying his welcome, he seems to have overcalled his hand. American sympathies, which were with him when he arrived, have been alienated by his incapacity to do more than strike negative attitudes. His stream of American visitors has found him unable to come to any decision as to how to work the Persian oil industry so as to produce even a fraction of the oil, and indeed of the revenue, that were customary in Anglo-Iranian days. (It should not be forgotten that, in the financial year which ended last March, the Persian Treasury received from the British oil company £21 million in royalties and advances on royalties, and £17 million in taxation and in profit on the exchange rate which it imposed upon the company). The Americans have also found Dr Mossadegh all too ready to proclaim the empty state of the Iranian treasury, but too unready to admit the hard fact that Persia as a whole is not as yet bankrupt either in sources of taxation or in foreign exchange. Bad management, not penury, is the cause of its budget deficit.

Dr Mossadegh, in his unwisdom, dealt an even further blow to American belief in his sagacity. In explanation of the demonstrations which have been occurring in Teheran, he made his only recent public pronouncement. He laid the trouble at the door of "agents of the oil company." This parrot-cry disillusioned many surviving believers in his judgment and capacity.

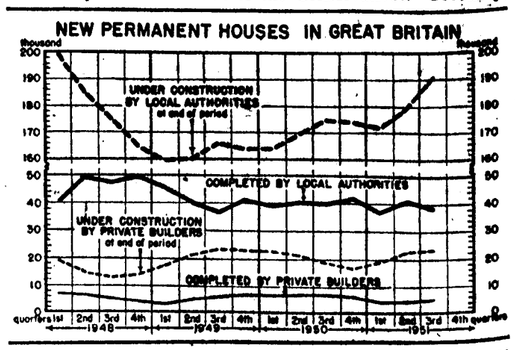
How far he should now be helped to remain in power depends on two factors. One is his reception upon his return—a matter that is in doubt in a capital most of whose leaders of thought are confirmed weathercocks. The other is the degree of probability that if he falls, a Tudeh coup will ensue. American and British observers have lately been at variance on this important point. The Americans have argued that the danger is imminent, the British that the Persians are playing their ancient game of over-stressing the Russian danger to America, and the American danger to Russia. The two embassies in Teheran are within a stone's throw of each other. It would be disastrous if at this important moment they were unable to furnish a common appreciation of the local situation. This is needed, for it is a basic ingredient for the formulation of policy.

* * *

Housing—Labour's Account

The latest quarterly housing returns* bring the story of the postwar housing programme up to September, 1951, and are, therefore, the closing chapter of Labour's administration. At this date Mr Attlee's government had 961,000 new permanent houses to its credit, 157,000 temporary houses and 338,000 adapted or repaired houses, making a grand total of 1,456,000 new units of accommodation. Probably over 5,000,000 people have thus been rehoused during the six years.

The new government starts with certain advantages. As will be seen from the diagram, the number of houses under construction is rising. When these houses are completed the credit may seem to be due to the Conservatives. Secondly,



the vogue for cheaper houses has spread. Dr Dalton at length shouldered the unpopularity of seeming to lower standards and Mr Macmillan can take advantage of the change without the opprobrium of having initiated it. Thirdly, many local authorities will welcome the proposals to increase the scope of private enterprise. High costs of building have set them intractable problems. The burden of additional rate subsidies is heavy, and it is unpopular to raise rents. A number of local authorities will therefore be well pleased if their building programme is lightened.

In his statement on Wednesday Mr Butler expressly exempted housing from the three months' moratorium on new building of other kinds. All he said was that starting dates would be reviewed in order to ensure a smoother programme. The long-term scheme has not yet been worked out, but it is clear that no sudden changes of policy are planned in the immediate future.

* Cmds. 8389 and 8390.

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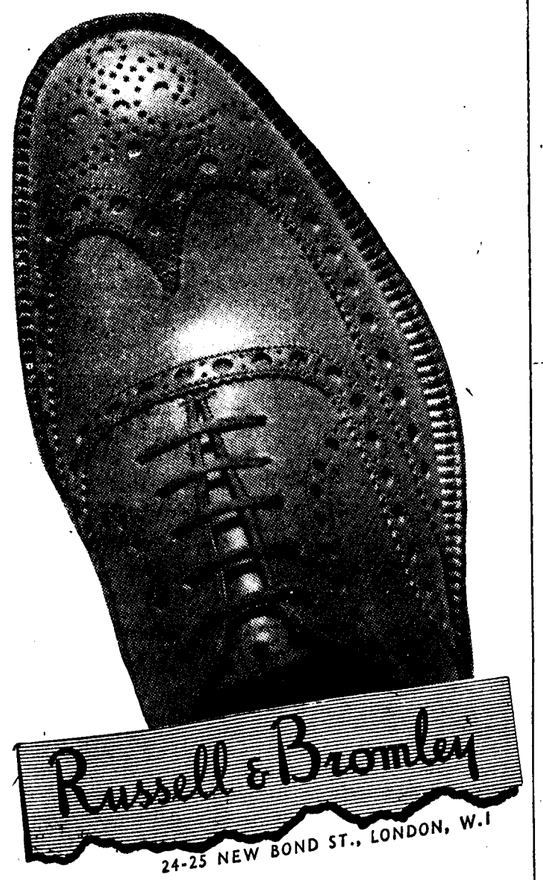

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Half a Million Vacancies

Sir Walter Monckton, the new Minister of Labour, has lost no time in assessing the problems he has to face. It was recorded in the King's Speech on Tuesday that the Government

> view with concern the serious shortage of labour, particularly of skilled labour, which has handicapped production in a number of essential industries. They will review, in consultation with representatives of those concerned, the possibilities of making available more labour for those industries and of ensuring the best use of the existing labour force.

On Wednesday Sir Walter told the National Joint Advisory Council that on August 29th 446,000 jobs were known to be vacant. And he added that "something like 400,000 to 500,000 more workers will be needed in defence production in the manufacturing industries" when the rearmament programme "is in full stride." Most of them will be needed in the engineering industry, the vehicle building industry, the aircraft factories and the Royal Ordnance establishments.

These demands are formidable. They constitute, as Sir Walter told the British Employers' Confederation's conference at Leamington last week-end, the gravest problem that the Ministry of Labour has to face—almost as grave, indeed, as the problem that faced Mr Ernest Bevin when he joined Mr Churchill's Government in 1940. Sir Walter will not be able to solve it unless he can enlist, as Mr Bevin did, the active support of the trade unions on the one hand and of employers on the other. There is no quick and easy way of finding half a million men or women to fill half a million necessary jobs. Devices like a new Control of Engagements Order could work only if both sides believed them to be enforceable—as they certainly did not do when Mr George Isaacs was rather feebly attempting to operate such control in 1947 and 1948. A more comprehensive direction of labour is certainly out of the question in the present industrial and political atmosphere. It could not in any event be effective by itself. Whatever the administrative or other machinery, the extra half-million workers for essential industry can be found only by lessening the demand for labour by inessential industries producing for the home market. Sir Walter's problem, like so many others, can be solved only if Mr Butler's measures for disinflation are effective.

* * *

India and China

Two recent news items concerning relations between India and China show a certain significant discrepancy. The one that has received the greater publicity was the statement to the press made by Mr Panikkar, the Indian Ambassador to China, on his return from Peking. It was to the effect that the Chinese People's Government should not be regarded as a Communist regime and that its foreign policy does not differ from that of past rulers of China. The other item is the abrupt cancellation by a Chinese cultural mission visiting India of a proposed trip to Kashmir, as a protest against the Kashmir authorities' admission of some Kazakh refugees fleeing from the Chinese Communist conquerors of Tibet.

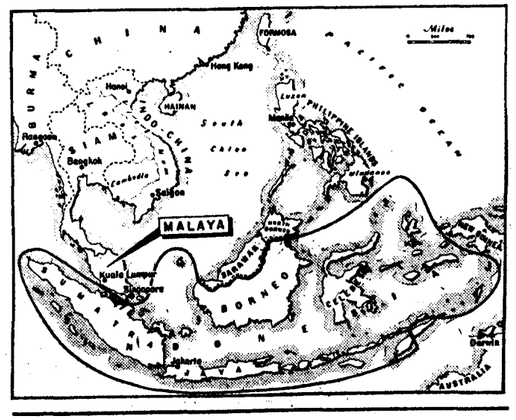
The question of the Kazakh refugees is not in itself of any great importance. They are anti-Communist tribesmen from Soviet Central Asia who more than a dozen years ago fled from Soviet planning to Chinese territory and, now that China also has gone Communist, are seeking a new home. But a major issue of principle is involved, for the right to grant asylum to political refugees is one which must be asserted by any government that claims to base itself on political liberty and respect for human rights. If a democracy once agrees to hand over refugees on the demand of a totalitarian state, its moral integrity is gravely impaired. Communist China, after having grandly ignored Indian protests at its policy of subduing Tibet, has now in the best Soviet style demanded that India shall not admit any refugee Kazakhs from Tibet. It has been reported that policy in Delhi has been to refuse admission to the Kazakhs, but the local Kashmir State authorities seem to have been more lenient—possibly because they expect in the near future an agitation for the union of Ladakh, the Tibetan-speaking region of Kashmir, with Chinese Tibet, and are not averse to having some reliable anti-Communists settled in that area. So the Chinese mission, which is supposed to be a purely cultural body, insolently cancels the arrangements made by its hosts in order to bring pressure on India.

The only course compatible with the dignity of a sovereign state in such circumstances would be to give the Chinese cultural delegates their tickets back to Peking by the next airliner. But the Indian Government seems resolved to put up with affronts from China which it would not accept from any other nation. It is this attitude of weakness and subservience which destroys any prospect of success in the policy of Indian-Chinese *entente* for which Mr Panikkar has worked so hard. It may be admitted that he has won for himself a position such as no other non-Communist diplomat enjoys in Peking; but so far, as the rest of the world sees it, it is not China that has been drawn away from Russia, but India that has been drawn away from the company of the free world. It is not China that concedes anything to India, but India that makes surrenders of interest and political principle to China. The Panikkar policy will pay no dividends until India is ready to negotiate from strength, both materially and morally, in dealing with China.

* * *

Morale in Malaya

The news from Malaya is not good. The improvement that had been hoped for by the end of the year does not now look like appearing. The murder of Sir Henry Gurney, the High Commissioner, has undoubtedly given a fillip to Communist morale; during the month since he died the security forces have suffered more casualties than in any similar period since the emergency began—while at the same time failing, in spite of a special effort, to kill or capture more than one man in ten of the guerrilla band which ambushed the High Commissioner.



It would be wrong to suggest that the government has suffered a serious reverse; the increased activity also led to the killing of 91 Communists during October, which is the highest figure for six months. But the situation, by merely remaining the same, is in fact getting worse. The lack of any real proof that the government has the measure of the guerrillas is beginning to undermine morale in both the European and Asian communities; the fact that rubber output is now falling may be a sign of this.

On paper, progress is still being made. Resettlement of the Chinese squatters, for instance, has now been virtually completed, the flow of information to the security forces continues, and the police and administrative services are recruiting a few more Chinese. But statistics do not give the whole truth. The government has failed to harness the wave of public sympathy created by Sir Henry Gurney's death. Moreover, many leaders of Malay, Chinese, Indian, European and other civilian opinion can still claim that they have not been properly consulted on the direction of the campaign against the guerrillas and the methods of waging it. An attempt was made to do this last month by expanding the Federal War Council, but that should have been done long before. Even now there is still a danger that the new move, while a step forward administratively, will not go nearly far enough in creating the new atmosphere of trust and confidence between the government and the people—particularly the Chinese—that is needed.

A heavy responsibility will rest not only on Mr Oliver Lyttelton, the new Colonial Secretary, when he visits Malaya later this month, but also on a new High Commissioner, whose appointment in this vital post is now overdue and cannot be delayed much longer without damaging Britain's power of leadership in Malaya. Mr Lyttelton should urge not only greater military pressure on the guerrillas but also an overhaul of the government's public relations policy and propaganda methods.

* * *

M. Pleven's New Plan

The fact that the French National Assembly began its new session on Tuesday, the same day that the United Nations Assembly opened on the other side of the Seine, is not the only connection between the two bodies. The presence in their capital of the diplomats of sixty nations, and the hope that during this international gathering France may be able to play an impressive role on the world stage, are factors which may induce French politicians to give a longer lease of life to M. Pleven's highly insecure government. The general mood among the deputies was not, however, sober enough to prevent them defeating the government on the first day of the new session. Fortunately, no question of confidence was involved. M. Pleven later secured a vote of 518 to 101, the Communists being alone in opposition, for his general programme of work.

The French Prime Minister is, indeed, compelled to lay before the Assembly a programme of work rather than a policy, for prolonged consultations during the six-week recess have failed to provide him with a united majority. The Gaullists and the Communists are as intransigent as ever, and the Socialists are only prepared to support the government on terms repellent to the right wing of M. Pleven's coalition. The Prime Minister deserves praise for not allowing this situation to reduce him to complete inaction. Instead, he has presented the deputies with a timetable and with the chapter-headings of a series of essential tasks; in the first nine weeks of the session he proposes to put forward a budget, a new wage-price sliding scale, and some modest constitutional reforms, and between January and April he wants the Assembly to take decisions on social security, the right to strike, fiscal reform and reorganisation of the State railways. This at least means tackling first things first, for the budget problem and the new inflationary trend are at the heart of France's present troubles.

According to M. Pierre Courant, Minister of the Budget, revenue for 1952 is unlikely to exceed 2,900 billion francs, while expenditure will total 3,275 billion even if the military estimates are kept down to 800 billion; but the Defence Ministry is asking for another 350 billion francs, which would mean a serious increase in the rate of inflation unless the Assembly could find a majority willing to vote new taxes or to cut down civil expenditure. No such majority is in sight. The whole future of France's defence programme is thus gravely endangered. French officials lay particular stress on France's dollar deficit and on the enormous cost of the campaign in Indo-China.

* * *

New Obstacles to German Reunion

Dr Adenauer and Dr Schumacher, partners for once, share the credit for asking the three western occupation powers to propose a UN commission to investigate existing conditions for elections in Western Germany and the Soviet zone. The request came from the *Bundestag*, as part of its reply to Herr Grotewohl's proposal for an all-German conference to discuss elections and a peace treaty. Dr Schumacher has rightly insisted that elections cannot be held unless the Russians are really prepared to permit them on terms satisfactory to the western powers as well as the Western Germans. The discussion at the United Nations should put Russian sincerity to the test. It will show whether the sole purpose of the Eastern German offer was to start interminable discussions about elections, and to trap the western political leaders into demanding a peace treaty and the withdrawal of occupation troops.

United Nations commissions are very unpopular with the Kremlin, and the indications are that it will not feel inclined to accept one in its zone of Germany. There have been suggestions from Soviet German quarters that any inquiries could well be held by Germans from all zones, under the supervision of the occupation powers. And, on legal grounds, Mr Vyshinsky can doubtless claim that the UN has no right to interfere in occupied territory which—since the Soviet Union has not ended the state of war with Germany—is still that of an ex-enemy. Whatever he says, however, a round is likely to go against Moscow in this particular bout. If a UN commission should be appointed, its work would entail delay in the reunion of the western and Soviet zones, which could be used for concluding the various agreements which will link Western Germany with the Atlantic community. It is no easy matter to create this partnership and time is essential if there is to be any hope of success.

Though many Germans fear the consequences of a shotgun wedding with their fellow-countrymen across the Elbe, the dread of being branded as unpatriotic keeps most of them silent. This is not true of the Bavarians, who are still strongly anti-Prussian, and federalist to the point of separatism. The Bavarian Premier, Dr Ehard, has protested against the Bonn Government's draft law, which lays down conditions for all-German elections and for the status of the national assembly which would be formed after they were held. He has, it is reported, insisted that the federalist principle be upheld, and the assembly confined to *drafting* a constitution; this is in opposition to the Social Democrats, who would like it to assume at once the legislative functions of a centralised government. This Bavarian obstinacy must be welcomed.

* * *

People on the Move

A first study of population movements based on new material has been issued by the General Register Office.* The information has been compiled from the national register which, unlike the census returns, lists gross movements into and out of each administrative area in England and Wales. A surprising picture emerges. It seems that, despite the abnormal housing shortage and the absence of unemployment, the English are a highly mobile people. During the period 1948-50 there have been 4,000,000 moves a year; roughly one person in ten moves to a different area each year. The turnover of population in almost every area is very much greater than the net gain or loss by migration shown in the census returns.

The familiar secular movements of population from declining to expanding areas are thus shown to disguise short-term movements of much greater volume. Even in declining areas the usual pattern is an annual exchange of at least 10 new for every 11 departed citizens, and in expanding areas the local turnover is generally greater. Moreover, the age and sex structures of the inward and outward movements seem, as a rule, to be roughly similar. The most mobile group consists, as might be expected, of childless people in the twenties.

The difficulty is to tell how much of this annual movement represents merely local changes of residence involving the crossing of administrative boundaries which may be highly artificial. This sort of movement is very frequent in the south-east of England and in the neighbourhood of big towns. It does seem, however, to judge by the rather scanty evidence taken from 27 selected localities, that a high proportion of the moves—in many cases more than a half—are made over distances of more than 40 miles. It is the medium and long-distance moves, which involve changing jobs as well as homes, that warrant a much closer scrutiny of the new figures that this report contains. The results, when available, should have important consequences for planning and housing. The extent to which migrants are undeterred by the lack of new houses, and simply find room in existing dwellings, will come as a shock to many local authorities. Equally their mobility suggests that new towns can usefully be built greater distances from the old than is now assumed. The population is much more flexible than its administrators.

* Internal Migration. By M. Newton and J. Jeffery. HMSO 1s. 6d.

Few, But Roses

These words conclude the latest annual report* of the Arts Council. Originally the motto over a nursery door, they are used to express the policy which the council may be driven to adopt if its budget remains constant and the costs of the enterprises it supports continue to rise. Hitherto with a Treasury grant of some £600,000 a year the council has attempted both to raise the standard of performance in the arts and to spread the appreciation of them. It asks now whether greater concentration has become necessary and whether it is wiser to consolidate standards already achieved, rather than to pursue a policy of wider dispersal—to raise rather than to spread.

The report ends on this rather gloomy note, which is the more surprising since the preceding sections, particularly those dealing with the 1951 Festival, are encouraging. Perhaps it is the contrast between what it has received (an extra "Festival" grant of £400,000 from the Treasury) and what it is about to receive which makes the council so gloomy. It is clear that its achievements for the Festival, direct and indirect, far exceeded expectations and that it was able by money and advice to stimulate much new activity. The eight-week music season in London was perhaps the greatest success of all; some 300 concerts were given and the Royal Festival Hall was filled to 85 per cent of capacity. Outside London there were 22 principal Arts Festivals. Poetry, plays, music, opera, ballet, painting and sculpture were all stimulated by Arts Council commissions and competitions.

Having helped to pump so much new life into the artistic activities of the country, and having discovered so much latent interest, the council is concerned about its inability to sustain it. Its difficulties affect not only the more modest groups

* 6th Annual Report. 1950/51.

The Economist Diary

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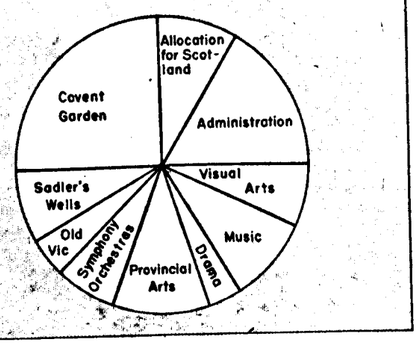
all over the country but also some of the major national undertakings centred in London. At present the council's grants-in-aid to the national opera and ballet companies are much less than those received by such companies abroad. No symphony orchestra can afford to improve its quality by reducing the number of performances. It is the sight of opportunities wasted and of ventures failing for lack of funds which accounts for the council's concluding note of pessimism. It would be a pity if this pessimism caused the council

DISTRIBUTION OF ARTS COUNCIL EXPENDITURE



to restrict its grants to established national enterprises; but if it cannot escape the dilemma it poses, it certainly has a good case for concentrating, for the time being, on raising standards of performance in the hope that spread will come later.

* * *

Earning and Saving

In the latest Bulletin from the Oxford Institute of Statistics Mr H. F. Lydall discusses a survey which has been made of personal incomes and savings in Oxford. The survey was only experimental. It relates to a small sample of a population which cannot be taken as typical of the country as a whole; and the results are far from conclusive. Yet it is of unusual interest because it has undertaken the kind of financial probing of which official investigations have fought shy.

The sample was drawn from the rating records of the Oxford area. The interviewers worked, therefore, from addresses and not names—which were never asked for. The aim was to interview each family in the private dwellings listed—or, more strictly, each "spending unit" so defined as to include married couples and children under 18 as one unit. Undergraduates were not included. The questions asked were about the amounts and sources of gross income in the preceding twelve months and about personal assets and liabilities then and a year previously. The survey was timed so that the period covered was approximately the 1950-51 financial year.

Replies were obtained from 416 families—too few for any reliance to be felt about the actual results, as the author himself readily admits. For the figures, especially of savings, varied quite considerably. One or two results may, however, be quoted to illustrate the information that surveys of this kind may yield. While the average income of all families interviewed was £469, professional practice yielded the highest average income—£563—from any one source. (It is explained that this figure is probably lower than it should be because part-time earnings of senior members of the University were included.) Net saving was found to increase with income; families with incomes under £200 a year had run down their assets by £36 in the twelve months, while those with incomes over £1,000 saved £82. But even among the lower income groups there was on the average some "contractual saving"—payments for life assurance, pensions or mortgages. Information of this nature, if collected on a larger scale, could add considerably to the present scanty knowledge about which people save and how they save. But no amount of improvement in carrying out the survey will ensure that people will lay bare all the ins and outs of their account books. This doubt will remain.

* * *

Correction.—It is regretted that, on page 1027 of last week's issue, some errors occurred in printing the table which showed the number of seats won by Labour and Conservatives arranged according to the size of the total poll in each contest. The table should have read:

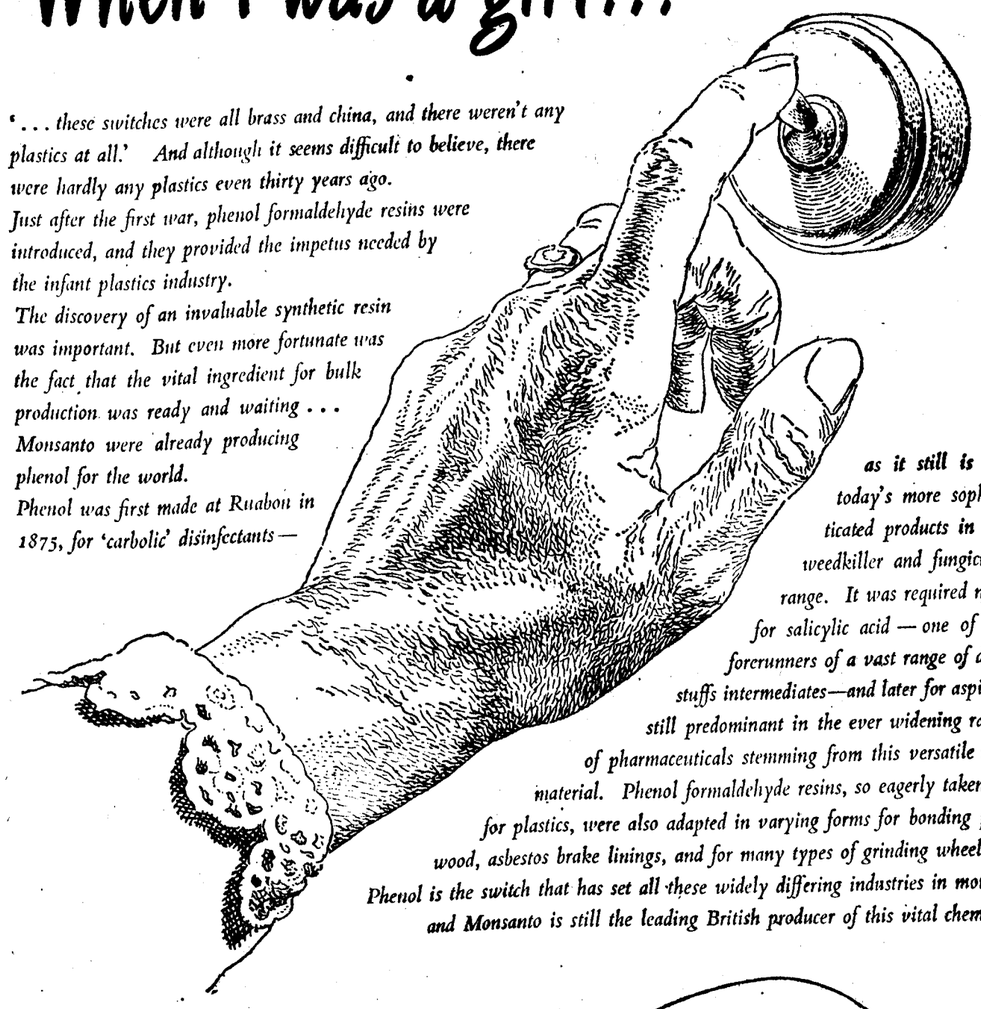
Total Poll as % of Electorate	Number of Labour Seats Won			Number of Conservative Seats Won		
	Safe	Unsafe	Total	Safe	Unsafe	Total
55-60	—	—	—	1	—	1
60-65	—	1	1	—	—	—
65-70	1	—	1	8	—	8
70-75	8	2	10	11	—	11
75-80	29	4	33	65	3	68
80-85	95	34	129	118	38	156
85-90	68	51	119	19	51	70
90-95	—	1	1	1	2	3
TOTAL	201	93	294	223	94	317

Race Conflict in Africa

The arrivals from the Cape of Good Hope bring, we regret again to say, accounts that the war was still protracted . . . and has openly become, what it always in fact was, a war between blacks and whites, or a war between races—between the civilised intruder and the aboriginal savage—between those who desire to make use of the soil for all the purposes of agriculture and cattle feeding, and those who will retain it for ever in a rude state of nature, as hunting or pasture grounds, over which they might roam as their fathers roamed. We no more condemn their instincts and their pursuits than we condemn the more intelligent pursuits of the white men; but races so different cannot possibly live together, or in each other's vicinity in peace, and the war has now only assumed its proper character. We know of no example where such different races have lived together in peace on equal terms. . . . At the Cape of Good Hope, more than at any other place we are acquainted with, attempts have been made to keep the two races at peace, and they have been on the whole comparatively successful. All these exertions, as it now turns out, have been in vain, and the men we have taught and armed have, in the end, contrary to all expectations, deserted our ranks, and sided with their brethren against us. It is a confirmation of the old saying, that "blood is thicker than water,"—the bonds of nature are stronger than those of art. The great fact that has always pervaded the whole life of the colony and its whole policy—the conflict between black men and white men—is now avowed. . . . It is easy enough, after such a long-continued contest manifests itself, to find fault with this measure of the Governor, and that measure of the Colonial Office, and add to it the supposition that if some other little piece of policy had been adopted, the war would have been avoided . . . but it seems to us too much to expect that any Governor or any Government should always prevent the natural enmity between savage aborigines and civilised intruders from frequently showing itself in active and murderous hostility.

The Economist
November 8, 1851

'When I was a girl'...



'. . . these switches were all brass and china, and there weren't any plastics at all.' And although it seems difficult to believe, there were hardly any plastics even thirty years ago. Just after the first war, phenol formaldehyde resins were introduced, and they provided the impetus needed by the infant plastics industry. The discovery of an invaluable synthetic resin was important. But even more fortunate was the fact that the vital ingredient for bulk production was ready and waiting . . . Monsanto were already producing phenol for the world. Phenol was first made at Ruabon in 1875, for 'carbolic' disinfectants—as it still is today's more sophisticated products in the weedkiller and fungicida range. It was required next for salicylic acid — one of the forerunners of a vast range of dyestuffs intermediates—and later for aspirin, still predominant in the ever widening range of pharmaceuticals stemming from this versatile raw material. Phenol formaldehyde resins, so eagerly taken up for plastics, were also adapted in varying forms for bonding plywood, asbestos brake linings, and for many types of grinding wheel. Phenol is the switch that has set all these widely differing industries in motion: and Monsanto is still the leading British producer of this vital chemical.

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Letters to the Editor

Does Democracy Work?

Sir,—In recent weeks I have found myself in acute disagreement with *The Economist* on one point. You have been maintaining:

> (1) That the electorate is much more intelligent and informed than the politicians believe.
> (2) Therefore, either of the parties could have told the people the brutal truth without being punished for its frankness.

I have been sceptical about this and submit that the election has justified me.

First of all (and regardless of the quality of the electorate), I cannot see how the Labour party could have blurted out the truth. When company directors reveal that for years they have been paying dividends out of reserves and not out of profits they do not get a crashing vote of confidence from shareholders. The Labour party is in exactly the same position.

The Conservatives might have told the truth—if the electorate had been adult. But is it? A month or two back the Tories had a 10 per cent lead. Since then two things have happened: (*a*) our world position has greatly gone down as a direct result of Mr Morrison's jaunty incompetence; (*b*) the campaign produced mud-slinging at its worst. The election now shows that (*a*) has made no impression at all while (*b*) has wiped out the Tory lead completely. A detailed study only makes the point more painfully obvious—Mrs Braddock worked the warmongering charge as hard as anyone and has had a remarkable increase in her majority; in Reading the intelligent and independent Mr Mackay is defeated, Mr Mikardo remains; etc., etc.

How I wish I were wrong, but I feel we must face the fact that democracy is a very imperfect instrument even in this country, and that you have for once been too optimistic.—Yours faithfully,

H. B. BARWISE

Oxford

Mr Morrison's Bogey

Sir,—Your "special valediction" to Mr Morrison deserves,-perhaps, a few footnotes.

(1) The theme of "Munich at Abadan," or "Let's stop being pushed around," was basic in the Conservative attack on the Labour Government. It was proclaimed with caution by Mr Churchill and Mr Eden, with less caution by Lord Salisbury, and with no caution at all by less distinguished Conservatives and by the gutter press. Clearly the Conservative party sought to win the election by an appeal to a vague emotional jingoism. It was only to be expected that the Labour party should counter the attack by an appeal to a vague emotional pacifism. Of the two emotions, the latter is a little the less disreputable.

(2) While there is room for criticism of Labour's handling of the Persian question on the score of uncertainty and dilatoriness, there is also room for criticism (*a*) of the "prestige diplomacy," applied to Eastern affairs, so popular in some Conservative circles, and (*b*) of particular demands for "action" in Persia, which would have involved the hostility of a majority of the United Nations, a breach on policy with the United States, and possible trouble with Russia.

(3) Memory suggests that there may be contestants for the position of "the worst Foreign Secretary of this century." The names of Sir John Simon and Sir Samuel Hoare occur.—Yours faithfully,

Meopham T. N. FOX

Utility Patchwork

Sir,—Having been closely associated with the origin and administration of the utility scheme from 1940 to 1948, I can testify that the article in your issue of October 27th describes the first objectives and later developments clearly and fairly.

Its conclusion that, apart from the purchase tax exemption, little or no virtue now remains in the scheme and that it is a great obstacle to high-class exports will be widely endorsed in the textile trades. In the present buyers' market for textiles the utility ceiling prices have become largely inoperative, and as to quality standards this argument never applied to the wool trade and has been weakened in cottons, rayons and furnishings by the flexible specifications recently introduced. (In any case cannot the cotton industry be trusted to maintain quality at home without Government control, since the half of its output that goes to export has to satisfy the exacting standards of world markets?) There remains the vast bureaucratic paper edifice of orders and schedules by the hundred and thousand, the endless anomalies and hard borderline cases, and above all the stifling of export enterprise in specialities and novelties.

The 66⅔ per cent purchase tax is no longer merely an obstacle, it is an obsession with retailers, who have suffered repeatedly by losing the tax on stocks of non-utility goods whenever the utility schedules are extended. Because of this, and of the flexible specifications, purchases of taxable textiles by the retailer have fallen tremendously in recent months, so that even the revenue argument, as your writer mentions, has largely disappeared. For instance in one typical firm payments of tax are now about 25 per cent of the level a year ago, and are still falling.

In the shortages of war and immediately afterwards the scheme was valuable. It was created by non-political civil servants with the co-operation of the trades concerned under a Conservative President of the Board of Trade. The late Government, however, without due regard to changing circumstances, elevated it into a fundamental article of faith. It is greatly to be hoped that the new Government will view the matter without preconceptions and with a strong bias to removing any control which hurts exports, unless it is quite unavoidable.—Yours faithfully,

R. W. BALDWIN

Manchester

Food for Caterers

Sir,—I was surprised to read the conclusion of one of your Business Notes last week. You suggest that when the domestic ration has to be cut to meagre proportions a case could be made for a proportionately greater reduction in supplies to restaurants and canteens.

It is already difficult for the hotel and catering industry to provide an essential public service for travellers, social benefits to the community on holiday, and a valuable contribution to the export drive. Why advocate starving its "factories" of raw materials? A cut in the supply of food to hotels and restaurants alone, excluding canteens, would add little to the plates of the rest of the population, and would force caterers further to outbid the housewife for supplies of poultry, unrationed meats and other "optional" foods.

A larger meat ration alone for hotels might not, I suggest, strain the national larder unduly, but could permit a lower price for the family on holiday (when they are deprived of their industrial and school canteen services), tempt the overseas visitor and his currency, and lower the price of poultry, etc., in the shops.—Yours faithfully,

JOHN G. BRIDGES

British Travel and Holidays Association, London, S.W.1

The BBC's Charter

Sir,—Among the many formidable problems which immediately face the Government, the new charter for the BBC, which is due at the end of this year, may seem a very small matter. But, apart from the intrinsic importance of broadcasting and television as a social technique, it is clear that the still unresolved problem of Scottish, Welsh and Northern Irish broadcasting might easily cause the Government great embarrassment and consume time and labour which ought to be devoted to other matters. The truth is that the Beveridge report, the White Paper and the two Parliamentary debates have merely thrust into prominence the two major problems of the organisation of British broadcasting, namely, the continuance or not of the monopoly and the problem of the correct balance between the centralising unity of London and regional autonomy, which, in effect, is the problem of the most efficient, economical and democratic form of organisation for British broadcasting.

What must be said, however, is that if a new charter for the BBC is granted

to come into effect on January 1, 1952, it will merely perpetuate the present system. There is simply no time for any government to do any more than that. Yet in view of all that has been said both inside and outside Parliament, it is unthinkable that the present system should be continued for fifteen years. Surely, therefore, the best thing is for the Government to renew the existing charter for twelve more months and in the meantime go carefully into the major questions which have all been left in dispute. I suggest further that the Government appoint one or two small expert committees to consider such matters as overseas broadcasting, television, and regional broadcasting with a view to determining what their relations should be with each other. This would be a great help to the Government, and Parliament would, of course, have full opportunities of debating and deciding on any proposals which the Government might make as a result of such further deliberation.—Yours faithfully,

JOHN COATMAN

The University, St. Andrews

Frustrated Cars

Sir,—You accuse the Nuffield organisation of "unreasonable exploitation" because, being forced to bring cars back from Canada, it offers them here for sale at more than the normal English price. Not for its own convenience the company has diverted nine-tenths (or whatever the fraction may be) of its output to export. Not by its own misjudgment it found a large number of these exported cars suddenly unsaleable in Canada, and had to bring them back to England. It offers them to willing buyers at a price that includes the cost of transport and conversion actually incurred. And for that you charge it with profiteering. It ought, apparently, to have accepted an enormous loss, caused entirely by the politicians, rather than sell the cars at a price the public in England is eager to pay. Are you not pitching commercial ethics ridiculously high?—Yours faithfully,

MORRIS OWNER

Books and Publications

Voice of Experience

Lessons of the British War Economy. Edited by D. N. Chester. Published by the *Cambridge University Press* for the National Institute of Economic and Social Research. 260 pages. 22s. 6d.

The idea behind this book is that the academic economists who worked in the government departments during the war should share among their colleagues the lessons of value for their own profession that they derived from their excursion into practical life. The National Institute of Economic and Social Research therefore commissioned Mr D. N. Chester to collect these thirteen essays, all but one of which are the work of holders of university posts. To introduce the volume the happy choice was made of Sir Richard Hopkins who, as Permanent Secretary of the Treasury, played so large and imaginative a part in fitting the "temporaries" into the civil service. The result is a book much more readable and enjoyable (and also, mercifully, much shorter) than most symposia. The merit of the different contributions naturally varies, but the average level is very high. Economists, civil servants and the great and varied number of ex-temporaries would all find much in this book to instruct or at least to stir memories.

It is apparent, however, that not all the contributors had quite the same idea—perhaps the different natures of their subjects imposed a certain variation. Some of them have written straightforward and almost chronological accounts of the development between 1939 and 1945 of the field of policy with which they are concerned. Professor G. C. Allen, for example, has written a lucid descriptive account of the policy of concentrating industry, which one would like to see expanded into a full volume with detailed examples—but for the purposes of the present book one wonders whether the concentration of industry is so remote from the economics of peacetime that there are really only three paragraphs of general conclusion to draw. Professor E. A. G. Robinson and Mr Hugh Weeks have written accounts of the machinery that was gradually evolved for the allocation of resources and for Anglo-American supply relationships. These potted war histories are of great interest and will be most valuable if ever the job has to be done again. But the same comment can be made, that the lessons of general application—of which there are several—might have been brought out more clearly.

Others of the contributors have not been so content to describe their subject but have gone on to analyse the problems it presented and to generalise about them—but still mainly within the rather blinkered context of their particular wartime job. Professor Devons, for example, contributes a most thoughtful and stimulating essay on "The Problem of Co-ordination in Aircraft Production" which is an admirable discussion of the precise range of territory delimited by its title. (In this case, the essay does not need expanding into a book; it is rather a summary of Professor Devons's admirable book already published.)

After these eliminations, few of the contributors have done (or, to be fair to them, one should perhaps say have been permitted by their subjects to do) what one supposes was in the National Institute's mind, to summarise how far their wartime experience has changed or extended their view of economics itself. Mr Chester himself has some thoughtful reflections on the place of the economist in the central machinery for economic policy, but this is a contribution to the science of administration rather than to economics. From this point of view, perhaps the best things in the book are an essay on rationing by Mr W. B. Reddaway, which could go almost as it stands into a textbook of the new economics, and Mr J. R. N. Stone's chapter on "The Use and Development of National Income and Expenditure Estimates," which ranges a long way past 1945 in explaining how the estimates of the national income—surely, from the economist's point of view, the most important product of the war years—can be used for purposes far wider than those that brought them into existence.

A review of this book in *The Economist* cannot close without quoting one passage from Mr Stone. He describes how, early in 1941, the idea began to circulate in Whitehall that something would have to be done to close the gap that had been developing between the inside and outside views of the financial position. . . . The last straw was an article in *The Economist* early in February, 1941, in which the current annual rate of the national income was put at £8,120 million and a level of £9,000 million was predicted for the financial year 1941-2. Preposterous, everyone said, ridiculously too high: the national income cannot be running at more than a little over £6,000 million at the present time. "I really think," wrote Hopkins to Keynes shortly afterwards, "that something must be done both about the national income and about the gap. Perhaps we could talk." . . . In a few days the Chancellor was considering a new form of Budget White Paper. . . . Having explained the strategic role played by *The Economist* in these proceedings, I must now try to make amends. . . . [*The Economist*'s] figures related to the "gross national income," . . . i.e., the national income plus depreciation allowances plus indirect taxes net of subsidies. . . . [From the subsequent official estimates] we obtain £7,990 million [for the financial year 1941-2]. Preposterous? At least £2,000 million too high? Well, well!

In acknowledging this very graceful *amende*, we can only add that *The Economist* at the time was wholly ignorant of the discussions that were proceeding in the Treasury.

Disaster in Malaya

Main Fleet to Singapore. By Russell Grenfell. *Faber.* 238 pages. 18s.

Captain Grenfell has set out to record the circumstances which led to the disaster in Malaya at the end of 1941, the defeat of the British land, sea, and air forces by the Japanese and the loss of Singapore. He wishes to show that it was the result of grave mistakes in strategy, of wrong thinking and neglect. From the purely naval point of view he aims at exposing the weakness and muddled planning of the Admiralty before the war, and the errors by the British Chiefs of Staff, which were magnified into grave blunders by Mr Churchill's domination of their councils—blunders which, he asserts, were responsible for the failure to send the main fleet to Singapore and for the loss of the weak squadron which was sent.

Captain Grenfell considers that December 10, 1941, the day on which the *Prince of Wales* and the *Repulse* were sunk, marks the end of an epoch—the end of British pre-eminence as a sea power.

The story of the loss of Singapore should be told, and its causes and consequences examined. One sympathises with the author in his complaint that although it is more than five years after the end of the war no official naval history has yet been produced. Captain Grenfell has, however, been able to obtain a great deal of information at first hand from most of the chief actors in the drama; senior officers concerned with the defence of Singapore in the months preceding the Japanese attack, and also a number of those in command during the fighting. He is, therefore, able to give an authoritative and interesting account of the situation as it appeared to the men on the spot.

With the main lesson of the book, few will disagree: that military weakness invites aggression. But there will be less acceptance of the author's championship of Japan and justification of Japanese aggression. And there will be much disagreement with his assessment of Mr Churchill as a man who, for some inexplicable reason, was ready during the war to succour any part of the world except Malaya. In his summing up at the end of the book, the author squarely charges the Treasury and the civil servants within the Admiralty, War Office and Air Ministry with being a powerful "sixth column" working continuously to assist Britain's potential enemies by trying to cut down the national defences. This conclusion will not startle those concerned as much as the author imagines, as it is the sort of thing service officers have been saying to their civil service colleagues across lunch-tables from time immemorial. The civil servants, for their part, make a number of damaging counter-charges against the fighting services. But the friendships survive.

The subject of the book is of absorbing interest, particularly to the Navy. When the author concentrates on naval narrative, the book runs much more smoothly. The action in which the *Prince of Wales* and *Repulse* were sunk is vividly described, and the development of the naval situation after the fall of Singapore is well told in the chapters on the naval moves in the Indian Ocean. One can only regret, therefore, that the author has such a bitter outlook, such a cynical view of all politicians and of the motives of governments, such a contempt for those who between the wars strove sincerely for peace, for agreement among the nations, and the reduction of armaments. It is the writing of a disappointed, disillusioned man, who sees little hope for the future.

The Sanctity of Dogma

Marx against the Peasant. By David Mitrany. *George Weidenfeld and Nicholson.* 348 pages. 25s.

Western students of economics have not shown in the past much interest in the peasant problems of Eastern Europe. Since the war and the establishment in this area of Soviet Russia as the dominant influence, concern with these problems has been heightened by their political implications. A thorough survey of the whole subject is needed. Dr Mitrany's book hardly meets this need, since he is concerned less with what has happened than with the role of Marxist dogma in the story.

Marxism has indeed been the villain of the piece. In its social-democratic form in the inter-war period it allowed the socialist parties to enter into coalitions with reactionary elements rather than with the peasant masses. In the postwar period, it induced them to combine with the communists up to the point when the latter were able to dispense with their support.

The first part of the book, which deals with the development of the Marxist theory concerning the role of the peasant and agrarian policy, is an expansion of an essay of the author's written in 1927 and contains little that is new. The second part, which deals with Soviet agrarian policy, is not very satisfactory. Indeed the notes at the end of the book, which show that Dr Mitrany is aware of the unreality of peasant control in the Kolkhoz, tend to contradict the impression left by the text. A closer attention to chronology would have helped to reveal the important fluctuations in Soviet policy in this field.

For non-specialists the most novel part of the book will be the third. Here Mr Mitrany gives an account of the peasant parties and movements of the interwar period. It is possible that he overestimates their representative nature; he ignores altogether criticisms by other writers who have suggested that, by and large, only the interests of the wealthier peasantry were fully upheld by the parties. The last part contains an account of what has been done in the Soviet satellites and in Jugoslavia since the war, although the story is not taken right up to the present. It is clear, however, that the Marxist dogma was not abandoned. The shareout of land in the immediate postwar period was as purely a tactical move as any of Lenin's. Governments determined to build up the "socialist heights" of the economy could never allow the countryside to be run by subsistence farmers. They would get neither the food nor the labour they required; and an irreconcilable focus of political discontent would remain. Collectivisation, however delayed or disguised, remains the goal. The Russian model shows that humanitarian considerations are not to count for anything against the sanctity of socialist dogma.

Enterprise in the Colonies

The Metropolitan Organisation of British Colonial Trade. By Kathleen Stahl. *Faber.* 313 pages. 25s.

This is an important addition to the very short list of books which deal with economic aspects of the British colonies. It covers the history and organisation of British firms operating in the West Indies, Malaya, Ceylon and East Africa. An obvious omission is the West African colonies, but some material, for Nigeria at least, has already appeared in volumes of the earlier Nuffield College series, edited by Miss Perham.

The present book is divided by territories and then again according to different general aspects which include the study of metropolitan associations of firms and the working of semi-official bodies such as the West India Committee. For each territory there is also a section on commerce, which is subdivided again by commodity groups. The treatment is descriptive throughout, and little attempt is made to compare the patterns of development in different territories or to assess the relative impact of similar institutions in the different areas.

Despite the lack of more analytical treatment, a great deal of valuable material has been collected. The commodity studies in particular are a useful contribution in a field where too little is still known. The chapters on commerce in Ceylon and Malaya contain descriptions of the work of managing agencies not to be found anywhere else and the historical background throws interesting light upon the extent of interlocking directorates and other institutional features.

As the title indicates, the scope of the book has been intentionally narrow and the economist will find that it leaves a number of questions unasked. For example, the impact upon the colonial economies themselves of the forms of commercial organisation described are not examined, and, with the exception

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of Jamaican bananas, there is little general assessment of the place of foreign firms in the colonial production chain as a whole. Now that the nationalisation of foreign enterprises is popular and the export of produce is being usurped by the Colonial Marketing Boards, the functions of foreign enterprise in colonial territories are being subjected everywhere to review. While there is no explicit analysis of these problems, this study provides useful material on many points, including the part played by British enterprise in the opening up of colonial trade, and in the very rapid rate of its development over the last fifty years.

Scotland Under Survey

Third Statistical Account of Scotland: Ayrshire. By John Strawhorn and William Boyd. *Oliver and Boyd.* 886 pages. 20s.

When the first "Statistical Account of Scotland" was put in hand by Sir John Sinclair at the end of the eighteenth century, it contained few statistics, and no maps or illustrations. It was a parish-by-parish social survey: a 21-volume symposium by the ministers of the Church of Scotland, owing a great deal of its charm and interest to the diversity that it revealed. It was only by building up from parish data that a picture of the national economy could be presented.

This is no longer so. On the contrary, it is very hard nowadays to understand the problems of the parish, or even of the county or region, without some preliminary study of the same problems at the national level. The differences between parishes have dwindled or have lost any connection with parish boundaries, so that a mere aggregation of parish surveys would be highly repetitive and blot out a view of the national economy in a thick wood of parishes. Local surveys can still, however, provide illustrative detail of general trends; and a full-scale survey of a local community sufficiently homogeneous to be treated as a unit can bring out the problems peculiar to that community.

Ayrshire, which forms the subject of the first volume of the Third Statistical Account (there was a Second Account just over a hundred years ago), merits a full-scale survey for this reason. It is a fairly distinct geographical unit, with a tradition and life of its own; it is also, unlike most regions that form the subject of modern social surveys, a thriving and developing community. It has the best dairy herds in the world, an international airport, a magnificent coast, and as wide a range of industry as one could wish. For every industry that has died—and there have been many—two have arisen in its place. New pits are being sunk and a large number of new factories have been built since the war. Not all the county shares the expansion: there is a filtering of the population out of the rural south and east down towards the industrial north and west.

It is the main drawback of a descriptive survey that it cannot pursue the problems that it touches on. Dr Strawhorn, in an excellent study of the county, occupying the first third of the volume, cannot readily digress to tell us, for example, why the county's economy has shown such resilience, what the impact of the "incomer" on Ayrshire has been, and from what social groups is now supplied the leadership that came in the eighteenth century from the landed gentry, the lawyers and the clergymen. He succeeds, however, in conveying a vivid picture of the life and work of the community, complete with a neat set of diagrams and tables. Dr Boyd fills in the detail in a series of more chatty accounts of the parishes. But although these are delightful to dip into, they read somewhat like a mixture of Domesday Book and a local guide-book and are inevitably rather superficial.

It would seem too much to hope that all the remaining Scottish counties can be so skilfully and readily presented; and it might be preferable to group some of them together and omit, or greatly condense, the parish surveys. Meanwhile the Scottish Council of Social Service are to be congratulated on sponsoring a work worthy of the Festival of Britain—in honour of which the book is offered at a bargain price.

Gone with the Wind

Economic Resources and Policies of the South. By Calvin B. Hoover and B. U. Ratchford. *Macmillan.* 464 pages. $5.50.

For a long time most books about the American South tended to conform to one of two types, according to whether their authors came from above or below the Mason and Dixon Line. Either they represented the South as the source of all the shortcomings of America—and indeed by any conceivable statistical index it serves as an irresistible scapegoat; or they restated the myth of a southern agrarian Utopia destroyed by Yankee vandals in the Civil War.

In recent years the magnolia myth has given way increasingly to impartial studies of actual conditions in the region, and to the formulation of practical reform programmes. Mr Hoover and Mr Ratchford have performed a valuable service in producing an excellent summary, in concise and readable form, of the economic resources of the South and their development in the past twenty years. The subordinate status of the southern states in the nation is still frequently attributed almost exclusively to a number of permanent and vindictive discriminations, designed to ensure the domination of northern manufactures: differential freight rates; protective tariffs; absentee northern ownership of southern industry and public utilities; inadequate credit facilities. These disabilities have indeed been important in the past, but a study of the changed conditions shows that few of them are effective today. The southern states are still the poorest in the nation, but the change during the past twenty years has been remarkable, especially through the transformation of a purely agrarian economy, based on a single cash crop, towards a balance between industry and mixed farming. Cotton may still be king in the Mississippi Delta, but it has lost its pre-eminent position in the South at large.

The authors have not neglected the peculiar history of the South in their study, which is concerned with possible future policies as well as present conditions. But there is one strange omission: there is hardly a mention in the book of the race question, which pervades and colours every southern problem, economic, social or political. The conclusions about the economic prospects in the South are perhaps over-optimistic for this reason. But with the inevitable limitations imposed by space, this is an important contribution to an understanding of the changing character of the region.

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Principles of Social and Political Theory

By SIR ERNEST BARKER. *25s. net*

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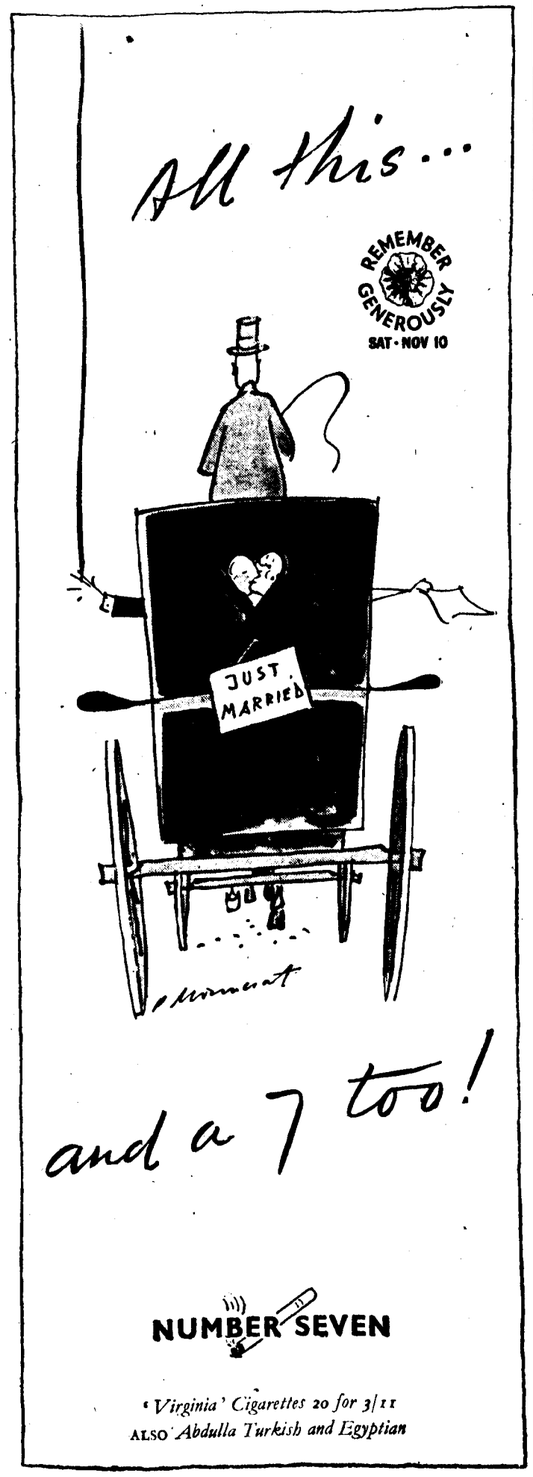

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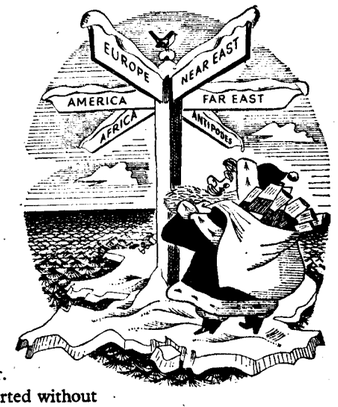

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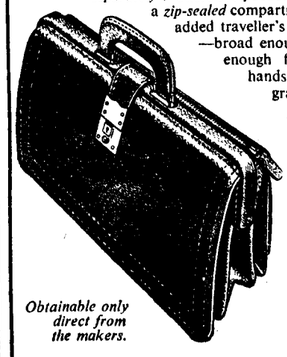

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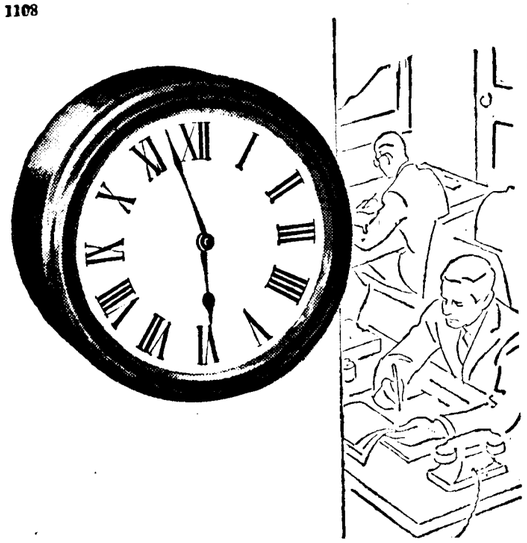

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AMERICAN SURVEY

Waiting for Ike

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WHEN General Eisenhower arrived from Paris last weekend for his "strictly military" talks with President Truman the domestic political situation was, as they say, fluid. It was the most fluid political situation in living memory. Analogies thrust themselves forward, and perhaps the most suitable is that of a couple of football teams who have just run out on to the field and are now punting a ball about in front of the respective goals or stamping and swinging their arms to keep warm.

The captain of the Democratic team, who is standing with his hands in his pockets, whistling cheerfully, is regarded by the other players with much anxiety, for he has not yet said whether or not he is going to play in the impending game. This is President Truman. At the Republicans' end of the field a figure is to be seen running about with immense vigour in all directions, intent on capturing the ball whenever possible and putting on exhibitions of fancy dribbling to show that he is the obvious choice for captain. This is Senator Taft, of Ohio.

But on neither team are the players giving their full attention to the events on the field. Their heads are repeatedly turned toward the players' entrance. The spectators in the stands are watching this gate with equal absorption. Players and spectators alike are awaiting the appearance of a mighty amateur who, though he has never before played in a professional game, is believed to be capable of leading any team to victory. The trouble is that nobody yet knows whether he is going to turn up or, if he does turn up, which side he is going to play on. And this is General Eisenhower.

From time to time players on the Republican team assure one another and the spectators that the gifted unknown is coming to captain their side. "I know he's a Republican and I'm sure he's going to play!" says Governor Dewey of New York, the left half-back. "He is vigorously anti-New Deal!" cries Mr Scott, of Pennsylvania, the inside right. "He will split the solid Democratic South and win," promises Senator Duff, of Pennsylvania, the left full-back. But Mr Taft, the outside right, only runs about harder and faster, and even as he shows off his tricky footwork he shouts: "I alone can lead the Republicans to victory!"

Just how tricky Senator Taft's political footwork is has been emerging with increasing clarity since he announced himself, in the middle of last month, to be a candidate for the Republican nomination. What is his programme? He is for "progress within the principles of liberty of the individual, of state and local self-government and of economic freedom." He is against any "Me Too" procedures, by which he means opposition acceptance of Administration policy at home or abroad; but on the other hand he is not in favour of taking an "extreme position." He considers that the present foreign policy of the United States is "the most tragic in United States history." He apparently does not consider this position to be an extreme one.

What is his view of Senator McCarthy? He approves the McCarthy campaign against alleged subversive influences in government, but "I don't know if I have to approve or disapprove of his methods." Of the nomination of General Mark Clark as United States Ambassador to the Vatican? It is "a novel proposal." Of what will be needed to win the Negro vote? He feels that "the Negroes will vote for what is best for the nation." In this manner, moving about the country in the role of nearly every man's friend, Senator Taft is reported to have lined up promises calculated to place him in a situation of considerable strength when the Republican convention opens next July.

★

None of this, however, can be greatly troubling President Truman, who some time ago, with every evidence of sincerity, made it clear that Senator Taft was his choice as the Republican candidate most likely to be defeated. The President may have more cause to worry about the recent signs that Senator Byrd of Virginia and Governor Byrnes of South Carolina are mapping out what could be a serious excursion by Southern Democrats, one which might take them at least temporarily out of the party unless they can ensure the nomination of a conservative candidate at the Democratic convention. Neither Mr Truman nor anyone who shares his convictions would meet with their approval.

The President has other worries. Mr William M. Boyle, bowed under the weight of criticism regarding his receipt of fees from a company which received government loans, has been replaced as chairman of the Democratic National Committee by Mr Frank McKinney, an Indianapolis banker with a vigorous approach to the "morality in government" issue and a comprehensive knowledge of the techniques of campaign fund-raising. But Mr Truman cannot have any illusions about the capital the Republicans intend to make out of the charges of outright or near dishonesty lately brought against officials of his Administration.

Mr Truman, meanwhile, is really being of no help whatever to those Republicans who are now wearing—or are prepared to wear—the new neckties reading "I Like Ike" which made their appearance the other day at a meeting in Kansas, the General's home state. Mr Truman keeps on saying, in effect, what a fine man and great soldier General Eisenhower is.

This praise by the President may well be more and not less distressing to the Eisenhower Republicans because it so plainly comes from the heart. For it deepens the thoughtful frowns of those in the Republican party who ask themselves whether the General, if he were nominated as a Republican, could possibly put up a hard or successful fight against a Democratic candidate (such as the President himself) who

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

made the Truman foreign policies the great issue of the campaign. How could General Eisenhower attack policies which he has himself diligently supported?

It is now the cry of the openly anti-Eisenhower factions within the Republican party that he is being backed by "Eastern internationalists." Another different cry is that it would produce grave consequences in Europe if General Eisenhower were to "turn tail" and leave his job there. With these and other arguments in the air, and with Senator Taft steadily acquiring support for which they are not yet even in a position to compete, the Eisenhower Republicans have been showing understandable signs of desperation. The demand for "a forthright statement from Ike" has begun to swell like an organ chord.

More objective observers have been inclined to consider the situation from General Eisenhower's own point of view. Would he be wise to say either yes or no at this juncture? Next January the Congress will have to begin consideration of a great new foreign arms Bill. The Administration's requests will be affected by the conclusions of the committee which is now examining the ability of the North Atlantic powers to share the burden of the accelerated military programme General Eisenhower is seeking. Congress and everyone else concerned may be readier to accept his objectives and speed their attainment if, while he remains the strongest potential contender for the Presidency, the General does not actually declare himself, a step which would summon up a host of political enemies at home. To declare himself out of the race, on the other hand, would reduce his present influence to a fraction of itself.

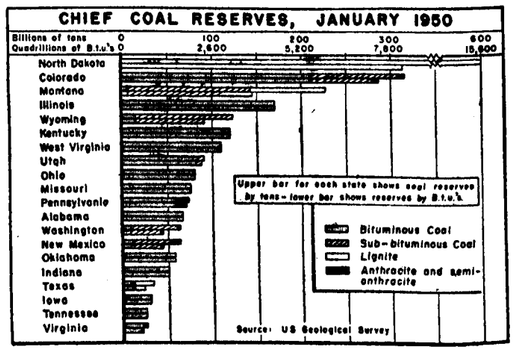
From the moment General Eisenhower arrived in the United States last Saturday to the moment when he left to return to Europe on Tuesday, the newspapers pursued and questioned him at every opportunity and analysed his words as though the secret of life itself were hidden in them. The General's performance in these circumstances was highly skilful. He made it clear that he had come to talk about the military balance sheet and was not to be lured away from the task of the hour. At the same time he contrived to leave behind the impression that Senator Duff and others might not be entirely wasting their time if they went on with the "Eisenhower for President" campaign. On the one hand General Eisenhower said that he had no political aspirations, did not talk politics with the President at their private lunch and had authorised nobody to engage in political activity on his behalf. On the other hand he added that he had talked to Senator Duff on the telephone, would not interfere with the actions of any of his friends and would speak out for himself "positively and definitely" if the time came to do so. He then flew back to Paris, leaving the political situation as fluid as ever.

The West's Fuel Aces

[FROM A CORRESPONDENT IN COLORADO]

IF, as seems probable, the production of liquid fuel and chemicals from coal and oilshale is undertaken on a large scale in the United States before long, it will not be because there is the immediate lack of petroleum that has in the past forced other countries to embark on similar projects, but because the United States wants to get a synthetic fuel industry established before it is really wanted. The need for it might arise suddenly if war broke out, but even without that domestic reserves of petroleum and natural gas are not expected to last for more than another generation. Such forecasts are always speculative, but it is certainly true that, on a thermal unit basis, petroleum and natural gas make up only just over 2 per cent of the country's known resources of fuel energy, while bituminous coal provides 55 per cent of them, sub-bituminous coal and lignite together another 32 per cent, and oilshale over 10 per cent.

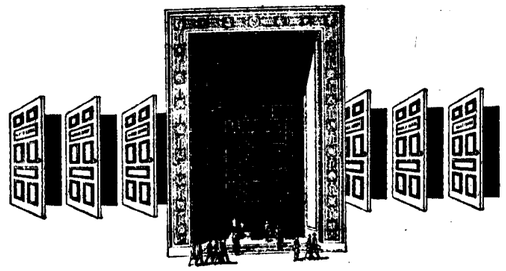
Sooner or later therefore, the United States seems almost sure to have to fall back on coal and oilshale and it is a prospect very pleasing to the western half of the country. For three-quarters of these reserves are west of the Missouri River and so are two-thirds of the potential water-power; with these aces in its hand the west sees itself eventually rivalling the east in wealth, industry and population.



Meanwhile, however, there are many controversies—sectional, political and technical—to be settled before a synthetic fuel industry is actually started. Immediately after the last war, Congress authorised experiments with both coal and oilshale. Since then the Bureau of Mines, in the Department of the Interior, has been producing synthetic fuels and chemicals from coal on a relatively large scale by improved hydrogenation methods in Missouri, and has less advanced projects in coal gasification going on there, while in Colorado it is preparing to produce oil from shale by a new method. The Secretary of the Interior, Mr Oscar Chapman, confidently announced some time ago that, as the result of the work in Missouri, there would now be little risk either for the government or private industry in building a full size plant to produce synthetic fuels by hydrogenation.

In spite of this, however, no private firm has been prepared to undertake any risk at all in this connection, although one has offered to build a hydrogenation plant in southern Illinois, at a cost of $400 million, provided that the government guarantees it against loss and promises a market for all its output. This hardly seems a very attractive proposition from the government's point of view, but nevertheless Mr Chapman has asked the Defence Production Administration to guarantee to buy the output until 1962, at present prices or better, and has also asked for similar guarantees for a $55 million plant in Colorado, which would produce oil and chemicals from shale.

These requests are under consideration, but in the meantime Dr James Boyd, head of the Bureau of Mines, has resigned from the agency. He has gone to a much more profitable job with a private mining company, but it is suggested that one of the reasons for his departure is his belief that Mr Chapman has been pushing the synthetic fuel programme too fast and too far, and that he should at least have waited for reports on its feasibility and advisability which



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were being prepared by various expert groups. One of these, from the National Petroleum Council, has just appeared. In condemning the coal hydrogenation process as uneconomic, it repeats the protests which the petroleum industry had made earlier against Mr Chapman's proposals. Then the industry claimed that it could build an ordinary refinery, with the same capacity as the suggested plant in southern Illinois, for about one-eighth of the money and added that it would be ready to build synthetic plants at its own cost whenever they became practicable. Now the council reports that in its opinion it would cost over 43 cents a gallon to produce petrol by hydrogenation, compared with the Bureau of Mines' estimate of under 11 cents and with about 13 cents for petrol from crude oil. The report is, however, rather more optimistic about the possibilities of producing petrol at a more competitive price by gasification or from oilshale.

*

But at the same time a hitherto unfancied process is coming up fast and may be in use before any of the so-called "high-heat" processes. Hydrogenation and gasification both use almost half of the original heat energy to produce the end product. The dark horse "cooks" the coal instead of breaking it entirely down and the process is conducted at a relatively low temperature. It also differs from hydrogenation in that private industry paid for much of the original research, done in a Bureau of Mines laboratory, and is prepared to stake many millions of dollars on its cheapness and reliability.

The Texas Electric Power Company of Dallas, which paid for the experiments, is building an immense power station, ultimately to have a capacity of 320,000 kilowatts, in Milam County, Texas, to supply electricity for a new aluminium plant which will make 85,000 tons of the metal a year. Milam County was chosen because it contains a vast bed of lignite, from which the electricity will be generated by the new process. It takes about ten kilowatt hours of electric power, or half a week's average supply for an American household, to make one pound of aluminium. Here, right in the preserve of the natural gas industry, lignite is outdistancing gas as a source of cheap power and, it is hoped, providing an answer for the shortage of hydro-electricity that is hampering aluminium expansion.

The cheapness is explained by the fact that the process separates the lignite into its two chief components, carbon, or char, which provides the fuel for the power generators, and coal tar, which can be made into all sorts of much-needed oil and chemical products. A ton of the Texas lignite produces about 14 gallons of tar; tar is now selling at from 8 to 10 cents a gallon, and the cost of the lignite is about $1 to $1.50 a ton. Thus the power plant will get its fuel almost free. There is, of course, nothing new about carbonisation. What is new about the present process is that it is better, cheaper and quicker, particularly when it comes to the removal of the water which makes up one-third of lignite by weight. Above all, the combined operation provides a useful way of disposing of the char that carbonisation inevitably produces in huge quantities.

Before long the western river basins will be needing more power than can be provided by harnessing even their great water resources. But the upper end of the Missouri basin, in North Dakota and Montana, is virtually one vast field of lignite and sub-bituminous coal, which are the grades upon which carbonisation works best; the Columbia basin also has rich reserves, in the State of Washington. The new process can apparently be applied very efficiently to oilshale as well, and to the low-grade coal in which the west abounds. The process has potential uses, other than for the production of electricity, which are also of great importance to the west. For example, it might be employed to make special fuels for the steel plants that now have to import some of their coking coal from other regions; to produce pure carbon for electric furnaces to refine the west's enormous store of phosphates; and to utilise its waste wood products.

American Notes

Atomic Plenty

The atom bomb came of age last week, for the fourth of the atomic explosions now taking place in Nevada was the twenty-first in the series that began in July, 1945. The atom has matured very satisfactorily, for the latest detonations were of bombs of different sizes and types, with ground troops participating for the first time; the Congressional observers were able to report that atomic bombs can now be used on the battlefield and followed up immediately by attacking forces without danger from radiation. It is believed also that the new bombs are not only tailored to fit the job they have to do, but also contain less plutonium in proportion to their explosive power than the old, and are therefore cheaper; in fact, measured in these terms, it seems that atomic weapons will eventually be more economical than conventional ones.

Atom bombs used in this way will not carry the moral reproach that Americans have always attached to their atomic attacks on Japanese cities in 1945, and the latest experiments show, in the words of the chairman of the Atomic Energy Commission, that the enemy can be met "with a fire power that should cancel out any numerical advantage he might enjoy." The Secretary for Air believes that a revolution in the country's basic military concepts will be required if full use is to be made of the great advances that are coming in atomic weapons. All of this will certainly reinforce Senator McMahon's demand for a much increased expenditure on atomic development, in the eventual interests of more security for less money; even so, it would take about three years to produce the new atomic weapons in the huge quantities needed to be effective.

Three years gives the Russians more than enough time to catch up with the United States, or at least to construct enough atom bombs to do serious damage. The point was underlined by the announcement, on the same day that the latest American experiments began, that a further atomic explosion had taken place in the Soviet Union. Yet Congress at its last session refused to provide money to give Americans the protection from enemy air attack that had already been approved. The President asked for $535 million for civil defence, but he got only the "tragically insufficient" sum of $75 million, which means that there will be no federal help for the construction of air-raid shelters and little for the stockpiling of emergency supplies.

* * *

Business in Distress

The hard facts that hit the stock exchange bulls in mid-October and made the bears stir in their sleep were the first batch of company reports for the third quarter of the year. Those which allowed in advance for the retrospective taxes which will have to be paid under the new Bill showed a sharp drop in profits compared with the same quarter of the previous year (when profits were swelled by post-Korean scare buying); those which ignored the new taxes for the present will obviously make an even poorer showing in the fourth quarter. But what really shook the stock market was the number of important companies that disclosed a decline in profits before making any allowance for taxes at all. The decline, which in many cases came as much from reduced volume of business as from increased costs, is likely to continue for some time, for few defence contractors are yet ready for large-scale output and makers of civilian durable goods cannot expect any increase in their supplies of materials before next autumn.

At the moment, however, it is not shortages of materials but lack of consumer demand that is restricting production of most civilian goods; some manufacturers of these are not even using their full allotments of controlled materials. Consumers have for months been obstinately saving an unusually high proportion of their steadily growing incomes (although they have not been buying government savings bonds). Retail trade improved in the last weeks in October, but that was mainly a spurt to beat the new excise taxes on household appliances and many other articles, which came into force on November 1st. Many retailers are doubtful whether they will be able to pass these on in full to consumers, especially since November 1st is also the date on which wage packets and salary cheques will begin to feel the effects of increased income taxes. Christmas is, of course, coming, but it will be followed by three months during which the tax collectors take their largest bite of the year out of incomes.

Depressing as all this is for businessmen, it does not mean that the country as a whole is facing an economic depression. All that has happened is that inflation has been unexpectedly delayed. The gross national product has levelled off, but at an annual rate of $328 billion in the third quarter it was still higher than ever before, and the index of industrial production is climbing again after its sudden fall in July. This is because defence production is at last getting under way, with deliveries rising fast, which explains in part why in September, for the first time in two years, there was a decline in the value of unfilled orders on manufacturers' books. This is also explained by the continued reluctance of wholesalers and retailers to order new stocks, but their inventories are gradually getting back into balance with their sales and sooner or later they, like consumers, must begin to buy again.

* * *

Dilemma for Bookmakers

Bookmakers all over the country are groaning over a provision of the new tax law which went into effect last week, under which they must pay a ten per cent federal tax on their gross earnings and must buy a $50 tax stamp each year to display on their premises. Ostensibly this is purely a revenue-raising measure, but Treasury estimates of the receipts seem to be based on the assumption that bookmakers will not comply with the law on any large scale. The expected revenue is put at $400 million a year. It will also cost a lot to collect this tax: 4,000 men will be needed, at a cost of $34 million. Professional gambling is illegal in every State except Nevada, but enforcement of the laws is notoriously lax—as an annual betting expenditure of over $20 billion shows.

The tax has already driven all bookmakers in Las Vegas, Nevada, out of business, but in the other States they seem to be less worried by the tax than by the registration provisions which go with it. Bookmakers are required to register with the Bureau of Internal Revenue their real and "trade" names, their home and business addresses, and the names of all winners, with the threat of a $5,000 fine and five years in prison for failure to comply. Many bookmakers have announced that they will close down, for by registering they will have to admit to being violators of local and State laws —and, in most cases, of federal income tax laws. Local law enforcement officers will find it harder now to plead ignorance as an excuse for inaction. As one gambler said, "You have to buy a licence to go into an illegitimate business." Some observers, however, have taken the bookmakers' notice of retirement with a grain of salt. They point out that operators of slot machines, which are illegal almost everywhere, already register and pay federal taxes, but suffer little local interference, just as bootleggers in "dry" States such as Mississippi buy federal liquor licences.

Income tax represents a bigger threat to the gamblers' security. Until now many bookmakers have represented their declared earnings as coming from other legitimate businesses, or have listed themselves as employees of taverns, whose owners have even co-operated to the extent of filing Social Security returns for them. Much of this evasion would be exposed.

The tax has also been attacked by many law-abiding citizens including Senator Kefauver, Democrat from Tennessee who headed the Senate Crime Investigating Committee, who believes that it represents a partial sanctioning of gambling by the government. The law might even be a violation of the Fifth Amendment, for a Washington lawyer has said, "When you acknowledge you're a bookmaker, that's self-incrimination, and that's against the Constitution." Few bookmakers seemed willing, however, to test the law in the courts.

* * *

Battering at the Wage Line

The New York dock strike has succeeded in becoming the longest in the port's history, but the strike which worries Washington even more is one which cannot take place for two months—that in steel. Mr Murray, the steelworkers' leader, makes no attempt to conceal his determination to batter a way through the wage stabilisation line, which would allow no more than a 4 or 5 cent an hour increase in steel wages. The contract termination notices have now been sent in to the 40 basic steel producers, giving the 60-day warning necessary under the Taft-Hartley Act if there is to be a strike on January 1st.

The government, however, cannot afford a shut-down in steel, which would bring defence production to a halt, however high Mr Murray's demands, or however strong a line the steel companies take. If a strike seems imminent, Mr Wilson, the defence mobiliser, certainly will demand a Taft-Hartley injunction (which the President would be reluctant to use in an election year) or the appointment of a special board similar to that used in the last steel strike in 1949.

One way of making wage stabilisation more elastic is the extension of productivity bonuses, such as the automobile workers have won from the General Motors Corporation. They receive an annual increase of 4 cents an hour, in addition to adjustments, calculated quarterly, to compensate them for increases in the cost of living. Another cost of living rise seems to be in the making; because of increases in clothing prices, the consumers' index reached a new peak in September. The Wage Stabilisation Board, whose chairman does not believe that wages should be tied rigidly to the cost of living, has had the productivity plan, as well as a whole range of "fringe" benefits—pensions and the like—under study for some months. So have the trade unions.

The automobile and steel industries take, however, very different views of productivity payments. General Motors has so much faith in incentives and good labour relations that it has agreed not to use the bonuses as a basis for demanding higher prices. Steel spokesmen, on the other hand, argue that their companies are already using incentive plans and that coming increases in productivity are due, not to increased efforts on the part of the workers, but to the vast expansion and modernisation programme now under way. They believe that, in view of past increases in costs, a rise in steel prices is already overdue, and they will fight any

attempt by the government to make them absorb a wage increase disguised as a reward for higher productivity. And higher prices for steel mean, inevitably, higher prices all round the economy.

* * *

Colour Television on the Shelf

Both the Columbia Broadcasting System and its rivals in the field of colour television have accepted with remarkable alacrity the request of Mr Wilson, the defence mobiliser, that production of TV colour sets should be shelved until the end of the metal shortage. Even the Federal Communications Commission, which threw the industry into an uproar by awarding the colour prize to CBS, may not be sorry to have time to weigh the new evidence and reconsider its decision. The industry is sceptical about Mr Wilson's reasons for requesting the standstill; with continued production of black and white sets the saving in materials is unlikely to be great, and as long as research into colour television goes on (and it serves military as well as civilian interests) not many engineers will be freed for defence work. The real argument seems to be that mass production of colour receivers might revive the ailing TV market and whet American appetites for scarce resources, both of metals and manpower.

Columbia might not have been quite so eager to comply if it had been able to exploit its victory before the FCC and later before the Supreme Court, which upheld the commission's power to approve the CBS system as the best available at present. The sale of CBS receivers, at over $700 each, has been slow, and because they are "incompatible," that is, cannot receive signals in black and white without a costly adapter, advertisers have been unenthusiastic. The only regular colour programmes—those of CBS from New York—have now been suspended, though colour television in theatres does not come under the ban. The standstill is even more welcome to the rivals of CBS, notably the Radio Corporation of America which has been fighting for time to prove that its compatible electronic system is, in the long run, far superior. The likelihood is that the present CBS system, which employs a mechanical spinning disc, may be shelved forever. By late 1952 or 1953, when colour TV is unfrozen, there are likely to be so many black and white sets in use that only a compatible system will be acceptable. By then research may have made conversion to the reception of colour simple and inexpensive.

* * *

The Postman's Round

The two new Bills which were signed by the President last week, increasing the postal rates on several classes of mail, and increasing the pay of postal workers, will not go far towards resolving the perennial crisis in the Post Office. Nor, probably, will they produce a rapid improvement in the bad delivery service which has caused many complaints: deliveries to residential areas were cut to one a day earlier in the year when Congress reduced the Post Office budget by $70 million as an economy measure. Delays in delivery are reported to be worst in the capital.

Although postal rates have been increased by $117 million, together with an additional $100 million from increased parcel rates which were granted by the Interstate Commerce Commission and which went into force at the beginning of last month, this will be offset by pay increases of $252 million for postal workers. The chronic Post Office deficit, running this year at more than $500 million, will not be staunched by these changes. The Senate proposed increases in rates which would have raised $400 million in revenue.

Two of the most controversial postal questions were dodged in the final Bill: first-class and airmail rates were left unchanged; and second-class mail rates, which include a subsidy for newspapers and magazines, were increased by thirty per cent, to be raised by three annual stages of ten per cent each. This was half the amount recommended by the Senate, and less than a third of that requested by the Administration.

Another Bill which would have reduced the Post Office deficit failed to reach a vote in the House before the end of the session. This measure, which would separate payments to airlines for carrying mail from sums paid to them in government subsidies, was proposed two years ago by the Hoover Commission. At present both charges, totalling about $130 million, are lumped together and paid by the Post Office, and it is not known precisely what proportion of this sum represents mail charges. Early this month the Civil Aeronautics Board announced that it had separated the two charges but, until legislation is passed, this will simply be a book-keeping change: the Post Office is still paying both bills.

Shorter Notes

Mr William Remington, a former employee of the Department of Commerce who was convicted of perjury in connection with allegations that he had been a member of the Communist party, has now taken his case to the Supreme Court. The Court of Appeals had upset his conviction, on the ground that the judge should have defined for the jury what acts constituted proof of membership in the Communist party. Instead of undertaking the new trial ordered by the Court, the government has obtained a new indictment against Mr Remington which charges him not with party membership but with perjury in denying certain specific accusations at his first trial. This gets round the technical difficulty of defining party membership, but in the view of the defending counsel puts Mr Remington in jeopardy twice for the same crime. The new trial has now been delayed, in spite of the government's protests, until the Supreme Court has had an opportunity to clear Mr Remington of the original charges. He has already been fighting this case for more than three years.

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Both parties have been watching the Congressional election in Maine for an omen of success in next year's elections—and both affect to have found one. Although the Republican candidate always wins, the margin of his victory has tended to indicate which way the country will vote. This year the Republican margin was increased by ten per cent over last year and was only five per cent less than the record margin in 1944.

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Music lovers are in the almost unique position of doing well out of the new Tax Bill. Both the Metropolitan Opera and symphony orchestras have at last won their fight for exemption from the 20 per cent entertainments tax. The Metropolitan had the greatest operating deficit in its history this year, but tax relief should reduce it to manageable proportions.

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An aftermath of last summer's price war between the big New York department stores is the filing of an anti-trust suit against R. H. Macy and Company by the firm that makes "Mixmasters" and other household appliances. The price war was started when the Supreme Court ruled that retailers need not observe the so-called "fair trade" laws, which prevent price cutting on branded goods. Macy's promptly reduced the price of "Mixmasters" by nearly 50 per cent, and by so doing managed to obtain a virtual monopoly of trade in these articles, according to the manufacturers.

THE WORLD OVERSEAS

The Future of Pakistan

(From Our Karachi Correspondent)

ONE of the secrets of Liaquat Ali Khan's strength was that he—almost alone among the leading men of the country—was a Pakistani without a province. When he left India he severed his own provincial connection, such as it was, and in his new country was therefore unaffected by the sympathies and predilections to which his colleagues were prone. Now that he is gone, the danger is that the provincial jealousies which he managed to keep from rising to the surface will poison Pakistan's political life.

Admittedly, the change in leadership has been put through with incredible smoothness. There has been no unrest, and after the first few days of bewilderment and bereavement the people have pulled themselves together and carried on with their work as if nothing had happened. The recent crisis in Indo-Pakistan relations had, of course, strengthened the unity of the country and had produced a wave of patriotic fervour which has not yet lost its momentum. But many observers fear that that unity and that patriotism are going to be severely tested in the coming months.

Much depends on personalities. Khwaja Nazimuddin was no doubt the best choice as successor to Liaquat, but he was not altogether the obvious choice. Most people had, in fact, expected that Sardar Abdur Rab Nishtar, the Pathan Governor of the Punjab, would be nominated as Prime Minister; for he had distinguished himself in the administration of that difficult province, which was politically at a very low ebb when he took over. Moreover, there had already been rumours that he would be brought back to the central cabinet as deputy Prime Minister, to be groomed up as ultimate successor to Liaquat. He and his supporters must be presumed to be not altogether pleased at the turn events have taken. The Sardar has been appointed to the comparatively lowly post of Minister for Industries, but it is probable that he will be allotted the more important portfolio of Interior, Information and Broadcasting—generally known as the Home Ministry—when the Prime Minister's brother, Khwaja Shahabuddin, goes to Cairo as Pakistan's Ambassador to Egypt. The opportunity will then be taken to bring another Punjabi into the Cabinet.

Claims of the Punjab

That this is necessary is proved by a public statement made by Mr Mumtaz Daultana, the able, ambitious and still youthful Chief Minister of the Punjab, immediately after the new Cabinet had been constituted. He expressed his dissatisfaction at the fact that East Bengalis outnumbered Punjabis in the Cabinet—in this he was certainly voicing the general opinion of Punjabis, who are inclined to regard themselves as the master race of Pakistan—but stated that he had received an assurance that the Punjabi element would be strengthened. If this mollified the Punjab, it had the opposite effect in East Bengal; and Mr Nural Amin, the Chief Minister of that Province, which is, of course, numerically far stronger than any other and has always felt somewhat neglected by Karachi, put in a counter-claim for another Bengali Cabinet Minister. The Province of Sind, too, in the person of Mr Khuhro, a Chief Minister with a highly chequered record, gave vent to some grumbling about its inadequate representation.

At this crisis of the country's affairs merit should have been the sole consideration; it was depressing to watch provincialism raising its head in a fairly ugly form, when the wreaths had hardly faded on the grave of the great leader who had so long kept it successfully in check. In itself it is not an unnatural weakness in the body politic and should not threaten the stability of Pakistan unduly, but the danger is that it may be harnessed to personal ambitions and exploited by the less scrupulous and patriotic politicians for their own ends.

Possibly it is wishful thinking, but many observers believe that the chances of the re-establishment of amicable relations with India are brighter now than at any time in the past four years. It is not that Liaquat was an obstacle to this or that Khwaja Nazimuddin is expected to make concessions to Mr Nehru in the Kashmir dispute. The shock of Liaquat's assassination has, it is thought, produced a revulsion of feeling, and the removal of one of the protagonists may give the other the opportunity of adopting a more conciliatory attitude without loss of face. Pakistani propaganda on the subject of alleged harassment of Muslims in India has, mercifully, ceased; while from the Indian side less talk is now heard of the exodus of Hindus from East Bengal. Dr Graham's Report has reduced the differences regarding the Kashmir demilitarisation programme to a comparatively narrow field, and there is just a chance that a fair plebiscite, without recourse to arbitration regarding the intermediate obstacles, may now be possible.

Liaquat's Policy Continues

There is not likely to be any change in Pakistan's relations with the Commonwealth, and with the outside world in general. In this department, the effect of Liaquat's death will be felt perhaps less than in any other. The new Prime Minister has declared that his policy will be that of his predecessor, and there is no reason to doubt it. By temperament and training he will be personally inclined to lean on old friends rather than seek new alliances. Kashmir will, however, be the touchstone of Pakistan's foreign policy, and its co-operation with the Commonwealth—indeed, its very continuance as a member of that body—will depend on the degree of assistance and encouragement it gets from the Commonwealth countries over Kashmir. The general public has long been lukewarm about the Commonwealth connection and cynical about the United Nations, but it has been heartened by the Conservative victory. Although ideologically the man in the street is more inclined towards the Labour party and is suspicious of Churchillian "imperialism," he rejoices in the conviction that Mr Churchill will be ready to take a firmer line with India, if it proves necessary to do so to bring about a fair plebiscite in Kashmir; rightly or wrongly Pakistanis have always believed that the Labour Ministry had a sentimental attachment to the Indian Congress and would never give wholehearted support to any measures designed to bring pressure on India.

At this moment, however, the new Pakistan Government is faced with an awkward dilemma. The trouble in Egypt has aroused a great deal of popular excitement; the British are being accused of "naked aggression" and Khwaja Nazimuddin has been urged in some circles to declare that

Pakistan is on the side of the Egyptians. This uprush of sentiment in favour of a fellow Islamic country cannot be ignored, but at the same time it is clear that the self-interest of Pakistan requires collaboration with the western powers. The new government is therefore faced with the task of steering a course between the demands of Islamic sentiment and the requirements of a realistic policy in international affairs. It should be helped in this by the fact, which has not gone unnoticed, that Islamic solidarity has never impelled the Egyptian Government to declare itself on Pakistan's side in the Kashmir dispute, while the attitude of the British, ever since the last Commonwealth Prime Ministers' Conference, has appeared helpful to Pakistan's case. The Government of Liaquat Ali Khan pursued, not very actively, a policy of closer economic and cultural relations with the Middle Eastern countries, but showed not the slightest enthusiasm for political alliances with such countries, still less for the concept of "Islamistan"—that is to say the complete integration of the Muslim countries of the Middle East and Pakistan advocated by Chaudhri Khaliquzzaman, the former President of the Muslim League. Khwaja Nazimuddin, who is a very devout Muslim, is likely to intensify the movement for closer economic and cultural relations, but is not likely to try any political adventures.

Spy Trial in Sweden

On September 12th of this year an engineer petty officer in the Swedish Navy named Ernst Andersson requested, and obtained, five days' leave from his duties in Stockholm in order to deal with an urgent family problem. But instead of going to Nässjö, in central Sweden, which he had given as his address while on leave, he devoted those five days to visiting Sweden's largest naval base, Karlskrona, on the south coast. On September 20th, having returned to Stockholm, he made his way to a lemonade-kiosk under the Tegelbacken viaduct and took from the racks a bicycle which had just been left there by a certain Nikolai Orlov of the Soviet Embassy. Andersson rode this bicycle to the Southern Hospital and left it there, after placing some papers in the tool-bag and concealing another piece of paper in the top of the pump; he then went home, by tram. Counter-espionage officers who had been watching his movements found these papers to contain, written in invisible ink, details of the dispositions and equipment of the warships based at Karlskrona. The next day Andersson was arrested, and the most sensational case of espionage in the history of modern Sweden was under way.

At Andersson's trial, which began on October 30th, the Commander-in-Chief of the Swedish Navy, Admiral Helge Strömbäck, stated that the damage done was to a considerable extent irreparable. The prosecution claimed that Andersson had obtained for his Soviet employers details of the dispositions, armament, and state of readiness of many Swedish warships, not only at Karlskrona but at other naval bases; information about possible landing points and coastal defences on both the east and the west coast of Sweden; details of the fortifications at Boden, the bastion of Sweden's defences against any overland invasion in the north; information about air force units and airfields around Lulea, the big base in the north of Sweden; and detailed information on the armament and equipment of British warships which visited Karlskrona this summer. If one spy could achieve so much, Swedes are asking themselves, how much information have the Russians been able to collect altogether from their agents in Sweden?

Undoubtedly Andersson was a fortunate choice. After reporting copiously on the Stockholm area early in 1950, he was first posted to Karlskrona, and then sailed on a fleet ice-breaker up the whole east coast. During this voyage he took numerous photographs with a camera bought with money supplied by Victor Anissimov of the Tass agency; some of these photographs were printed in a Swedish naval magazine, while the others were handed over to the Russians. On arrival in the north, Andersson was among a number of petty officers from the ice-breaker who were invited first to the Lulea air base and then to the Boden forts, where they were shown round by the hospitable garrison. His ship came south again in time for him to inspect the visiting British warships; and in spite of all these activities he found time to take a course in radar, which greatly increased the value of his reports.

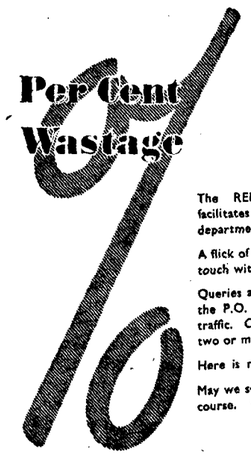
Petty Officer Prophet

The fact that Andersson was given all these opportunities to collect information has caused much raising of eyebrows in Sweden. For it has been shown that he had been a Communist for over twenty years, and that his messmates were so well aware of his extremist views that they nicknamed him "The Prophet." According to one Swedish newspaper, his notoriety was such that a fellow petty officer, listening to the first wireless bulletin in which the case was mentioned, said without waiting to hear the name of the accused: "That must be Andersson; I've always suspected him."

The direct contacts that this spy maintained with Soviet officials have also given rise to comment. It seems hardly in the classic pattern of Soviet espionage for a man who had long been an active Party propagandist (Andersson helped to edit and distribute among naval men a Communist paper called *Torpedo*) to become not merely an active spy, but one who reported personally to members of the Soviet Embassy staff. Andersson made his first contact with the Russians in 1946, when a Swedish Communist introduced him to Vinogradov, a Russian secretary of legation. He and Vinogradov visited each others' homes for meals and drinks, and soon afterwards equally close relations were established between Andersson and Anissimov. Not until 1949 did the Russians begin to assign their agent to definite tasks; but from then on he reported regularly to Anissimov, sometimes by such devices as the cycle park and sometimes by actual meetings. In 1951 Orlov replaced Anissimov, who had left Sweden; Orlov himself has now returned to Russia.

At the trial Andersson admitted the prosecution's charges, and declared that he had been fully aware of the possible consequences of his actions, but had believed that he was doing the right thing for the world. He admitted receiving the relatively modest sum of 4,530 kroner from the Russians, but said he had probably spent more than that during his activities. He appeared calm and completely unshaken in his political beliefs; but he has, of course, been disowned and denounced as a *provocateur* by the Swedish Communists.

The agitation that the trial has aroused in Sweden is not entirely due to the scale of the damage already done, or even to the revelation of the ease with which Soviet espionage can operate in the country. The case has also to be seen against the background of the diplomatic offensive recently launched against Scandinavia by the Soviet *bloc*. Simultaneously with Mr Vyshinsky's peremptory Notes addressed to Norway, the Swedes have in the past few weeks received three equally bellicose Notes from Poland, which allege the existence of an "anti-Polish atmosphere" in Sweden; and they fear that they may be subjected to considerable pressure from Poland in the matter of the Polish coal which they urgently need if they are to get through the coming winter without embarrassment. Now the Andersson case has given them convincing proof that the most punctilious neutrality does not insure a country against the close attention of the Soviet intelligence services. Sweden has always taken care that its neutrality should be an armed one; but the question is now being asked whether the comprehensive information which the Russians seem to have obtained about the country's defences and possible invasion routes does not destroy the military basis of that neutrality.



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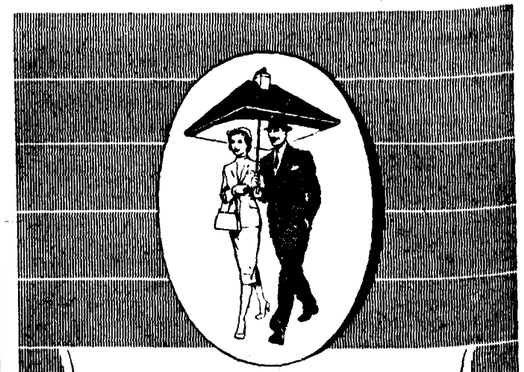

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Japan—Dazed and Strained

[BY A CORRESPONDENT RECENTLY IN JAPAN]

JAPAN'S economy was smashed and truncated by the war. It has subsequently been revived, in a partial and feverish manner, but it would be quite wrong to assume that the Japanese can yet see anything but a very difficult path in front of them. During the war 40 per cent of the urban area was razed by bombs or fire, and about 25 per cent of the national wealth, and 30 per cent of the industrial capacity were destroyed. Japan was shorn of the overseas empire to which its entire development had been shaped. Five million Japanese were repatriated—about 7 per cent of the country's population—and became a sudden addition to the natural rate of increase (now about 1,400,000 a year), which has brought the total number up to 83 million, or 20 per cent more than prewar. It is seldom realised how great a part of Japan's present equipment, and of the Japanese themselves, are entirely postwar phenomena.

The war damage was, of course, uneven. About 80 per cent of shipping was destroyed, 50 per cent of chemical fertiliser capacity, 30 per cent of thermal power, 25 per cent of cement, 22 per cent of electrolytic copper. Two-thirds of the prewar cotton mill capacity of 12 million spindles was first scrapped by the Japanese; then bombing caused a further loss of some 20 per cent in spinning equipment and 14 per cent in weaving. Such, in brief, was the industrial effect of the war.

The postwar rehabilitation and replacement have been no less uneven and uncertain. There were three periods. From 1946 to 1948 there was extreme political and industrial uncertainty, with purges followed by de-purges, trust-busting followed by the revival of trusts, and a fluctuating debate about reparations and peace terms. In 1949 and 1950, serious shifts in world markets and world politics were accompanied by the "Dodge Line" of deflationary stabilisation inside Japan. *Finally, since June, 1950, the* Korean War has had still more powerful, but divergent and distorting, effects on the Japanese economy.

Korean War Boom.

Some sense of direction has, however, returned. A consensus of agreement was reached on the "programme" for Japan's economic self-support by the end of 1952; there was not much of a programme about this, but it did represent close calculations of what would be required to balance Japan's international accounts by 1953. Hence it provides some positive estimate of the present direction and aims of the Japanese economy. Against this new yardstick of "self-support" by 1953, the recent progress looks very striking. Present capacity is much above prewar; indeed, it is ahead of schedule as regards the self-support programme.

But the appearance of self-sufficiency or solvency is due to a war boom of the crudest kind. The total figures conceal changes and movements which deeply affect future prospects. Through the first half of 1950 under the stabilisation programme prices were declining, inventories were increasing, and industrial plans were cautious. The Korean war brought a sharp increase in industrial production, caused sharp and uneven price rises, and halted the rise in the standard of living.

The UN forces' "direct procurement" in Japan was the main impetus behind this, though general conditions were favouring exports and checking imports. In the first nine months of the Korean war, direct procurement by the American military command made up one-third of Japan's total exports; it was valued at $250 million, of which two-thirds was in goods and one-third in services. Of the goods 25 per cent was machinery, 25 per cent metal and metal products, 20 per cent textiles, 12 per cent timber and paper, 5 per cent chemicals. The returns show at a glance how uneven were the effects of the Korean war:

INDUSTRIAL PRODUCTION INDEX
(1932-36=100)

	June, 1950	Dec. 1950	March 1951
All industries	94	117	127
Mining	112	120	129
Metals	131	158	164
Machinery	104	150	178
Ceramics	106	148	146
Timber	96	148	161
Textiles	40	49	51
Chemicals	123	151	165
Food, drink and tobacco	81	75	71
Printing	81	96	97

If the balance of payments was transformed, this was also largely due to procurement. Exports in the first half of 1950 were $323 million, imports $485 million, deficit $95 million; in the second half-year the figures were exports $498 million, imports $474 million, surplus $24 million (excluding procurement). If procurement is added, the export figure for the second half of 1950 is nearly doubled. But the situation deteriorated, from the Japanese point of view, in 1951; imports in the first half of the year were $512 million, against exports of only $287 million (procurement excluded). Dollar reserves, built up to almost $520 million at the end of 1950, fell below $450 million by March, 1951. The reasons for this are mainly the sharp rise in the cost of raw materials and freight, factors to which Japan is especially vulnerable.

Internally, the economy is "price-vulnerable," and contains serious inequalities and instabilities. Over the first year of the Korean war, the prices of items most in demand for export or for procurement rose much more than those of items mainly using indigenous raw materials and intended for the home market. In the former group, for example, the price of metals rose by nearly 200 per cent, of machinery by 125 per cent, of textiles by 50 per cent, and of fuel by 50 per cent. But in the latter group chemicals rose by only 6 per cent, food by a mere 2 per cent. Capital goods in general show a 90 per cent rise, consumer goods only 46 per cent. The internal terms of trade are especially adverse to agriculture, where receipts are more stable than costs; 60 per cent of family expenditure still goes on food. The structure of price controls, though still elaborate, has lost a great deal of its effectiveness over the last two years. The resultant inflationary pressure is now reinforced by the effects of the "usance" system, under which advances and long term credits were given by the State, last autumn and winter, to finance essential imports.

Consumption levels and real wages in Japan have remained broadly unchanged, on the average; but they may soon lag seriously behind prices. In this matter also, one must look behind the averages to see the significant and dangerous inequalities. For instance, not only are wages much higher in the larger Japanese firms than in the small ones, but the difference between them has recently been increasing.

WAGES (average for all factories=100)

Factories with:	1950 2nd qtr.	1950 3rd qtr.	1950 4th qtr.	1951 1st qtr.
Over 1,000 employees	115	116	122	129
500—999 "	107	109	112	118
200—499 "	101	100	100	97
100—199 "	101	93	90	86
50— 99 "	85	83	77	79
30— 49 "	77	73	69	66

All these index numbers give a grossly inflated idea of Japan's progress and solidity. The prewar base with which they draw comparisons is usually "the 1930-34 annual

average." This base period was originally taken as the "normal" pre-militarist scale to which Japan's economy might be readjusted in the peace settlement. But as an absolute measure of the present revival, it is as misleading as returns of European recovery would be if the base year taken were not 1938, but the depression period 1931-34. It looks very fine to see, for instance, that present industrial output is about 130 per cent of prewar, i.e., of the 1930-34 average. But further enquiry shows that the comparable figure for 1939, on the same base, was 163; and the wartime peak performance (1944) was as high as 215. This gives quite a different perspective. Similarly, while due praise should be given to the feat of balancing trade (in the second half of 1950) at over $800 million, the fact is that in terms of volume this represented only 40 per cent of the 1934-36 average exports. And now there are five mouths to feed where there were four before the war; ten hands to employ where there were eight.

Japan depends heavily on the Asian markets which took 60 per cent of Japanese trade in prewar times. Shipping and raw material costs may remain high, or even rise. The prospects or consequences of a resumption of Japanese trade with China, in particular, are uncertain. The recent restrictions made it necessary to seek more distant, expensive and uncertain sources of supply for iron, coal and salt; and they cut off one of Japan's most important and most natural markets. People in the Far East watch with some amazement the complacent propaganda in the West which depicts a restored and firmly refounded Japan, emerging from a wise and efficient occupation. The true picture is of the Japanese nation facing a grim struggle for existence, on the basis of somewhat artificial and distorted economic conditions, and of the Japanese people dazed and strained, after all their chequered experiences in the last ten years.

Israel and Middle East Defence

ISRAEL'S attitude to the proposed Middle East Command has undergone a *volte-face*. When the Four Powers originally communicated their proposition, which they did "for information only," first reactions were mistrustful and unfavourable. Umbrage was taken at the invitation to Egypt to become a founder member. The gesture was condemned as surpassing the legitimate bounds of opportunism, since Egypt had only a month previously been arraigned in the Security Council for its behaviour over traffic through the Canal, and had been voted guilty by a majority which included all four sponsors of the invitation.

But such criticisms were not the fundamental cause of misgiving; they cloaked a very real fear that expediency would lead to undue appeasement of the Egyptians. The Israelis felt that Egypt might be subtle enough to temporise with the West, and might consent to parley with it at a price. The price that they feared was cessation of American economic aid to Israel. But the Egyptian Government, which is a prisoner of its own slogans and of its deteriorating home political situation, did nothing so astute. It turned the proposition down out of hand. Israel's Government is therefore prepared to see the project in a different light.

The Knesset (Parliament) debated it this week, and ended by giving it tacit approval through the medium of a vote of confidence in the Ben Gurion government by 60 votes to 36, with 24 abstentions. Many Israelis abandon with reluctance the pose of neutrality (which they call "non-identification"), upon which, since the birth of their nation, they have set so much store. In fact that pose has for two years been a fiction on account of the country's total dependence on gifts and loans from the United States. During the debate, Mr Sharett, Israel's foreign secretary, explicitly cut adrift from the neutralist policy:

> Israel's vital interests, however, demand that above all her relations be close with those countries whose Jewish communities are free to further the fulfilment of her historic mission and whose governments render practical assistance to enable her to stand up to the trials of today and to those which lie in wait for tomorrow.

He had previously stated that, though the Western Powers had not invited Israel to join the proposed command, their communication had put the "official seal" on Israel's inclusion in the region, and that Israel would do its utmost to strengthen itself economically and militarily in order to contribute its share to the defence of the Middle East.

Early Participation Unlikely

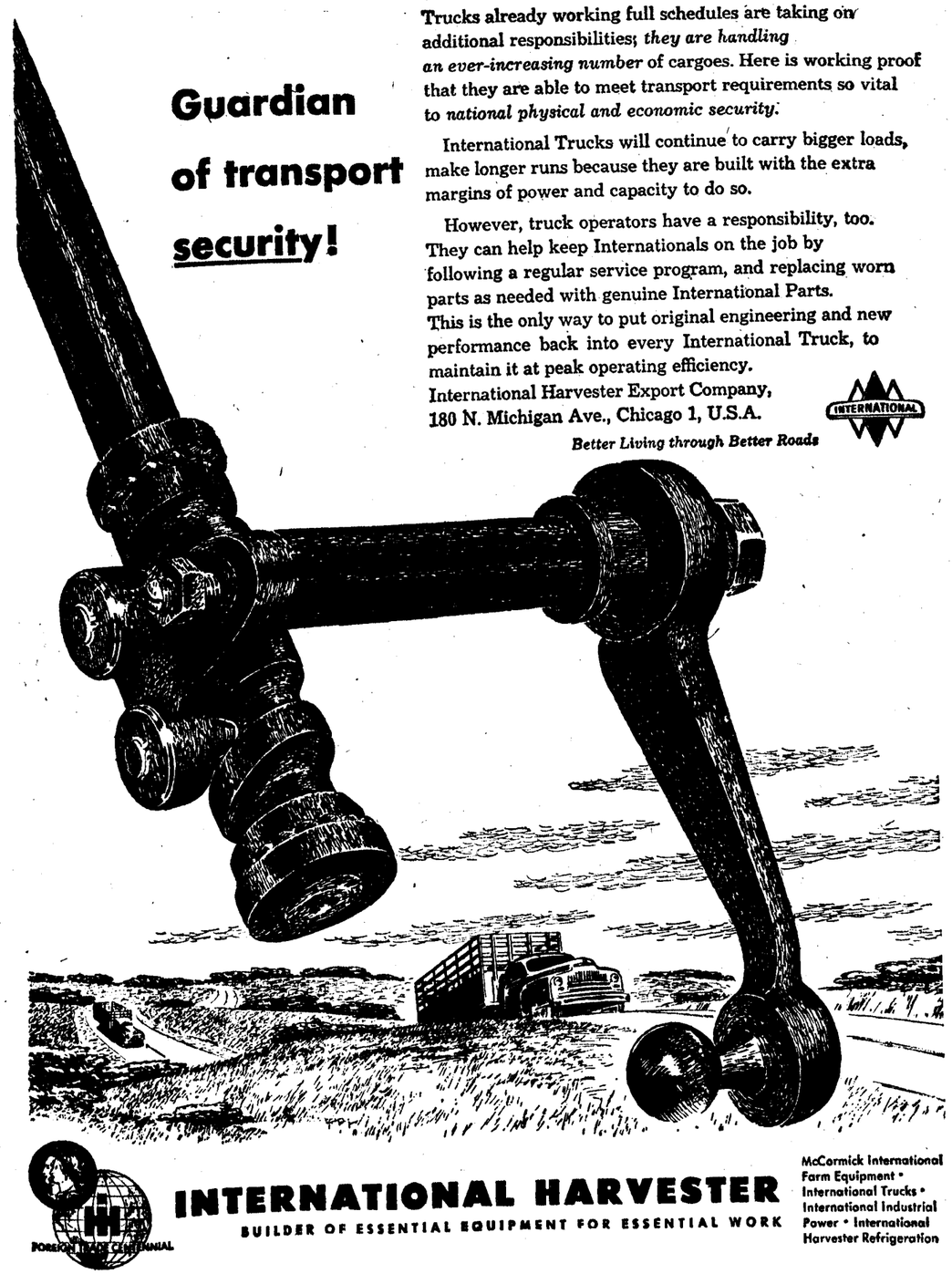
His declaration met with considerable opposition. It was of course violently attacked by the left-wing Socialists of Mapam, and by the Communists. But their warnings that the new policy would, in the event of war, cleave Israel in two produced from Mr Ben Gurion the retort that, in wartime support of the nation's enemies is treason.

The vote of confidence which followed the debate was the first full test of the new government's position, and must not be taken simply as a measure of the nation's attitude to the West. The opposition figure included, as well as Mapam and the Communists, the General Zionists and the Heruth party who are, after all, the principal protagonists of a link with the Western Powers. A motion of non-confidence in the government succeeded in mustering only 16 Mapam and Communist votes.

For more than one reason, therefore, public abandonment of neutrality does not presage an immediate request to participate in the command. Firstly, to incense Russia is not the object of the exercise, and many Israelis fear that overbold identification with the West would unnecessarily jeopardise the chances of rescuing the Jews remaining in Eastern Europe, notably in Hungary and Rumania. Secondly, public opinion at home has to be nursed along. Lastly, the Israel Government is well aware of the obstacles to a regional command that are created by its bad relations with the Arab states. It rates regional harmony as more important than its own admission to the new command. It is therefore well content to be non-committal.

Miners Behind the Curtain

IN BOTH Hungary and Czechoslovakia the Communist authorities have been having one of their periodic bursts of anxiety over the situation in the mines. They find themselves caught between the Soviet demands for still greater production for their heavy industries which cannot work without coal—and the unwillingness of the miners to work themselves to the bone for very little reward. In Hungary it is claimed that the coal production plan for the first half of the year was fulfilled by 96.6 per cent, but for the third quarter by only 90.2 per cent. A special meeting of miners' representatives and prominent Communist leaders recently met at Tatabanya to discuss measures to improve production. Mr Rakosi, who deemed it necessary to attend in person, pointed out that the conference was at least agreed that the target for coal was realistic and capable of fulfilment—if everybody worked hard enough. The coal production aimed at for this year is 16 million tons, as compared with 13 million tons in 1950. (It is not clear whether the figure of 27.5 million tons for 1954 is regarded as equally practical.) Mr Rakosi directed most of his oratory against the allegedly small number of "the undisciplined workers and incorrigible loafers" who are disrupting production. The miners' wage system is to be improved and steps are to be taken to increase



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their supplies of meat and fats, but Mr Rakosi seemed to pin his greatest hopes to improved work by the party in the mines and to the creation of an "atmosphere of enlightenment and discipline."

In Czechoslovakia, the men in power seem to be even more disturbed. They have been concentrating their attention on the Ostrava-Karvinna coal basin, where 85 per cent of Czechoslovakia's hard coal is produced. Here the immediate cause of the trouble seems to be absenteeism, manpower shortages and the exceptionally high turnover of labour. About 5,000 regular workers have left the coalfield since 1947; and over 30,000 voluntary workers have stayed on the job for an average period of only four months. Other causes of the low production are said to be out-of-date norms and failure to mechanise and modernise the mines. The Central Committee of the party has been horrified by the "shameful state of affairs" revealed at Ostrava, and has decided to apply a number of remedies, which include a new system of wages and bonuses.

It is significant that the Committee's diatribes are directed not so much against the workers themselves as against the "extremely grave shortcomings and mistakes" of the industrial authorities and, above all, of the Communist party organisations. These latter appear to have failed dismally in their task of keeping the miners up to the mark. They have not educated them "in an uncompromising Bolshevik attitude towards symptoms of negligence and bad working morale." There have even been examples of party members themselves setting a bad example to their fellow workers, while at the other end of the scale groups of saboteurs have become "rampant." It would be a mistake to read too much into all this; but there is no doubt that the Communist authorities are seriously concerned. The success of the five-year plan depends, by their own admission, on the Ostrava coalfield fulfilling its targets.

The Drama of Gomulka

LAST week the Polish *Sejm*, on the request of the attorney-general, decided to waive the parliamentary immunity of the former General Secretary of the Polish Workers' Party (Communist) and vice-premier, Wladyslaw Gomulka, as well as of General M. Spychalski, former member of the Politbureau and vice-minister for war. Both are to face trial on the charge of activities prejudicial to the Polish state. The waiver of immunity may be a mere formality after the event; for it was known that General Spychalski, when he testified in the recent trial of the generals, had been brought from jail to the witness-box. Yet the official admission that the veteran party man, Gomulka, is finally to be put into the dock marks the much delayed epilogue of a drama which started as far back as 1948.

Europe was then definitely splitting into two opposite camps, and the Russians were taught a lesson by their experience with Tito. They decided to purge and close the ranks of the Communist parties in their sphere of influence, to eliminate the potential "Titos" or "Titoists," and to drop the appeal to nationalism which had been encouraged up to then in countries within the Soviet orbit. The Communist leaders who could be "dangerous" were purged. They were chosen as scapegoats responsible for the nationalist deviation, though their line of talk had hitherto enjoyed Moscow's approval. The security and police machinery which until then had been used against opponents of the new regimes was suddenly switched against its supporters. Budapest and Tirana, Bucharest and Sofia learnt that Moscow trials were articles for export.

Downfall by Instalments

Warsaw alone seemed immune. Not that Gomulka—who once used to be called Poland's "Little Stalin," and led the party, and therefore the country up to 1948—remained at the helm. The new line prevailed. The Poles, like the Hungarians or Czechs, stopped talking about their own way to socialism. Gomulka was in disgrace, but his downfall proceeded by instalments. At first he was only dismissed from the post of General Secretary; then he ceased to be vice-premier and minister; at the party congress in December, 1948, he was elected to the Central Committee of the party; nearly a year passed before he was dismissed from that position as well. Yet, formally, he has remained to this day a party member and vice-chairman of the State Control Commission.

Foreign observers began to wonder whether in Poland the drama might not end without the customary climax. Once thrown off the political stage, the "culprit" may well be forgotten and his inactivity regarded as the main punishment. The present rulers—his former collaborators and subordinates—it was argued, would try to shield him, partly to avoid trials and partly because they, too, had shared his "sins" at a time they were still virtues by Moscow's standards. Some of them are still in the Politbureau.

As it turns out the pattern was not to be broken. Molotov, during his recent visit in Warsaw, hinted that the Poles should exercise vigilance. And on the morrow of his departure there began the trials of the Polish generals accused of collaborating with British agents. Spychalski was implicated directly, and Gomulka indirectly, in the accusation. The question remained whether the trial was an act by itself or merely a curtain-raiser. The Polish Parliament has just given its answer. Moscow trials are contagious and a vaccine has not yet been found against the epidemic. Though the drama really took place three years ago, the final act could only be delayed. Molotov reminded the reluctant Poles that it must run its course to the bitter end.

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Towards Monetary Orthodoxy

VERY wisely, the new Chancellor has lost no time in enlisting, for his attack upon inflation, the almost forgotten techniques of orthodox monetary policy. He has raised Bank rate—a rate kept unchanged and wholly ineffective for so long that it had come to be regarded by some people as a kind of museum exhibit from an obsolete system. Less wisely, as some may think, he has raised it by the very least amount that tradition allowed, by ½ per cent to 2½ per cent, whereas in the hey-day of Bank rate the convention was that it ought to rise by steps of not less than 1 per cent and fall by steps of not more than ½ per cent. To those who look back to the classical tradition rather than to the experience of the past twenty years, the movement may appear restrained, and even timid. Though the signal will be well understood by those at home and abroad whose ears are expertly trained, it will be scarcely heard at all by the domestic public at home. The authorities have therefore wholly rejected the argument that a drastic increase in Bank rate could, by its psychological gesture, have been made the means of demonstrating the determination that was to inspire the Government's economic policies as a whole. Instead, they have preferred a sober policy, what Mr Butler calls a "clear change of emphasis," that will exert its effect mainly by its repercussion upon the psychology of bankers through whom it has to be transmitted to the national economy.

It is the more important, then, that the aims and implications of the new monetary policy should be quickly and clearly comprehended throughout the banking world and that they should then be brought home to the general public as quickly as possible. The need for urgency here springs from the fact that, for the next few critical months, almost the whole of the Government's effort to resist inflation will depend upon these monetary measures. The immediate cuts in imports, as Mr Butler pointed out, will perforce increase the domestic inflation, because this reduction in goods available at home will not be automatically accompanied by any reduction in public spending power. The important counter-measures that may be hoped for through the budget, and the promised "review" of industrial investment, cannot even begin to relieve the pressure until the spring—if then. The responsibility that rests upon the monetary authorities and the commercial banks, now that their aid has at last been enlisted in this way, is correspondingly increased.

The skill and judgment with which the new measures have been devised give promise, however, that there will be a good response. The increase in Bank rate as such, though the most recognisable change for people outside the inner ring of the banking system, is in fact of less direct significance than other measures that may appear to be merely supplementary. The full range of measures is as follows:

1. The increase in Bank rate from 2 to 2½ per cent; but this new Bank rate, contrary to all former practice, is to apply only to seven-day loans against approved commercial bills and bonds. For seven-day loans against Treasury bills (which under the old system cost ½ per cent above Bank rate—for all types of approved collateral) the Bank will charge the market 2 per cent —and this is the rate that is in practice likely to be most used.

2. The abandonment of the ½ per cent market rate for Treasury bills, a rate kept rigidly pegged at this level ever since 1945 by means of the readiness of the Bank's agent, the "special buyer," to buy bills from the market at that rate to whatever extent was necessary to meet the market's need for cash.

3. The replacement of this rigid system by fluctuating market rates; the fulcrum of the fluctuations will depend upon the actual tactics of the "special buyer," but it is apparently intended to follow a policy that, for the time being, will cause the market's tender rate for Treasury bills to fluctuate around about ⅞ per cent—a very modest increase.

4. The restoration of the classic principle that, at anything less than Bank rate, the Bank will give relief only on its own initiative. The "special buyer" will not necessarily meet the whole of the market's requirements when it is short of cash, but may from time to time drive it to obtain the balance officially from the bank, when it will pay 2½ or 2 per cent according to the type of security tendered.

5. The offer next Tuesday of three 1¾ per cent funding loans to an aggregate amount of £1,000 million, in the form of serial funding stocks with maturity dates of November 14 in the years 1952, 1953 and 1954 respectively. The issue price for the one- and two-year stocks is 100½ and for the three-year it is par. Subscriptions will be received only in the form of British Treasury bills with an average remaining life of not more than 60 days, and for sums of not less than £5,000. The offer is equally available to holders of "tap" bills.

6. The bringing of the rates charged by the Public Works Loan Board to local authorities roughly into line with gilt edged yields; the rate for the longest loans is raised from 3 to 3¼ per cent.

This is a well-balanced and closely integrated programme of change, and one of its principal merits is that it carefully avoids giving the impression that these moves towards tighter money are necessarily final. To indicate its wider implications, it is first necessary to trace its technical effects, so far as they are yet predictable.

The first point that will strike the market is that, although the Bank rate has been raised, the rate that it will in practice pay if and when it borrows at the Bank will be less than it would have been had it been driven "into the Bank" on the old terms (because the convention was that loans from the Bank, as distinct from rediscounts, were charged at ½ per cent above Bank rate). Secondly, although Bank rate has not, in this technical sense, really been raised at all, the Treasury bill tender rate and the associated market rate are left a long way below it. If the tender rate in fact settles at around ⅞ per cent, and the banks' buying rate stays at the ¾ per cent at which it has been initially fixed, the increase will be smaller than anyone expected it would be if any change were to be made at all. The shock to the discount houses, through the depreciation of the capital value of their bill portfolios, will therefore be relatively small; moreover its effect will be much cushioned by the right to exchange bills, on the old basis of rates, for the new funding bonds. But although the rate changes are small, the change in the technique of the "special buyer" is more radical than the banking system had envisaged. It would never in fact have been practicable to drop the practice of "special" buying and selling altogether, for that would have meant that whenever a temporary dislocation caused a deficiency in the market's supply of funds (and such dislocations are very frequent), the whole of the deficit would have had to be filled by borrowings at Bank rate; all rates would then have been adjusted to that level, and Bank rate would thus have been unable to perform its function of being a "penal" rate. But many of those who realised this argued that the only alternative was to retain the practice of the past decade; and that would have meant that, although the level of rates might be raised, the authorities would still have been a perpetual source of cash supply to the market (and, through it, to the banking system) on terms that could never involve it in loss. By deciding that the special buyer may operate at varying rates and do so only on his own initiative and for amounts that may be less than the market needs, the authorities have shown real courage and independence. They have gone just as far as was practicable to demolish the pernicious automaticity of costless cash supply—a system that, for a decade and more, has been depriving them of all real control over the volume of money.

*

In principle, these technical changes are of fundamental importance. But they will not, of themselves alone, quickly or directly reduce the temperature of inflation. That can be reduced by monetary means only if they provoke a reduction in public spending; and the only point at which this may be directly caused by these changes in money market rates is by the restraint put upon borrowers by the discount of commercial bills (fine three months bank bills will now be discounted at 1½ per cent, compared with 1 per cent, since last July and 11/16 per cent before that). Borrowers through other banking channels will be directly restrained only to the extent that the new measures provoke an increase in bank charges for loans and overdrafts. It has been suggested that such an increase is likely; but, since the change in market rates is so small, it is probable that the only effect will be to strengthen the hands of the banks slightly in the effort they were already making in that direction. Certainly, there is no likelihood, as the outcome of this week's measures, of any such further increase in overdraft rates as would provide any salutary deterrent to borrowing. Bank allowances on deposit accounts, it should be noted, have been raised by only ¼ per cent, to ¾ per cent.

The efficacy of the measures so far taken will very largely depend, therefore, upon the extent to which they induce a new spirit of restraint and caution among lenders themselves—a restraint greater than that induced in the past by the method of official exhortation combined with control of capital issues and its associated directives (devices that are, of course, still to be used). The new measures will not of themselves directly and necessarily ensure this additional restraint. Although the cost of an additional supply of cash from the central bank has been raised, the procuring of such cash will not throw any burden on to the commercial banks; on the contrary, the banks are likely to secure a larger increase in their current earnings from their holdings of government debt than the additional cost of their deposits, though they may yet face further paper losses on their investment portfolios. If borrowers are still prepared to pay higher rates so that bank lendings continue to rise, the additional cash needed to support this credit creation will still be obtainable—by the customary means of calling in loans from the discount market or allowing Treasury bills to run off, thereby leading either the market or the Treasury to draw cash from the Bank of England. This method of providing for new lendings can be readily followed because the banking system has at present a more than ample supply of floating assets in these two forms—Treasury bills, or call loans secured by bills. Since the ratio of these items to deposits is so high—it stands at nearly 31 per cent, with an additional 8 per cent in cash—the banking sytem is not within sight of the point at which it would feel obliged to finance new advances by selling investments, which was the traditional practice when the orthodox system of control fully operated. Not until this point comes much nearer will the commercial banks feel that it might be really painful to make new advances—because they might then have to sell gilt-edged securities at a loss.

This aspect of the problem of excessive technical liquidity of the banking system lends special significance to the very sensible device of trying to reduce the supply of the most liquid securities by converting them into short bonds—though it seems probable that this plan was inspired mainly with the technical and more limited object of reducing the volume of tender Treasury bills (now £3,270 million) to a level that would be more readily manageable in the money market in the new conditions. It is too soon to speculate upon the chances of a big funding of the Treasury bills held by the banks, but any bank applications will bring the banking position rather nearer to the point at which official discipline of the whole credit position could be exercised directly without the violent and dramatic moves that would be necessary if the attempt were made forthwith.

*

Because this point of sensitivity has not been reached, the effectiveness of the new measures will turn upon the extent to which they indirectly induce restraint among bankers. The nature of these new measures—notably, the decision to make market rates flexible—carries some suggestion that the authorities are prepared to go further if necessary. It is greatly to be hoped that this is indeed their attitude. In any case, the banks would be wise to assume that this is so. If they do, they are likely to show a progressively increasing sense of caution, without waiting for it to be imposed upon them. In that

event, prospective borrowers will find that the scrutiny of credit-worthiness, of business prospects, of efficiency and of the scale of trading and indebtedness in relation to their own capital resources will be markedly more rigorous—notably, of course, for the weaker concerns and for those in marginal lines of business. If credit supplies are tightened in this fashion, a secondary process of restraint will quickly develop, because business men, knowing the attitude of the banks, will begin to re-examine the credit status of their own trade customers and the prospects of their markets. Moreover, the pressure from disappointed borrowers will then have direct repercussions, as distinct from psychological ones, upon the gilt-edged market and upon the yield structure as a whole. A minor action from the centre, multiplied many times as its repercussions spread through the whole economy, could provoke a quite salutary reduction in the whole scale of private expenditure. The authorities have thrown a stone into the central pool of the money market; it is up to the commercial banks to see that the influence does not stop there, but quickly spreads through the manifold channels of the banking system into the main circulation of business credit. Above all, it is up to the authorities, if the commercial banks act too sluggishly or if the disturbance proves in any case to be insufficient, to throw in more stones and larger ones.

Taxation of Profits—III

Profits Tax Anomalies

LAST week's article in this series examined some of the anomalies that the Profits Tax has created. It did not, alas, exhaust the list, and before the discussion turns to the future of taxation of profits—on which the Chancellor has promised a temporary excess profits tax—some points remain to be cleared up.

One consequence of the piece-meal development of the tax and of the great increase in the rate charged on distributions is to be found in the uncovenanted advantages that are conferred on certain classes of taxpayers where dividends are paid by a United Kingdom company to a foreign company resident abroad that controls the British company. The 1947 Act provided that such distributions to a foreign corporation should be left out of account in ascertaining the total distributions on which the higher rate of tax is payable. No such relief is given in respect of dividends paid to foreign individuals as distinct from corporations; the special privileges accorded to foreign corporations presumably marked a desire to encourage investment by such corporations in United Kingdom enterprises. This is not the place to argue for or against special treatment for certain classes of profits arising in this country, but it is proper to point out that such treatment is in strong contrast to the refusal of the Revenue to allow British companies operating abroad to claim such relief as would enable them to operate on a basis of equality with their foreign competitors.

The table opposite contrasts the position of two United Kingdom companies, one controlled here and the other entirely controlled by a foreign corporation; in each case the assumption is made that half the gross profits of £100,000 are distributed as dividend. It will be seen that whereas the advantage was of the modest order of £2,062 in 1947 it now amounts to £10,500.

Until 1947, Profits Tax was charged only upon trading profits. The Finance Act of that year brought in investment income, and thus widened the Profits Tax from an additional tax on all profits into an additional tax on corporate incomes. The change cannot be defended on any ground of principle; investment income has no greater taxable capacity when it is received by a company than when it accrues to an individual. Where such income is received from a source that itself is liable to Profits Tax (for example, a dividend from a United Kingdom company) relief is given by excluding the amount of the "franked investment income" from the total income on which the tax is charged. But the relief is imperfect in two respects. In the first place the franked investment income is brought into account in determining whether there shall be any abatement of profits. If profits amounting to £7,000 arise solely from trading profits, tax is chargeable on £6,000 only, since there is an abatement of one-fifth of the amount by which the profits fall short of £12,000. But if this company receives in addition franked investment income of £5,000, making the combined net revenue £12,000, it would not qualify for any abatement and would pay tax on an additional £1,000 simply because it had received investment income.

Secondly, any distributions made by such a company are deemed to come rateably out of franked and unfranked funds. A reasonable man might suppose that

	1947 Act		1951 Act	
	Shares held by foreign corpn.	Shares held by UK corpn. or others	Shares held by foreign corpn	Shares held by UK corpn. or others
Profit	100,000	100,000	100,000	100,000
Minimum profits tax	5,000*a*	5,000	10,000*c*	10,000
	95,000	95,000	90,000	90,000
Dividend (gross)	50 000	50,000	50,000	50,000
Profits tax on dividend	...	3,750*b*	...	20,000*d*
	50,000	53,750	50,000	70,000
Balance	45,000	41,250	40,000	20,000
Income tax	20,250*	18,562*	19,000†	9,500†
	£24,750	£22,688	£21,000	£10,500
Advantage where dividend is paid to foreign corpn.	£2,062		£10,500	

(*a*) 5 per cent. (*b*) 7½ per cent. (*c*) 10 per cent. (*d*) 40 per cent. * At 9s. † At 9s. 6d.

where income has once been subject to the maximum rate of tax in the hands of one company it would be wholly exempt when passing through the hands of another, but this view is not accepted by the tax authorities. In opposing a clause designed to remedy this element of double taxation, the former Attorney-General said in the debate on the report stage of this year's Finance Bill:—

> This scheme which is adopted is one under which the distribution is considered as coming regularly from two

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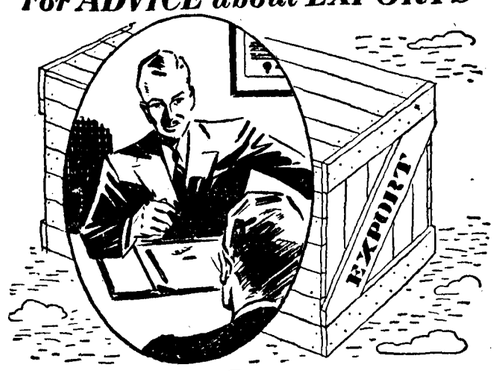

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sources of income. We apportion each source of that income and consider it, therefore, as flowing in a rateable proportion from each source. That means that the company does get that measure of relief which is fair upon the compromise view, and neither the taxpayers nor the Revenue have it in their power to say "You are to consider this distribution as coming solely from one or the other."

This argument is in direct contradiction to the one that is used when a capital distribution is made, for a capital distribution is regarded as coming, not out of a mixed fund, but as far as possible out of undistributed revenue profits on which non-distribution relief has been given.

It is a sound fiscal principle that the tax payable should be certain and not arbitrary, and this principle applies with equal force to the rate of tax as to the amount of tax. In special cases there may be justification for the adoption of some formula which conceals the rate in the interest of equity, as in the taxation of gold mines in South Africa. But in general there will be agreement with a passage in the late Lord Stamp's evidence before the 1920 Royal Commission:

> The wanton and bigoted way in which persons obsessed with certain mathematical ideas urge the sacrifice of all practical points in their lust for algebra, would be a serious public danger if their influence became great.

The recondite character of the Profits Tax has certainly enhanced these dangers. The effective rate of profits tax varies with so many circumstances that its calculation is a matter of mystery and confusion to the business community. Even the maximum rate causes trouble; to arrive at the correct combined rate of profits tax and income tax of 13s. 3d. in the £ involves a high order of skill that Chancellors, resting on the knowledge of their experts, can afford to put in the simple shorthand of "twopence for me and a penny for you." It is, perhaps, still worth stating that the maximum rate of profits tax on £1 of chargeable profits is 7s. 2d. in the £, or if full relief is obtained from Income Tax, 3s. 9d. in the £. The minimum is 2s. gross, or 1s. 0½d. net. Between the maximum and the minimum all is uncertainty: the accountant tells the directors that if they will fix the dividend he will calculate the profits tax; the directors tell the accountant that if he will advise them of the liability for profits tax they will determine the dividend.

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In a sellers' market, it is widely believed that industry and commerce can shift a considerable part of the incidence of a tax on profits on to the consumer—in other words, that the profits tax becomes a cost. This is an over-simplification: it may be assumed that most traders would charge the highest prices for their products irrespective of the taxes they have to pay. It is probably truer to say that high taxes lead to high prices partly because they lead to laxity of management and to extravagance and are repressive of enterprise. Moreover, at the present time, high taxes are levied upon "profits" that are calculated in such a way that they largely exceed true economic profits. For this reason industry, as a whole, seeks to earn a return that, after tax has been paid on it, will leave enough to maintain productive assets intact in spite of inflated price levels.

It is reasonable, therefore, to regard the incidence of the profits tax as resting with the corporation upon which it is levied. If it rested upon the capital employed by the corporation there might, if the need for the tax is accepted, be some equity in the distribution of the burden. But this is not the case. The capital employed is commonly provided from three sources: loan capital, preference share capital, and ordinary share capital. The interest paid upon the loan capital is not regarded as coming out of profits at all and is not chargeable to profits tax at either of the rates. The dividends paid on preference shares are paid in full without any deduction for profits tax; thus no part of the burden of profits tax is borne by the preference shareholders. But profits tax is, nevertheless, payable on the preference dividend and it must perforce come either out of the ordinary dividend or out of the residual fund which normally belongs to the ordinary shareholders. It has not become common practice to reduce the ordinary dividend (except where circumstances compel) to the extent of the profits tax payable on that part of the total profit which goes to the preference shareholders; in the majority of cases today the real incidence of the tax rests wholly on the undistributed profits which would otherwise be ploughed back to reserve and provide the means of financing productive improvements.

The following example shows the impact of the profits tax distributions on ordinary earnings and reserves in a case of high gearing, the preference share capital totalling £1,000,000 and the ordinary share capital of £100,000.

	Profits Tax at 10% only		Profits Tax at 10% + 40%	
		£		£
Profits		77,777		77,777
Less: Minimum Profits Tax 10%		7,777		7,777
		70,000		70,000
Less: Pref. Dividend 5%	50,000		50,000	
Distributed Profits Tax thereon 40%	...	50,000	20,000	70,000
Available for ordinary		20,000		nil
Less: Ordinary dividend—say 10%	10,000		nil	
Distributed Profits Tax thereon 40%	...	10,000	nil	nil
		10,000		nil
Less: Income Tax at 9s. 6d.		4,750		nil
Available for reserves		£5,250		nil

It is well understood that one effect of the profits tax is to distort the capital structure of industry by encouraging the raising of new requirements in the form of loan capital, rather than in the form of share capital, particularly preference share capital. Whether such financing will prove to be wise depends on the future course of the price level: if inflation continues companies may be glad that they raised their requirements in the form of notes or mortgages, provided always that they can renew them upon expiry and that their additional requirements can be similarly financed. But if price levels were to drop, the consequences could be extremely painful for industry would then be faced with the necessity of repaying depreciated pounds with appreciated pounds. But the issue goes far beyond expediency of this kind. It raises the very principles of the future of risk capital, which suffers a double injustice from the present form of profits tax. It is wrong that the form of company capitalisation should be dictated by arbitrary fiscal considerations.

What, then, is to be done about the Profits Tax? In fiscal commonsense it ought to go, but hard pressed Chancellors do not easily let go tried sources of substantial revenue. Would the end of the Profits Tax be a fair exchange for a new Excess Profits Tax? A final article in this series will examine these possibilities.

Business Notes

Cutting the Import Programme

The most disturbing aspect of the Chancellor's disclosures about Britain's balance of payments crisis is not that the deficit for the current year is estimated at between £500 and £600 million—that is bad enough—but that the departmental forecast for 1952 suggested another deficit of at least £500 million. Exports this year have remained buoyant, though, at £2,500 million for the twelve months, they will still be some 10 per cent below the objective set in the Economic Survey. Invisible exports, however, are becoming less productive and since the loss of the Abadan refinery the net surplus in this section of the accounts is likely to decline appreciably and to yield only £400 million. But the main calculation that has gone awry is the cost of imports. In the first nine months of this year, the import bill amounted to £2,919 million (c.i.f.) compared with £1,908 million in the first nine months of 1950—a rise of 53 per cent by value, while the volume is estimated to have increased by only 14 per cent. On this basis the bill for the whole year, excluding insurance and freight, threatens to be of the order of £3,500 million compared with the forecast of £3,300 million (of which £100 million was for stockpiling) in the Economic Survey and with the revised figure of £2,382 million in 1950. The "programme" estimate for imports in 1952 at end-September prices was £3,620 million. Drastic cuts in imports were clearly inevitable. The Chancellor's announcement on Wednesday that he is to slice off £350 million from external expenditure involves cutting imports by some £290 million; but even this surgery will still leave a wide prospective deficit.

* * *

Saving £350 Million

The first stroke of Mr Butler's axe has fallen on those imports entering Britain under open general licence in accordance with the OEEC scheme for liberalising European trade. No exact estimates of this trade have been published, but it is usually put at about £150 million. The Chancellor stated that open general licences for private imports from Europe and other non-sterling countries on a selected list of commodities were to be revoked and specific licences substituted. The new quotas will be based on the value of imports in the year July, 1950, to June, 1951, so that these goods will continue to be imported but in much smaller quantities than in recent months. These cuts are expected to reduce next year's import bill by £130 million by comparison with the "programme" estimate. Foods are primarily affected: tinned bacon, ham (imports of which have this year been running at an annual rate of £35 million), cocoa, chocolate, sugar mixtures, sugar fat mixtures, fruit juices, cooked meat, tinned meat, sausages, edible nuts (excluding peanuts), tinned vegetables, fruit (excluding bananas and oranges), and vegetables. One important group not affected is fancy cheese. These food items represent a saving of £100 million.

A few raw materials are also included in the cuts: essential oils, paper making materials, dressed leather, paper and board, plywood and veneers. The list of manufactures comprises a large number of items, the most important being wooden furniture, glassware, cutlery, carpets, footwear, apparel, toys, sports goods, brooms and brushes, manufactured drugs, paper and leather manufactures. Textiles are apparently not affected. Cuts in raw materials and manufactures are expected to total £30 million. The upshot of this revocation of open general licences is that in future only about 60 per cent of Britain's private trade with Europe will be liberalised as against more than 90 per cent before the cuts were made. Liberalisation therefore is not abandoned; it is merely pruned.

The second stroke has fallen on the Ministry of Food's purchases of both rationed and unrationed food. The saving on this count is expected to yield "rather more" than £60 million. The details have not yet been announced, but sugar, tea and coffee alone could yield £30 million if the stocks which have been built up during this year are allowed to run down. No doubt the Ministry will also reduce its purchases of tinned salmon, herrings and pilchards. In addition to these import cuts, the rate of government stockpiling is to be reduced, affording a saving, which might be guessed, of £100 million; while the halving of the tourist allowance (from £100 to £50) will save £15 million.

The economy bill thus adds up as follows: private food imports, £100 million; Ministry of Food imports, £60 million; private imports of raw materials and manufactures, £30 million; stockpiling £100 million; and tourist allowances, £15 million. The total comes to £305 million and the remaining £45 million is presumably to be saved on the use of foreign shipping and by general economies in government overseas expenditure. This remainder may also include some estimate of lower import prices during the coming year.

* * *

The Fuel Outlook

Once again, safety in fuel supplies this winter is put "at the mercy of the weather"; once again, Britain is to seek imports of American coal. Announcing this in the House of Commons on Thursday, Mr Geoffrey Lloyd, the new Minister of Fuel and Power, went out of his way to absolve the National Coal Board from responsibility for the level of distributed coal stocks, which at the end of the coal winter (October 27th) had reached only 16,807,000 tons, 1,350,000 tons higher than stocks at the beginning of the 1950-51 coal winter, but below even the reduced "target" of 17 million tons of which Mr Noel-Baker had so recently been confident. Mr Lloyd, whose own idea of "safe" stocks is 19 million tons, was understandably cautious about the prospects of obtaining much coal from America or elsewhere in time to affect the danger period of February and early March next year, since transport and loading facilities for American coal are already busy with supplies for the rest of Europe.

Though production recently has been more encouraging, partly through more widespread Saturday working, inland consumption has risen more than expected in the last fortnight. The main fear for any crisis in coal supplies this year may rest upon the weakness of the coal transport system, but Mr Lloyd looked forward to the effects of a production weakness nobody inside or outside the industry has yet learned how to check—the decline in manpower, which he estimated may cost the industry another 10,000 men in the next twelve months. Within the general fuel difficulty the main immediate danger threatens the domestic coal consumer; the Minister announced new measures to adjust domestic coal supplies. These limit total supplies for any one consumer to 24 cwt. between last May and next February—thus diverting coal from consumers with full coal-cellars to those who have not bought much since the end of last winter.

Special attention to domestic coal supplies is justified *At the beginning of the coal winter merchants' stocks* amounted to only 1,122,000 tons, compared with 2,020,000 tons at the same time last year; stocks of anthracite and boiler fuel, 83,000 tons, compared even worse with stocks of 181,000 tons at the beginning of the 1950-51 coal winter. The more careful part of the public bought 600,000 tons more this summer than last (in both off-seasons consumers were encouraged to buy early and fill up their cellars); and most of this increase seems to have been purchased in the

south, where supplies are most liable to be affected by coal transport difficulties. Stocks in home cellars are therefore substantially bigger: but the merchants estimate that this winter there are 200,000 more households to supply, requiring an extra 375,000 tons on the average consumption of last winter. Even last year, the coal supplied to consumers was some 15 per cent lower than the total budgeted for in the domestic ration of 50 cwt. in the north and 34 cwt. in the south of the country.

* * *

American Coal Again?

Whether a decision to import American coal now can bring in enough and in time to make a substantial contribution to British coal supplies this winter is a question only answerable in practice. Last year's decision to import was taken on November 20th; 8,000 tons of coal were brought in before the end of the year, and by the end of January shipments of 50-80,000 tons were arriving each week. By the end of February the National Coal Board had imported 488,000 tons. With relatively mild weather, and with the severe cuts that were decreed and for a time enforced upon coal consumers, any abrupt dislocation of industrial output was avoided. The cost of this importing operation—over and above the £5,000,000 that the NCB lost in re-selling this expensive coal at its own prices—was a shortage of shipping that raised freight rates sharply, and in particular an insufficiency of tonnage to bring in all the iron ore the British steel industry had purchased for this year. This year's coal imports thus contributed fairly directly to this year's fall in steel output.

The circumstances this winter are somewhat altered. Britain, in importing American coal, would come at the end of a long European queue; already $500 million worth of coal has been purchased or is being ordered. These other nations, bereft of British exports, did what the National Coal Board earlier this year vainly urged the Ministry of Fuel and Power to authorise: they went on importing American coal when they completed last winter's imports. Their chartering, and other large bulk movements of raw materials, have contributed to a continued shortage of shipping and a high level of freight rates; though the Transatlantic coal charters have partly been arranged for ships from the American reserve fleet at rather lower than prevailing rates. With a renewed grain shortage in India, shipping appears likely to become more scarce; few ships are to be had for operations during the next two months, despite the release of 100 more ships from the American reserve fleet. On the other hand, shipments of iron ore are now booked for some time in advance, and coal chartering should not affect the transport of the steel industry's raw materials.

The coal is to be had in America—almost in whatever quantities are needed. Whether it is to be transported, and loaded, is another matter. Some weeks ago the United States imposed export licensing for coal, on the grounds that ships were being delayed at its most convenient coal port for Europe, Hampton Roads, by overloading of the dock facilities and local inland transport. An arrangement was accepted by which nations purchasing coal from American suppliers had to agree to accept only part of it through the most convenient ports and the remainder through ports more remote from Europe—and in some cases from the American coalfields selling the coal. This is an arrangement which Britain would have to accept.

* * *

Second Thoughts on Steel Allocation?

Though a promised "new official statement" on the general allocation of steel supplies had not been made when *The Economist* went to press, it seems fairly certain that the scheme due to come into force on December 3rd is at the least being re-examined. The cumbrous M-form system, which involves specific authorisation for each permitted end-use of steel, was accepted by the late Government and the industry earlier this year only in default of anything more practicable and equally familiar. It now appears that renewed doubts of this scheme's necessity within the steel industry, some misgivings in the Ministry of Supply about its efficient operation, and the new Government's general distaste for more than essential controls have combined to dictate second thoughts about the whole question.

Prospects of steel supplies hardly offer any chance that allocation of some kind can be avoided. The present rate of steel output suggests a total for the year of little more than 15¼ million tons, and the Chancellor this week put Britain's needs in 1952 at "some 1½ million tons of finished steel more than we have been able to produce in 1951, to meet home and essential export needs." It seems doubtful whether the steel offered by the United States to supplement output here next year as yet justifies the estimates of half a million tons that have been published, unless negotiations still under way for finished steel considerably supplement the offers of ingots already made. Some of the ingots offered would be in exchange for an equivalent amount of structural steel, which will keep British finishing capacity busy but will not swell total steel supplies: and some that has been offered costs more than Britain may be prepared to pay. A proportion of the total mentioned, moreover, would be the "steel equivalent" of ore and scrap supplies that American steel producers might refrain from buying and allow Britain to purchase. Some easing of American competition for Swedish and North African ores would be welcome, though there may be some legal difficulty in inducing American private buyers to hold off. The relinquishment to Britain of steel scrap that under the recent agreement the United States might hope to buy from Germany would be equally friendly, but less productive. Germany is permitted under this agreement to retain for its own steel industry the first 325,000 tons of scrap collected, above which supplies are shared between home and exports on a sliding scale. In the first month after the agreement 344,000 tons of scrap were collected in Germany, compared with an expected rate of 400,000 tons; in the next, some 327,000 tons were bought in. The Ruhr industrialists make no secret of their determination to keep for use at home their dwindling special reserve of steel scrap from war damage. Though a larger share of the agreed joint exports to Britain and the United States would obviously assist steel production here in 1952 to some extent, imports of scrap next year cannot be expected to approach even the annual rate of 550,000 tons a year achieved so far this year.

In such circumstances, with rearmament demands growing and indications that the metal-using industries will also hope to continue to expand their exports, reconsideration of the proposed steel control cannot be expected to make that control slacker. A simpler scheme, that will ensure steel deliveries—not only authorisations—to defence and essential civil producers and distribute the remaining supplies equitably, is certainly desirable; nor are suggestions lacking. At one end of the scale, the steel producers favour bulk allocations to industries, to be shared by their central bodies among individual producers. At the other, spokesmen of engineering in the Midlands have advocated allocations upon a more realistic basis than tonnage consumed in 1946, preference for the more efficient manufacturers, and "a fairer crack of the whip" for small steel consumers. The existing systems of "DO" and "PT" authorisations are meanwhile not always being honoured in steel. Failing some considerable improvement in supplies, an acceptable system without the more objectionable features of the "M-form" may not be easy to devise.

* * *

Belgian "Free Market" Changes

As was perhaps to be expected, the Belgian authorities have quickly run into practical difficulties in their special measures to reduce Belgium's surplus with EPU countries. One of the steps recently taken in search of this objective was to remove the obligation upon Belgian exporters to EPU countries (other than Switzerland) to hand over the foreign exchange proceeds of their sales to the Belgian authorities, and to leave them free to sell this foreign exchange in a tolerated free market. Such "free" sales did in fact take place on a considerable scale, and were encouraged by the inordinate delay in the granting of authorisations of exchange operations at official rates against duly authenticated export licences. For a few days this created considerable confusion in the free market, and a substantial depreciation occurred in the rates at which the EPU currencies in question were negotiated. It was soon discovered, however, that there was an abundance of buyers of these currencies, through the demands of Belgian importers from the countries concerned; and after a short interval the rates quoted in this free market came to approximate closely to the official parities. The small discounts that remained were mainly attributable to the fact that any Belgian exporter selling his exchange in this free market avoided the painful arrangement under which 5 per cent of the proceeds of sales to EPU countries is blocked (if the exchange is sold to the authorities at the official rate).

The Belgian authorities thereupon discovered that, since a large part of the foreign currency requirements of Belgian importers were being satisfied in the free market, the toleration of this market was having virtually no effect upon the Belgian position with EPU. As a result, they decided this week to compel Belgian importers from EPU countries to secure their exchange through official channels, and to prohibit them from using the free market. The intention is to confine purchases of exchange on this market to those who require it for capital and other "non-current" purposes. The result has been a fall in the rates for EPU currencies quoted in the free market—and a cessation of dealings in "free" sterling for lack of buyers. The first indications of October operations of EPU suggest that Belgium was not quite able to restrict its EPU surplus to within the $35 million that, under the new arrangement, is the maximum that it may recover in gold for that month. The actual surplus was about $5,000,000 above that figure, so that this excess had to be covered by additional Belgian credits to EPU.

* * *

Cuts in Sugar Supplies?

It is clear from the Chancellor's statement on Wednesday that one of the imports most likely to be cut is sugar. Imports in the first nine months of this year amounted to 37 million cwt compared with 30 million cwt in the corresponding period of 1950, and most of this increase in supplies

International Banking Supplement

Three special articles, comprising *The Economist's* annual survey of trends in International Banking, appear on pages 1145 to 1154 of this issue, and an associated 15-page selection of International Banking Statistics is published in this week's issue of the *Records and Statistics* Supplement.

These articles discuss the strains within the Sterling Area, the latest EPU crisis, and recent banking developments in the United States.

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has gone to build up the Ministry of Food's stocks. It is ironic that Britain should have to reduce its purchases of sugar at a time when world output is expected to reach a new record total. The first estimates of world production for 1951-52 prepared by Messrs. C. Czarnikow Ltd. puts the total at 35,611,000 tons against 35,120,000 tons in 1950-51 and 29,118,000 tons in 1937-38. But this increase is by no means uniform for all types of sugar and among the major producing countries. Beet production in Europe, for example, has fallen from 9,101,000 tons to 8,655,000 tons and world beet production from 13,278,000 tons to 12,475,000 tons, owing to a smaller American crop.

WORLD SUGAR PRODUCTION
('000 Tons raw value)

	1937-38	1947-48	1948-49	1949-50	1950-51*	1951-52†
Beet Sugar :—						
Europe	7,180	4,521	6,783	6,853	9,101	8,655
USSR	2,500	1,595	1,950	1,965	2,145	2,250
USA	1,232	1,684	1,173	1,443	1,795	1,350
Others	142	147	133	172	237	220
TOTAL	11,054	7,947	10,039	10,433	13,278	12,475
Cane Sugar :—						
Cuba	3,018	5,960	5,146	5,470	5,668	6,000
San Domingo	419	415	470	469	520	575
Puerto Rico	962	988	1,140	1,148	1,105	1,200
Philippines	940	357	645	625	850	1,050
Brazil	985	1,555	1,550	1,350	1,600	1,700
India and Pakistan :—						
Whites	1,180	1,345	1,265	1,210	1,350	1,400
Gur	2,060	2,345	2,340	2,350	2,330	2,500
British Guiana	196	164	174	195	205	221
British W. Indies	401	440	613	659	669	701
South Africa	452	457	544	500	612	495
Australia	810	605	943	937	932	725
Fiji	141	140	133	130	95	105
Mauritius	314	345	390	410	450	485
British E. Africa	55	93	86	70	80	90
Others	6,131	4,468	5,264	5,293	5,396	5,889
TOTAL	18,064	19,657	20,703	20,816	21,842	23,136
WORLD TOTAL	29,118	27,604	30,742	31,249	35,120	35,611

* Partly estimated. † Estimated. *Source :* Messrs. C. Czarnikow, Ltd.

Cane production, on the other hand, has shown quite a large increase, from 21,842,000 tons to 23,136,000 tons. Once again it has come mainly from Cuba, whose production this year is expected to top the 6,000,000-ton mark. In contrast, production in Commonwealth countries outside India and Pakistan is estimated to fall by 200,000 tons to 2,822,000 tons ; much smaller crops are reported from South Africa and Australia, while output in the West Indies, British Guiana, Mauritius and Fiji has increased.

For Britain, then, less sterling sugar will be available in 1952, but much more dollar sugar. The allocation of dollars for sugar is certain to be cut, though the actual reduction in supplies will depend more on the level of prices. The price of sugar in recent months has been falling. It reached a peak of 8.05 cents a lb in the middle of June ; this week it was quoted at 5.00 cents a lb, and the fall may well continue. At this rate, Britain might still buy the same quantity of dollar sugar as in 1950-51 and save about a quarter of the dollars expended.

* * *

German Prewar Debts

Details were published this week of the official plan for distributing the proceeds of German prewar assets to residents in Britain who can establish claims in respect of German prewar debts. The details were given in an Order in Council and are based on the unanimous report of a committee appointed by the President of the Board of Trade under the chairmanship of Sir John Morison to advise on the distribution of German prewar assets taken over by the Custodian for Enemy Property. The report of the Morison Committee estimates that the total available for distribution among the creditors will be about £15 million. The total amount of claims that may be made against this sum is still not precisely known, but the Committee's Report states that "it is given to understand that the whole volume of debt that would be brought within the distribution scheme is not likely to be under £100 million and might be substantially in excess of this figure."

In order to rank for payment out of these German assets the claims must, according to the Order in Council, refer to debts owed to British persons on September 3, 1939. This condition, however, does not apply to the Reich debts, such as Dawes and Young bonds. According to the Order in Council, however, these bonds will rank for claim only if the owners held them on or before September 30, 1951. As active dealings have taken place in German bonds since that date, this would imply that present holders who have acquired the bonds since September 30th would have no valid claim under the scheme. This extraordinary and arbitrary provision has been the subject of a strong protest from members of the Stock Exchange, who have pointed out to the Board of Trade that this demarcation line would be quite unworkable and that if any attempt were made to apply it grave injustice would result. Pending clarification at this point all dealings in German bonds have been suspended.

* * *

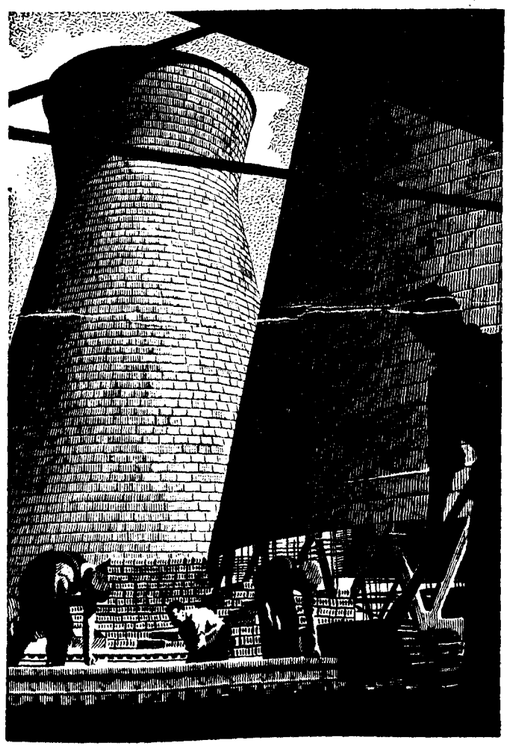
Details of "Weighting"

The most interesting provision of the Order in Council is the allocation of priorities as between the different groups of creditors, namely, the various types of bondholders, the "standstill" creditors and the trade and commercial creditors. These priorities are based on the weighting given to the various classes of creditors by the unanimous finding of the Morison Committee. The weights are as follows:—

Nature of Obligation	Weighing Factor	Ranking £
£100 Bond of German External Loan 1924 (Dawes)	1·7	170
£100 Bond of German Government International 5½ per cent Loan 1930 (Young)	1·5	150
£100 Standstill and other short-term banking claims		
£100 Trade Debt as defined in paragraph 55		
£100 Konversionskasse 4 per cent Sterling Bond	1·4	140
£100 Potash Syndicate Bond	1·25	125
£100 City of Saarbrucken	0·7	70
£100 Austrian Government International Loan 1930	0·7	70
£100 Austrian Government Credit Anstalt Bond, 1936	0·3	30
£100 Berlin (City of) 6 per cent Sterling Loan of 1927	1·14	114
£100 Cologne (City of) 6 per cent Sterling Loan of 1928	1·04	104
£100 Dresden (City of) 5½ per cent Sterling Loan of 1927	1·25	125
£100 Munich (City of) 6 per cent Sterling Bonds	1·25	125
£100 Hamburg (State of) 6 per cent Sterling Bonds of 1926	0·86	86
£100 Hamburg Waterworks Company 6 per cent Sterling Loan	1·04	104
£100 Saxony (Free State of) 6 per cent 25 year Sterling Bonds of 1927	1·12	112
£100 Westphalia (Province of) 7 per cent Sterling Loan of 1926	1·25	125
£100 Prussian Electric Company 6 per cent 25-year Sterling Bond	1·10	110
Other loan indebtedness not specifically dealt with above	An amount calculated as the sum of the following amounts, so far as they were respectively due before the passing of the Act, viz. : (a) interest at the rate provided in the loan agreement, not at the reduced rate provided for transfer purposes by the Anglo-German Transfer Agreement of July, 1938 ; (b) an amount proportionate to the creditors' holding of Bonds in respect of Sinking Fund payments on that Bond issue ; (c) other capital repayments due in terms of the loan agreement. Subject to the limitation that no individual claim ranks for more than 125 per cent of the capital outstanding at 3rd September, 1939.	
£100 Claim not comprised under any of the heads mentioned above	1·0	100

These weights have been agreed by representatives of the various groups of creditors, and though they do not set a hard-and-fast precedent for the settlement of the prewar claims against Germany, they are a clear indication of the views of the creditors regarding their own priorities.

It should be realised that the plan announced this week refers only to the distribution among creditors of the proceeds of German prewar assets in this country. This distribution is a reparations matter and does not affect the legal position under which the creditors continue to hold a claim for full compensation against their respective debtors. No doubt the amount to be distributed will be duly allowed for in arriving at the final settlement; but the major part of the compensation for prewar creditors of Germany has still to come independently of the 10 to 12 per cent distribution to be made by the provisions of the Order in Council.



OIL AND THE WATERFALL

THE 22-million-gallon-a-day "waterfall" in each of these cooling towers at Anglo-Iranian's oil refinery in South Wales is part of an expansion project that has already raised the refinery's production to twelve times its pre-war rate. This in turn forms part of a greater expansion programme on a world-wide scale. Anglo-Iranian and its associated companies operate nine refineries in the United Kingdom, France, Germany, Italy and Australia. A tenth refinery has just gone into production in Belgium and another new refinery is under construction now in the United Kingdom.

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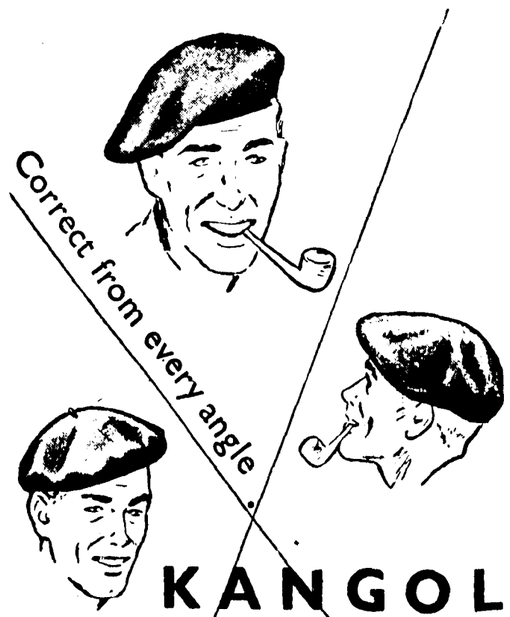

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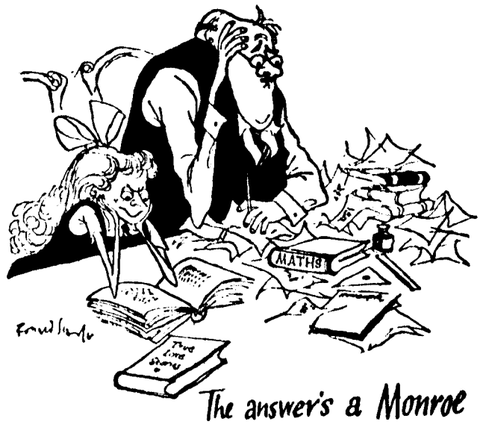

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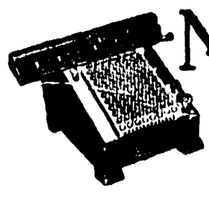

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Policy for Manpower?

A chief topic of discussion for Sir Walter Monckton's first meeting with the National Joint Advisory Council to the Ministry of Labour this week had been outlined in advance in the King's speech:

> My Government view with concern the serious shortage of labour, particularly of skilled labour, which has handicapped production in a number of essential industries. They will review, in consultation with representatives of those concerned, the possibilities of making available more labour for those industries and of ensuring the best use of the existing labour force.

The meeting, obviously, could do little more than consider the latest statistical outline of the shortage: Sir Walter, in a speech at the weekend, had already recognised this as "the gravest problem with which I have to deal." The present labour force, he said frankly, just could not meet all the demands made upon it; his immediate task was to decide how to share scarce labour between more and less essential industries. The production most often considered as threatened by labour shortage is rearmament; but equally important at present, and perhaps of longer duration, are the labour difficulties of two basic industries upon which the whole economy depends—coal and transport.

It is much too early to expect Sir Walter to define any new policy for manpower—particularly as his sphere is one within the general scope of economic policy, and the call for specific action by his Ministry will depend entirely upon the success of general measures to counter inflation. Last week he confined himself to the unexceptionable if unoriginal advocacy of training workers as a means of increasing industrial flexibility—he was speaking at a conference on training held by the British Employers' Confederation. As might have been expected, Sir Walter emphasised his confidence that he would receive full co-operation from both sides of industry—a point upon which Mr Arthur Deakin this week somewhat grudgingly repeated the Trades Union Congress's assurance.

* * *

Men for the Aircraft Factories

Labour shortage in the aircraft industry is a special case, even within defence production. Its leaders have been complaining of the inadequate rate of recruitment for some time: in London last week, Air Chief Marshal Sir Guy Garrod said that "our air rearmament programme will remain to a large extent on paper" unless "immediate action" was taken to get the industry more workers. He calculated that the industry needed about 150,000 workers within the next eighteen months. This is the figure accepted by most experts—though without improvements in production methods within the factories it might prove insufficient. Such a programme means increasing the labour force from its present level of 162,000 to 300,000 or more by the spring of 1953 when aircraft production will be fully under way. Since a proportion of women and unskilled workers can be employed this total would not appear to be beyond attainment, but the industry is proving peculiarly unattractive to labour and the rate of recruitment is actually falling. Between January and February the number of workers increased by 2,200; in July the increase was down to 900, although there was some improvement in August with a net gain of 1,900. Some companies are actually showing a net loss of workers each month, while others, particularly those near London, have no great difficulty in getting extra men as they are required. With sub-contracting of components and also of complete airframes and engines so widely spread throughout the industry, this unevenness could dislocate, as well as delay, production.

The foresight shown by the Ministry of Supply in the provision of machine tools on time has clearly not been matched in the gathering of workers to man the machines. But is the industry entirely fair in putting this responsibility, in the first case, upon the government? So far the shortage of raw materials used in the "inessential" engineering industries has not effected the automatic transfer of men from those industries upon which some authorities in Whitehall counted. But it may be asked what there is about the aircraft industry that makes workers prepared to work short time in other branches of engineering rather than enter aircraft factories. Lack of housing is one obvious explanation, particularly in areas without much local labour. Some houses have already been built specifically for aircraft workers in the Cheltenham district, and the same policy may be followed elsewhere. Fear about security of employment is probably also partly responsible. The aircraft industry has never been a steady employer; only last year it was dismissing workers in hundreds. The present rearmament programme is avowedly limited in duration and many men would prefer to tide over a slack period with their present employers rather than face unemployment in 1954. This fear might be exorcised if the industry could demonstrate conclusively that it has a potential export market for military and civil aircraft large enough to keep it working at a reasonable pressure when rearmament is over. The third and possibly most important reason for the industry's unpopularity as an employer may be the level of its wages. The aircraft industry adheres to wage rates laid down by the Engineering Employers' Federation that are at present the subject of negotiation. Openly or by subterfuges, many smaller engineering employers are paying more.

* * *

Good Year for Austin

The Austin Motor Company's profits in the year that ended on July 31st have proved to be even higher than its earnings in the previous twelve months, which were, in turn, double those of the year before. Group net profits before tax have risen from £4,509,771 to £7,014,755 in 1950-51. After allowing for tax deductions of £3,821,746 compared with £2,481,522 in the previous year, the company is passing a larger proportion of this profit to equity shareholders by increasing its ordinary dividend from 35 to 45 per cent. It is also rewarding the employees who contributed to its success: everyone who has been with the company since July 31, 1950, the beginning of its financial year, is to receive an extra week's wages. This higher dividend appears to be rather more comfortably covered than last year's lower figure; distributable earnings are of the order of £1,800,000 compared with £670,000 the year before. The appropriation to general reserve has been increased from £300,000 to £1,000,000, while replacement reserve receives another £1,000,000. At the rather depressed market price of 35s., the 5s. ordinary shares now give the comparatively high yield of £6 8s. per cent.

The company's expanding earnings in the past two years have been largely due to steadily rising production. Total production of cars and commercial vehicles in the motor industry was running at a rate of nearly 800,000 vehicles throughout much of the company's past financial year, compared with 600,000 or so the year before. Excluding tractors, Austin is the biggest vehicle producer in the country, and, it believes, still the world's largest exporter of vehicles. Since the beginning of 1951, however, shortages of materials have steadily reduced the output of the industry as a whole. Although the financial effects of this decline may have been partly offset by the general increase in British car prices early in the year, the fall is expected to continue throughout 1952. Austin is one of the companies with defence contracts—in this case for a newly-designed jeep—but these orders are small compared with the company's total capacity. Higher prices might still offset lower earnings due to a reduced volume of production next year, for although there are signs of increasing competition in export markets the industry,

and this company in particular, should have little difficulty in selling every vehicle that can be produced. There are grounds for believing that in recent years the British motor industry's anxiety to sell abroad has sometimes led it to under-price its products.

* * *

Pulp for Rayon

The decision of Courtaulds Limited and the Italian rayon producer Snia Viscosa to start a joint venture for producing wood pulp in South Africa will eventually relieve these companies of much of their present irksome dependence on Scandinavian pulp supplies. Almost no Canadian pulp has been available for European producers in recent years and as world rayon output expanded, the growing demand for wood pulp has put the Scandinavian producers in a strong position which they have fully exploited. In 1937, British producers were paying an average of £10 a ton for dissolving pulp. In September, 1949, the price was £48 a ton: twelve months later had risen by less than £4. By last September it was up to nearly £105 a ton and at present Swedish and Norwegian pulp is being quoted at £114 to £115 a ton. Had not the sulphur shortage intervened to check the rising curve of world rayon output, demand would by now have outrun available supplies of pulp. At the end of 1950 some rayon producers were finding it difficult to place contracts for all the pulp they needed, even at enhanced prices. Courtaulds, therefore, had every incentive to take the long view in searching for alternative supplies.

The South African venture is still in its early stages, a company jointly owned by Courtaulds, Snia and the South African government's Industrial Development Corporation having just been registered. The government's participation suggests that the pulp might eventually be spun locally; but in the first stages it will certainly be taken up by the two companies' factories in Britain and Italy.

This has been a year of expansion for Courtaulds. Some weeks ago the company announced its return to the United States as an active rayon producer; last week it announced its decision to start producing cellulose film in Canada, where it has been producing rayon for nearly 30 years. But at home, the industry's output in September did not show as big a seasonal recovery from the August figures as might have been expected. The total output of synthetic yarns, which includes about 800,000 pounds of nylon and a small quantity of other fibres like "terylene," was 31.7 million pounds, compared with 30.2 million in August and 34 million in July. This may, of course, simply be due to an extension of summer holidays into September. It is certainly not due to any fall in the demand for yarn. The producers' order books are still extremely long; though the present slackness in retail trade may help to reduce these to a comfortable length. Some weavers, however, are making up the yarn into linings and similar cloth for which there is a steady demand and which, unlike dress fabrics, can be kept in stock indefinitely without risk of fashion changes.

* * *

Depression in Textile Sales

There now seems small prospect of a revival in retail sales of textiles before the spring. When the public's six-month buying spree ended abruptly in March, retailers and wholesalers alike were caught with heavy stocks of high-priced goods. The existence of these stocks, and the marked reluctance of the public to buy them, has tied up the capital of the small retailer and made even the biggest stores extremely cautious in ordering autumn and winter goods. The wholesale textile index is a reliable indication of the way things are going. The latest figures are for September, the month when winter goods are being delivered: they show that sales were actually lower than in September 1950. The index itself (1947 = 100) rose from 110 in August to 151 in September but in the same months of 1950 it moved from 108 to 178. The fall in the volume of sales is even larger than these figures suggest, for prices have risen considerably in the intervening twelve months, in some cases by as much as 30 per cent. Stocks, on the other hand, are still much higher than twelve months ago. The September figure—again based on value—is 237 compared with 171 twelve months earlier. Retail clothing stocks, too, are about 14 per cent higher than they were this time last year.

Bad weather cut sales of summer clothes and the mild autumn threatens to have an equally disastrous effect on winter sales. But weather alone cannot be held wholly responsible for the continued depression. There are unmistakable signs that the new, higher textile prices are more than the public is able to pay. Simply to blame this on to events like the Dalton episode is to misread all the evidence of past months, which has pointed to growing price resistance, first affecting durable household goods like carpets and blankets but now extending to consumable items such as clothing. In consequence, clothing manufacturers have not only been receiving fewer winter orders, but they are getting cancellations of those orders even from their biggest customers. In the clothing and shoe industries generally there is a good deal of short time working and many cases of actual dismissals. One of the members of a deputation from clothing companies belonging to the National Union of Manufacturers, which is going to ask the committee reviewing purchase tax to replace it by a 7½ per cent flat sales tax on all garments, said last week that from lack of orders his wage bill today is half what it was six months ago. Should this continue, some workers may at last be diverted from consumer industries.

* * *

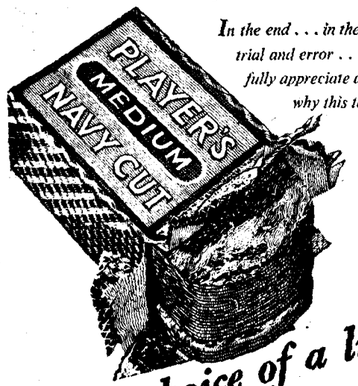
Earning Power of Shipping

One of the last acts of the late Government was to ask the Chamber of Shipping to carry out an inquiry into the foreign exchange earnings of the British shipping industry during 1952. The last time this was done was in respect of 1947: the results showed that British shipping during that year made a net contribution of £60.3 million to the United Kingdom balance of payments. This year it is unofficially estimated that the net earnings of foreign exchange being brought in by British ships are in the region of £150 million—excluding the net earnings of the tanker fleet. Since the industry has been given advance warning of the 1952 inquiry, it should be possible to strike a trial balance at the end of each month, which will give as early as possible a warning of the trend. One factor that is likely to militate against any increase in foreign exchange earnings is the declining tonnage available.

This is illustrated by the Ministry of Transport figures published in the *Monthly Digest of Statistics*. The following table gives figures for ships of 500 tons gross and over registered in the United Kingdom and Colonies:—

Date	Non-Tankers	Tankers
	(000 tons gross)	
September 1939	14,313	3,064
September 1950	13,545	3,873
September 1951	13,329	4,173

While the tanker fleet is now 1,109,000 tons gross larger than before the war, the dry-cargo fleet has declined by 984,000 tons. In view of the enormous expansion in the demand for oil since the war, it was inevitable that priority should have been given to the building of tankers, but there is cause for concern in the fact that the dry-cargo fleet is actually continuing to decline. In the last twelve months tankers have increased by 300,000 tons gross, but there are 219,000 tons fewer dry-cargo ships than there were in September, 1950. The non-tanker figures for both years, it



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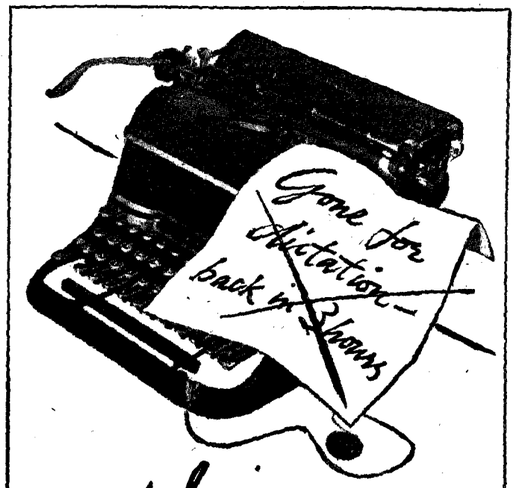

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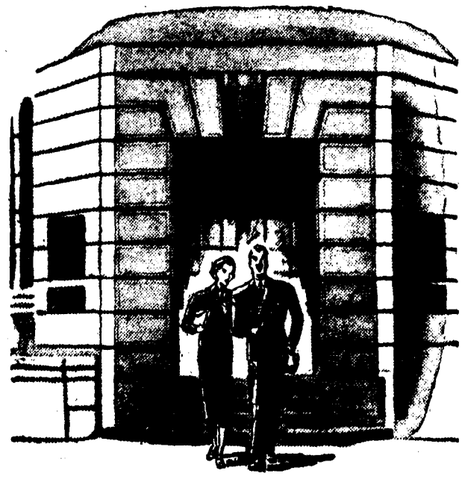

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must be mentioned, include cargo ships owned in Canada but transferred to U.K. registry, and this accounted for as much as 678,000 tons of the 1951 total. Meanwhile the tonnage under construction for British ownership is now approximately equally divided between tankers and non-tankers, but the rate of obsolescence is, for the time being, far higher for non-tankers. Statistics published by the *Shipping World* show that at the end of September there were more than 1,300,000 tons gross of ocean-going dry-cargo ships of 20 years of age or more. If the useful life of a tanker is assessed at only 15 years, the tanker tonnage due for replacement amounted to only 690,000 tons.

* * *

Training the American Worker

For more than two years productivity reports have been familiarising Britain with one outstanding industrial asset that the United States possesses in abundant supply—a resourceful and energetic average worker, flexible in skill and in his mental approach to production. One team sent by the Anglo-American Productivity Council has just reported upon the shaping of this unrivalled asset—the training for employment of the American worker.

Much that distinguishes the American worker from his British counterpart is inherent before either receives any specific training: "differences of approach, of environment and prosperity, of relationship between employer and employed." Against the background of an almost insatiable home market, the ambitious individual is not frustrated—"he readily accepts a way of life in which his prosperity is directly proportioned to his own efforts and ability." Upon that human material is brought to bear the American educational system—with a large proportion of young people in high schools until they reach 17 or 18, with vocational education following the actual practice of industry rather than that of the professional engineering school, and with most of the best pupils entering industry (most of Britain's best pupils enter the professions). Vocational, like general, education seems "broader and shallower than in Britain," with pupils being trained to be effective in a particular occupation rather than to be deeply knowledgeable; there was a division of opinion within the British team over which policy was the better, but the majority favoured the American.

Apprenticeship in America is distinguished by an almost complete disregard of the upper age of prospective apprentices; men can start up to the age of 35. Commending this system, the team suggest that its adoption might enable existing periods of apprenticeship in Britain to be shortened; so might the following of American practice in awarding credits for previous vocational training, thus enabling an apprentice to shorten his shop training. In the United States apprentices are often indentured to a local joint apprenticeship committee rather than to one employer; this enables transfer between employers, if necessary, to ensure the apprentice a fully balanced training. The report describes two American methods of training that epitomise the country's wholly empirical approach to manpower, as to machinery. Upon the formula that every professional man needs up to seven technicians working for him, technical institutes have been established to train men and women to exactly the degree required—instead of under-employing university graduates or asking too much of tradesmen. A second instance is the training system at Kelly Air Base, an Army air force store and maintenance depot in Texas. Here the overhaul and repair of hundreds of items is "de-skilled" onto production lines: the 11,500 civilian operatives at the base are each trained at every point along the overhaul line for one piece of equipment, then moved to other lines overhauling similar but differently-patterned equipment. This cross-training, which is carried on indefinitely, is supplemented by theoretical instruction. The result would appear to be a journeyman mechanic of great adaptability and wide experience, albeit not highly qualified in the theory of the work he can do effectively. Such a worker is perhaps the ideal of the American production system: the British team, were greatly impressed by this method of training, but comment that the conditions for such a system "are likely to occur in Britain only in times of national emergency."

Shorter Notes

Figures published by the Economic Commission for Europe show that this year's fall in retail sales is not confined to Britain. The index of textile sales (corresponding period of 1950 = 100) shows a marked fall in trade in all Western European countries between the first and second quarters of the year, where under normal conditions a rise would have been expected. The biggest fall was in Western Germany, where sales dropped 53 points, from 149 in the first quarter to 96 in the second. The fall in Belgium, the Netherlands and Austria was one of about 40 points, sales in the first two countries fell from around 120 to 80, in Austria from 154 to 115. The Norwegian, Swiss and British indices fell the least, by an average of 20 points, the British figures dropping from 115 to 96. Textile production has been cut back in those countries where the fall in sales has been the most marked.

*

The Railway Staff National Tribunal has awarded a wage increase of 8 per cent to 442,000 railway workers. This will cost British Railways an estimated £14,500,000 a year. Last July the railwaymen asked for a wage increase of 10 per cent, an increase of £18 million. The Railway Executive offered them a 5 per cent increase instead, which would have cost £9,500,000. The new award is to date from September 3rd; besides the flat pay increase, it contains provision for increases in weekend rates.

*

Some progress in the almost interminable final stage of coal compensation is reported from three of the larger colliery districts. In South Wales acceptances of the voluntary scheme of valuation, prepared by a committee from the former coalowners, now cover more than 96 per cent of the district's output, and arrangements can now proceed for an early distribution of the total sum—£14,231,000—awarded for the district. In Durham, more than 99 per cent of the former coalowners have agreed to the appointment of three assessors to value their collieries before the end of next April; also, and more important, they have agreed to accept these valuations without appeal. In Yorkshire a scheme for valuation of colliery assets by an independent panel—a somewhat similar scheme to that accepted in Durham—is now being discussed.

*

With steel output in 1952, even at a rate little higher than this year's, dependent upon home iron ore supplies of some 16 million tons, output from the Midlands ore workings is being built up. At Corby, Stewarts and Lloyds have just brought into operation their "W.1400," the largest walking dragline in the world, and indeed one of the most massive single pieces of machinery ever made. This 1,600 ton earth-moving machine, designed by Ransomes and Rapiers, can strip the overburden in the Corby opencast workings to a depth of 100 feet with a 282-ft jib; this will greatly lengthen the period during which the ironstone will be obtainable by this method. Nevertheless, the time is not far removed when Stewarts and Lloyds will have to go underground, which will increase the costs of this low-grade ore; already plans are being prepared for two mechanised mines in the area.

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Company Notes

John I. Thornycroft.—In the shipbuilding and ship repairing industry, since contracts often extend over two or three accounting periods, year-to-year comparisons of profits are apt to be an unreliable guide to the underlying trend. If accounts credited in respect of delayed settlement of contracts largely completed before the beginning of the latest financial year are excluded, group trading profits of Thornycroft have fallen from £784,682 to £685,523. But if the special credits are bought into account, the trading balance has risen from £1,049,082 to the record figure of £1,160,523—which may be a more indicative movement. The company has celebrated its half centenary as a public company by declaring a final dividend of 10 per cent on the ordinary capital of £600,000, as doubled by the 100 per cent bonus issue, in addition to the interim dividend of 10 per cent on the original capital of £300,000. In effect, allowing for the bonus element, this represents an advance of 2½ per cent to 15 per cent.

Less pleasing to equity shareholders is the chairman's realistic and somewhat gloomy comment upon the future. Shortages of materials and labour, which the rearmament programme has made particularly acute, will, Sir John E. Thornycroft believes, have "a very serious effect in reducing turnover and increasing costs.". As the company has made considerable efforts to improve its overseas sales and service organisation, this is especially disappointing. Sir John is not the first chairman to comment adversely upon the restrictive practices of labour in the docks and shipyards, but he puts the case in a nutshell when he condemns the unwillingness "to depart from the conservative demarcation rules which were imposed by the unions in the years when there was considerable unemployment in the country." As for the company's interests in the construction of commercial vehicles, prospects appear to be rather brighter, for the company now appears to be concentrating upon the production of the heavier specialised vehicles.

All sections of the company are taking some part in the rearmament programme, but this participation will involve considerable outlays on improving and replacing buildings and plant. There were capital commitments of about £86,000 outstanding at the end of the financial year, and in addition the directors have authorised a three to four year programme of renewals and extensions that will cost £250,000 at present day prices. These outlays, apart from further investment in overseas subsidiaries, will make considerable inroads into the cash resources of the group, so that additional capital will be needed, "as under the present penal weight of taxation, it is quite impossible to plough back to reserve sufficient to meet these demands." The new issue when it is made is likely to be of ordinary shares.

	Years to July 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	784,682	685,523
Total income	1,070,188	1,191,924
Depreciation	107,085	99,116
Taxation	632,897	722,741
Group earnings for ordinary stock	*242,968*	*306,085*
Ordinary dividends	41,250	47,250
Ordinary dividends (per cent)	25	15a
Retained by subsidiaries	133,917	131,121
General reserve	165,035	200,000
Added to carry forward	*Dr.37,233*	*Dr.72,286*
Cons. Balance Sheet Analysis :—		
Fixed assets, less depreciation	714,148	701,535
Net current assets	2,121,264	2,529,072
Stocks	1,476,505	2,003,184
Cash	1,340,861	1,366,593
Reserves	2,105,479	2,203,279
Ordinary capital	300,000	600,000

£1 ordinary stock at 61s. 3d. yields £4 18s. per cent.
(a) Interim 10 per cent on capital of £300,000 and final of 10 per cent on capital of £600,000.

Ind Coope and Allsopp.—Attempts by the brewing industry to arrest the decline in beer consumption, now down to 1938-39 levels, have been mainly concentrated upon increasing the production of the more popular bottled beers, which now account for about one-third of total output; efforts are also being made to reduce working costs. Ind Coope was one of the first companies to adopt these two lines of attack; last year's increase in profits was attributed by the chairman to "growing demands for bottled beer, in particular Double Diamond, and to economies in production." A third factor of some importance to such a company as Ind Coope, which trades on a national rather than a regional basis, is to spread its interests as widely as is geographically possible; perhaps this was in mind when it acquired last year Parker Burslem and Lonsdale and Adshead breweries. The success of the company's efforts can be measured by the slightness of the decline in group trading profits, from £2,621,915 to £2,580,916, in a year when increasing costs of distribution, materials and wages may not have been offset entirely by the rise in the selling price of beer.

	Years to Aug. 21, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	2,621,915	2,580,916
Total income	2,673,947	2,876,246
Depreciation	463,501	407,133
Taxation	764,742	941,667
Earnings for ordinary stock (a)	*566,533*	*522,220*
Ordinary dividends	497,879	479,927
Ordinary dividends (per cent)	30	30
Revenue reserves	119,695	337,803
Added to carry forward	991	730

5s. ordinary stock at 24s. 0d. yields £6 5s. per cent.
(a) Parent company only.

On the assumption that the year's reserve appropriations are freely available for distribution—and this might not be the case—the earnings cover on the maintained ordinary dividend of 30 per cent is only moderate. The group should be less vulnerable than some of the smaller regional breweries; but the bottled beer sector of the industry has its own difficulties to face—shortages of bottling plant and crown tops have, for example, still to be overcome.

★

Montague Burton.—In a year when the volume of trade was the highest in Montague Burton's history, group net profits before tax have jumped from £924,095 to £2,278,122 but distribution on equity capital has not been increased. For the year ended March 31st last the ordinary dividend has been maintained for the sixth consecutive year at 12 per cent. After providing £1,241,613 (against £373,869) for taxation, group net profits have almost doubled, rising from £550,226 to £1,036,509, so that equity shareholders must consider the company's dividend policy to be highly conservative.

The key to such conservatism in the matter of dividends may be a concern on the part of directors about the future. Of this—if indeed it exists—there is no sign in the preliminary profits statement, which fails even to detail the appropriations to reserves. Shareholders learn that group capital reserves have advanced by £666,523 to £3,420,271; but the increase mainly represents a surplus arising on changes in tenure of freehold and leasehold properties. Pending the chairman's speech and the full accounts, shareholders may surmise that the rise in turnover in the latest financial year may have been due in part to a scramble by consumers to buy goods before prices rise again; and they may reflect that the advance in profits might easily be reversed in an overstocked market subjected to disinflation. But they may still wonder whether such dangers necessitate a ploughing back of profits on this scale.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Oct. 31, 1951	Price, Nov. 7, 1951	Net Yield, Nov. 7, 1951 (n)	Gross Yield, Nov. 7, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	101⅛	100⅞	...	0 13 9e
Mar. 1, 1951-53			0 14 2	2 1 3f
War Bonds 2½%	101	100½	...	0 15 9e
Mar. 1, 1952-54			0 19 7	2 5 3f
Exchequer Stk. 2½%	101⅛	101⅛	0 14 8	1 17 5
Feb. 15, 1955				
War Bonds 2½%	102⅛	102⅛	0 9 2	1 14 7e
Aug. 15, 1954-56			0 16 2	2 0 10f
Funding 2½%	101⅜	100⅛*	0 7 4	1 9 0e
June 15, 1952-57			1 6 6	2 12 0f
Nat. Defence 3%	103⅛	103⅛	0 11 9	2 3 2e
July 15, 1954-58			1 3 4	2 12 10f
War Loan 3%	103⅛	102⅞	0 18 9	2 7 4e
Oct. 15, 1955-59			1 5 0	2 13 4f
Savings Bonds 3%	97	96⅛	2 14 7	4 5 9e
Aug. 15, 1955-65			1 18 4	3 8 2f
Funding 2½%	97⅛	96⅛	2 4 6	3 9 2e
April 15, 1956-61			1 15 1	2 19 7f
Funding 3%	92⅛	91⅜	2 16 0	4 6 3e
April 15, 1959-69			2 2 9	3 12 11f
Funding 3%	94⅛	93⅛	2 2 1	3 12 5e
Aug. 1, 1966-68			2 1 0	3 11 3f
Funding 4%	103⅛	103⅛	1 13 3	3 10 8e
May 1, 1960-90			1 19 5	3 16 7f
Savings Bonds 3%	91⅛	91⅛	2 14 1	4 4 10e
Sept. 1, 1960-70			2 2 11	3 13 5f
Savings Bonds 2½%	89⅜	89	2 6 9	3 12 2e
May 1, 1964-67			2 3 1	3 8 6f
Victory Bonds 4%	104⅛	104	1 16 1	3 13 8s
Sept. 1, 1920-76				
Savings Bonds 3%	89⅛	89⅛	2 10 3	4 1 5e
Aug. 15, 1965-75			2 3 3	3 14 3f
Consols 4%	97⅛	96⅛	2 3 8	4 3 8f
(after Feb. 1, 1957)				
Conversion 3½%	87⅛	86⅞	2 2 5	4 0 11f
(after Apr. 1, 1961)				
Treasury Stk. 2½%	63⅛	63⅛	2 1 8	3 19 7f
(after Apr. 1, 1975)				
Treasury Stk. 3%	75⅛	74⅛	2 2 4	4 0 10f
(after Apr. 5, 1966)				
Treasury Stk. 3½%	95⅛	93⅛*	2 2 10	3 17 2e
June 15, 1977-80			2 2 4	3 16 8f
Redemp. Stk. 3%	83⅛	82⅛	2 6 1	3 18 7e
Oct., 1986-96			2 3 9	3 16 5f
War Loan 3½%	85⅞*	85*	2 3 2	4 2 2f
(after Dec. 1, 1952)				
Consols 2½%	64⅛	64⅛	2 0 10	3 18 0f
Brit. Elect. 3% Gtd.	90	89⅛	2 7 3	3 18 0e
April 1, 1968-73			2 4 1	3 14 9f
Brit. Elect. 3% Gtd.	89⅛	88⅛	2 5 4	3 15 7e
Mar. 15, 1974-77			2 3 4	3 14 4f
Brit. Elect. 3½% Gtd.	95⅛*	94⅛*	2 2 2	3 16 6e
Nov. 15, 1976-79			2 1 8	3 16 1f
Brit. Tpt. 3% Gtd.	83⅛	83⅛	2 9 2	4 1 11e
July 1, 1978-88			2 5 4	3 18 3f
Brit. Tpt. 3% Gtd.	90	89⅛	2 7 3	3 18 0e
April 1, 1968-73			2 4 1	3 14 9f
Brit. Gas Gtd. 3%	82⅛	81⅛	2 5 10	3 18 7e
May 1, 1990-95			2 4 8	3 17 6f
Brit. Gas Gtd. 3½%	98	98	1 19 11	3 14 1e
Sept. 10, 1969-71			1 19 8	3 13 10f
Brit. Iron & Steel 3½%	94⅛	94⅛	2 2 1	3 17 1e
Feb. 15, 1979-81			2 1 10	3 16 9f

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields are calculated after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 2 months.
* Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Oct. 31, 1951	Price, Nov. 7, 1951	Yield Nov. 7 1951
%	%					£ s. d.
40	20	a	Anglo-Am. 10/-	7⅜	7⅜	3 16 10
25	5	a	Anglo-Iran £1	5⅛*	5⅛*	5 9 1
20	7½	a	Assoc. Elec. £1	92/6	90/-	4 8 11
27½	7½	a	Assoc. P. Cem. £1	108/9	107/6	5 2 4
35	45	c	Austin 5/-	33/9	35/-	6 8 7
†20	15	a	Bass £1	148/1½	143/9	6 12 2
40	5	a	Boots 5/-	26/3	26/3	3 16 2f
9	7	a	Br. Celanese 10/-	40/9*	38/6*	2 6 9
12	8	a	Br. Oxygen £1	96/6	94/6	4 4 8
5	7½	b	Coats £1	60/-	58/1½	4 6 0
6½	5	a	Courtaulds £1	49/9*	49/6*	4 10 11
6¼	16½	b	Distillers 4/-	23/-	22/3	4 0 11
15	17½	c	Dunlop £1	66/-	63/9	5 9 9
10	12½	c	Ford £1	56/10½	55/1½	4 14 1
17½	22½	c	Gen. Elect. £1	95/6	94/6	4 15 3
21	11	a	Guinness £1	145/7½	144/4½	4 8 11
15	17½	b	Hawker Sid. £1	37/6	37/6	5 6 8
9	3	a	Imp. Chem. £1	51/10½	51/10½	4 12 6
18½	13¼	a	Imp. Tobacco £1	100/-	98/9	6 9 7
7½	5	a	Lancs. Cotton £1	44/4½	43/1½	5 15 11
10	13½	c	Lever £1	55/7½	53/9	5 0 6
15	7½	a	Lon. Brick £1	62/6*	61/3*	4 17 11
15	60	b	Marks & Sp. A 5/-	96/6	95/-	3 18 11
8	8	a	P. & O. Def. £1	47/6	46/6	4 11 6
7½	17½	b	P. Johnson 10/-	44/-	44/-	5 13 6
†5	†7½	b	"Shell" Stk. £1	95/7½	94/4½	5 0 10
12½	12½	a	Tube Invst. £1	6⅞	6⅞	3 17 6
20	5	a	T. & Newall £1	100/7½	96/3	4 3 5
8	10	c	Union Castle £1	41/-	41/-	4 17 6
50	20	a	U. Sta Betong £1	69/41*	65/7½*	15 4 0
10	2½	a	Vickers £1	48/9	49/6	5 1 1
27½	15	a	Woolworth 5/-	46/9	46/-	4 12 6

(a) Yield basis 20% after capital bonus. (b) Yield basis 10%. (p) Yield basis 10½% after capital bonus.
* Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended November 3, 1951, total ordinary revenue was £95,100,000 against ordinary expenditure of £68,497,000 and issues to sinking funds £609,000. Thus, including sinking fund allocations of £12,057,000 the deficit accrued since April 1, 1951, is £56,094,000 compared with a surplus of £89,629,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

Revenue	Estimate, 1951–52	Receipts into the Exchequer (£ thousand) April 1, 1950 to Nov. 4, 1950	April 1, 1951 to Nov. 3, 1951	Week ended Nov. 4, 1950	Week ended Nov. 3, 1951
	£'000				
ORD. REVENUE					
Income Tax	1624750	442,502	520,825	12,854	17,153
Sur-tax	128,000	39,800	41,200	800	1,200
Estate, etc., Duties	180,000	108,650	110,100	3,300	2,700
Stamps	55,000	30,300	37,300	1,500	1,300
Profits Tax & E.P.T.	312,650	166,920	185,100	6,400	7,700
Other Inland Rev.	500	60	95	...	...
Special Contributn.	1,500	3,300	1,890	100	40
Total Inland Rev.	2302400	791,532	896,510	24,954	30,093
Customs	930,500	523,165	581,382	17,727	15,105
Excise	720,500	440,331	466,523	41,815	44,461
Total Customs and Excise	1651000	963,496	1047905	59,542	57,566
Motor Duties	62,000	12,964	14,481	1,449	1,041
Surplus War Stores	20,000	25,131	25,965	810	939
Surpl's from Tradg.	50,000	30,974	65,927	...	...
P.O. (Net Receipts)	5,400	1,100	3,300	200	1,300
Wireless Licences	13,600	6,000	6,300	...	1,300
Sundry Loans	27,000	19,170	19,666	1,022	...
Miscell. Receipts	105,000	55,418	52,793	463	2,861
Total Ord. Rev.	4236400	1905786	2132846	88,440	95,180
SELF-BALANCING					
Post Office	179,431	98,900	105,900	4,300	2,700
Income Tax on E.P.T. Refunds	4,900	5,790	3,451	142	142
Total	4420731	2010476	2242197	92,882	97,942

Expenditure	Estimate, 1951–52	Issues out of the Exchequer to meet payments (£ thousand) April 1, 1950 to Nov. 4, 1950	April 1, 1951 to Nov. 3, 1951	Week ended Nov. 4, 1950	Week ended Nov. 3, 1951
	£'000				
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	309,852	308,043	16,897	17,404
Payments to N. Ireland	38,000	21,414	20,637	1,282	...
Other Cons. Funds	11,000	4,882	5,828	50	262
Total	584,000	336,148	334,508	20,228	17,666
Supply Services	*3425640	1469507	1842376	36,900	50,831
Total Ord. Expd.	*4009640	1805455	2176884	57,128	68,497
Sinking Funds	...	10,701	12,057	620	609
Total (excl. Self-Bal. Expd.)	4009640	1816156	2188941	57,748	69,106
SELF-BALANCING					
Post Office	179,431	98,900	105,900	4,300	2,700
Income Tax on E.P.T. Refunds	4,900	5,790	3,451	142	142
Total	4193971	1920846	2298292	62,190	71,948

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £189,546 to £2,990,494, the other operations for the week decreased the National Debt by £23,981,327 to £26,365 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, s. 28	515
Housing (Temporary Accommodation) Act, 1944	8,669
	9,184

NET ISSUES (£ thousand)	
Post Office and Telegraph (Money) Act, 1950	700
E.P.T. Refunds	174
Local Authorities Loans Acts, 1945, s. 3(2)	9,450
Overseas Resources Development Act, 1948, s. 17(1)	
Colonial Development	750
Finance Acts, 1946 and 1947: Postwar Credits	313
	11,387

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Tax Reserve Certs.	12,541	Treasury Bills	2,409
Other Debt:—		Nat. Savings Certs.	300
Internal	2,080	2½% Def. Bonds	1,170
		3% Def. Bonds	425
		3% Ter. Annuities	1,411
		Ways and Means Advances	32,790
	14,621		38,603

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1950						
Nov. 4	3180·0	1885·7	353·3	...	573 0	5992·0
1951						
Aug. 4	3220·0	2187·7	320·7	...	344·5	6072·9
,, 11	3220·0	2164·2	280·2	...	379·5	6043·9
,, 18	3230·0	2212·0	296·6	...	355·0	6093·6
,, 25	3230·0	2255·7	291·2	...	325·0	6101·9
Sept. 1	3240·0	2277·7	326·7	...	290·0	6134·4
,, 8	3240·0	2301·5	306·9	...	290·0	6138·4
,, 15	3240·0	2368·4	328·2	...	265·0	6201·6
,, 22	3240·0	2364·7	354·6	...	265·0	6224·4
,, 30	5596·5		342·4	...	290·0	6228·7
Oct. 6	3240·0	2425·2	347·6	...	250·0	6262·8
,, 13	3240·0	2471·1	356·5	...	225·0	6292·7
,, 20	3250·0	2515·4	371·0	...	200·0	6136·5
,, 27	3270·0	2287·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Nov. 3	250·0	47·7	250·0	10 2-70	60
1951					
Aug. 3	240·0	365·6	240·0	10 2-45	50
,, 10	260·0	354·1	260·0	10 2-78	62
,, 17	260·0	341·4	260·0	10 3-02	68
,, 24	260·0	318·7	260·0	10 3-36	77
,, 31	250·0	342·8	250·0	10 2-87	63
Sept 7	260·0	346·0	260·0	10 2-95	66
,, 14	250·0	352·1	250·0	10 3-07	67
,, 21	240·0	355·9	240·0	10 4-87	23
,, 28	260·0	338·7	260·0	10 2-98	68
Oct. 5	250·0	327·4	250·0	10 3-13	69
,, 12	260·0	365·5	260·0	10 2-64	58
,, 19	250·0	339·9	250·0	10 2-97	64
,, 26	250·0	315·4	250·0	10 2-91	63
Nov. 2	240·0	330·1	230·0	10 2-38	54

On November 2nd application for 91 day bills to be paid from November 5 to November 10, 1951, were accepted dated Monday to Saturday as to about 54 per cent at £99 17s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £260 million were offered on November 9th. For the week ending November 10th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 30 Weeks ended Oct. 28, 1950	Totals 30 Weeks ended Oct. 27, 1951	Week ended Oct. 27, 1951
Savings Certificates:—			
Receipts	51,100	96,100	1,800
Repayments	76,700	80,800	2,400
Net Savings	*Dr25,600*	15,300 *Dr*	*600*
Defence Bonds:—			
Receipts	10,025	33,689	1,575
Repayments	29,439	42,581	1,600
Net Savings	*Dr19,414 Dr*	*8,892 Dr*	*25*
P.O. and Trustee Savings Banks:—			
Receipts	373,856	395,372	12,706
Repayments	400,115	463,205	11,850
Net Savings	*Dr26,259 Dr*	*67,833 Dr*	856
Total Net Savings	*Dr71,273 Dr*	*61,425 Dr*	231
Interest on certificates repaid	16,809	19,842	612
Interest accrued	72,292	72,624	2,433
Change in total invested	*15,790*	*8,643*	2,052

BANK OF ENGLAND RETURNS

NOVEMBER 7, 1951

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,10
In Circulation	1357,587,384	Other Govt. Securities	1385,760,013
In Banking Department	42,769,439	Other Secs.	714,204
		Coin (other than gold)	2,510,683
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,885
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	330,687,853
Rest	3,287,313	Other Secs.:-	55,524,513
Public Deps.:-	16,818,404	*Discounts and*	
*Public Accts.**	*16,597,539*	*Advances*	*13,089,750*
H.M. Treas.		*Securities*	*42,435,565*
Special Acct.	*220,865*		
Other Deps.:-	395,742,575		
Bankers	*300,381,035*	Notes	42,769,439
Other Accts.	*95,361,540*	Coin	1,240,685
	430,401,292		430,401,292

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

COMPARATIVE ANALYSIS

(£ million)

	1950 Nov. 8	1951 Oct. 24	1951 Oct. 31	1951 Nov. 7
Issue Dept.:—				
Notes in circulation	1278 5	1346 5	1351·8	1357·6
Notes in banking department	72·0	53·8	48·5	42·8
Government debt and securities*	1349·2	1396·8	1396·7	1396·8
Other securities	0·7	0·7	0·8	0·7
Gold and Coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248 0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:— £				
Public Accounts	17·4	15·0	14·5	16·6
Treasury Special Account	266 4	4·5	7·2	0·2
Bankers	305 8	300·0	303·9	300·4
Others	86·5	91·9	93·1	95·4
Total	676·1	411·4	418·7	412·6
Securities:—				
Government	568·1	335·6	332·2	330·9
Discounts, etc.	30·6	14·1	20·8	13·1
Other	31·6	24·6	33·8	42·4
Total	620 3	374·3	386·8	386·4
Banking dept. res.	74 3	54·8	49·7	44·0
"	"	"	"	%
"Proportion"	10 9	13·3	11·8	10·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,425 million to £1,400 million on August 21, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorized dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Nov. 1	77·0	88·00	183 4	106 5
,, 2	77·0	88·00	183 10	106 12
,, 3	Markets Closed		184 3	107 5
,, 5	77·0	88·00	184 8	107 11
,, 6	77·0	Mkt Closed	184 5	107 10
,, 7	77·0	88·00	184 3	107 13

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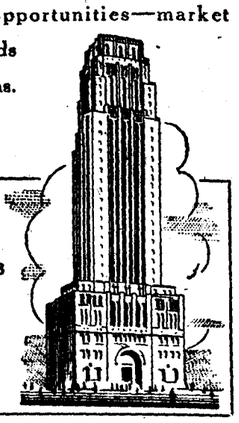

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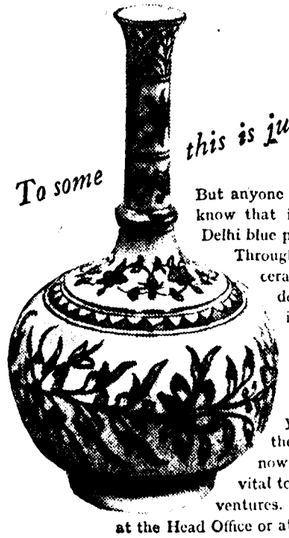

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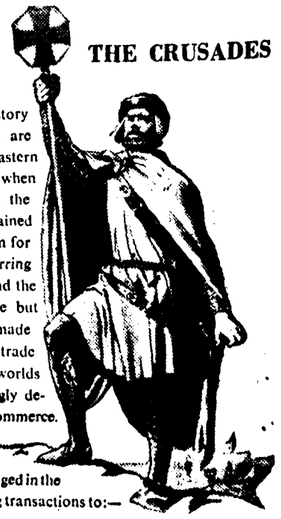
IT BEGAN WITH THE CRUSADES



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INTERNATIONAL BANKING SURVEY

This survey, and the accompanying special 15-page selection of International Banking Statistics that appears in this week's issue of the RECORDS AND STATISTICS *Supplement, is complementary to the similar survey and statistical analysis of banking in the British Commonwealth published on June 2nd last. These half-yearly features together comprise the new form of* THE ECONOMIST BANKING SUPPLEMENT *which has been published for many years.*

Strains within the Sterling Area

IN many recent discussions about Britain's crisis of external payments, one illusion that has been sedulously fostered is that it is predominantly a dollar crisis, and must therefore be tackled mainly by measures designed to reduce dollar imports and expand dollar exports—unless yet another slice of dollar aid is forthcoming to help fill the gap. This dangerous line of reasoning had been encouraged partly by the emphasis put upon the dollar problem in official statements and partly by the form of the available statistics. The danger of concentrating upon the dollar aspect has now been specifically emphasised by the new Chancellor, though it remains to be seen whether the full implications of the wider approach will be allowed to determine his policy.

The truth is that Britain faces a sterling problem no less menacing than the dollar problem, and neither will ever be solved unless they are treated together as merely different aspects of a single crisis of external disequilibrium. The most dramatic demonstration of the extent of the sterling problem is the rate at which Britain has been running up debts in the form of externally-held sterling balances. During the first half of this year these balances rose by an unprecedented amount, by £425 million to £4,168 million. Of this increase, no less than £368 million accrued to members of the sterling area, whose aggregate balances rose to £3,098 million, or to over £600 million more than they held at the end of the war. The fact that Britain's partners in the sterling area have been prepared to put up these large additional sums (the gross lendings have, of course, been larger still, because some members of the area have been drawing down their balances) is sometimes also treated as an argument for putting the dollar problem first—on the assumption that whereas Britain's dollar imports might be cut off for lack of dollars, other imports will never be cut off through unwillingness of the overseas sterling area to accept sterling. But, in fact, the very opposite conclusion should be drawn from the accelerating rise in Britain's sterling debts—as anyone who has observed recent trends in the mood of sterling area members will readily understand.

In recent months, India, Pakistan and Ceylon—three countries that have been outstandingly successful in getting substantial releases of balances since the end of the war—have none the less shown marked restiveness at their inability to secure as ready a flow of capital goods from Britain as they deem necessary ; and, in the matter of releases, each is vigilant to ensure that its facilities are not less favourable than those secured by the other two. All three countries, now that they are net contributors of dollars to the central pool of the sterling area, have taken care to retain some dollars to provide independent —though still small—reserves of their own. Pakistan asserted its independence by insisting on retaining the dollar parity of its rupee when all other sterling area currencies were devalued in 1949 ; while India has for some time been deliberately building up direct financial relationships with "third" countries, thus reducing the proportion of its trade that is financed in the traditional way through London. The Indian Reserve Bank recently disclosed that between 1949-50 and 1950-51 the proportion of bills drawn or remittances received in hard-currency countries of destination rose from 20 per cent to over 40 per cent, while the use of sterling bills dropped from 62 to 40 per cent. The impetus behind such tendencies as these can hardly fail to grow as rearmament reduces Britain's capacity to supply the particular goods these countries demand ; and there is no doubt that they will lay great emphasis on this point when their representatives join other officials of the sterling area governments at the forthcoming meeting in London—a meeting designed to prepare the way for a full conference of Finance Ministers of the area.

Even more significant than the restiveness among the Asian members of the sterling area is the evidence that a similar attitude is beginning to arise in Australia, for that Dominion throughout the postwar years has been the biggest source of new credits, and took a long view of its sterling balances at the time when other members were importunate. Sir Douglas Copland, vice-Chancellor of the Australian National University, who has been an influential adviser of the Commonwealth Government, has lately argued that, since sterling convertibility into dollars is not in sight, Australia ought to take autonomous responsibility for its dollar accounts and should build them up with the object of making the Australian pound convertible into dollars as soon as possible. He seeks to develop closer direct relationships with the United States, in the hope of promoting therefrom a substantial flow of capital to Australia—capital that he believes Britain will be unable to provide. There is no reason yet to suppose that the Commonwealth Government feels as strongly on these issues as Sir Douglas does ; but if Britain hopes to secure promises of renewed economy in dollar expenditure, without at the same time giving firm pledges of a better flow of British goods to make such economies less

painful, it is likely to find that not even Australia will be acquiescent.

The reasons why these strains within the sterling area have been mounting so ominously can readily be discerned from analysis of the intricate pattern of financial relationships that subsist within it—and particularly between the United Kingdom on the one hand and the overseas members on the other. It is a revealing exercise, even though it cannot yet be carried beyond the middle of this year. The decisive fact that emerges is that Britain's relationship to the rest of the sterling area has changed radically since the end of 1949 and especially since the end of 1950. In all save the first of the years 1946 to 1949 inclusive, the overseas sterling area was running a large and growing current deficit with Britain, and in all four years it was also in deficit with the dollar area ; only in 1946 was this dollar deficit more than offset by sterling area sales of gold to Britain. In addition, there was on balance a small sterling area deficit with "third" countries. These relationships are clearly shown by the first four items whose postwar changes are traced in Table I. Through these four years, it will be seen, Britain was not only making "unrequited" exports to the rest of the sterling area to the extent of no less than £516 million (the aggregate of Britain's current surpluses with the RSA) but was also supporting a dollar drain on its behalf to the extent of £219 million, after crediting the RSA gold sales to Britain. In addition, it was having to carry an RSA net deficit of £29 million with "third" countries.

Until the end of 1949, therefore, the overseas sterling area was not only making very large net demands on British production directly but was dipping into the gold reserves. Since the beginning of last year, however, the relationship has been greatly changed. It is true that in 1950 the RSA again ran a big deficit with Britain ; but, at £218 million, this was appreciably below the peak of £273 million reached in 1949 and was, moreover, almost balanced by the surplus of £190 million that the RSA earned from "third" countries. More important still, the direct deficit with Britain was itself more than offset by the RSA's net contribution to the central gold and dollar reserves (which were fortified to the extent of £154 million by the RSA surplus with the dollar area and of £100 million by RSA sales of gold to Britain). In the first half of 1951, the latest period for which figures are available, the change became even more pronounced. On the one hand, the RSA deficit with Britain ran down to only £46 million (merely one-third of what it was in the first half of 1949). On the other hand, the RSA dollar surplus was almost as large in these six months (at £148 million) as it had been in the whole of the previous year, while the surplus with "third" countries (roughly equal to the RSA surplus with the OEEC group) mounted still further. Or, if the relationship is expressed the other way round, in this half-year Britain's surplus sufficed to finance less than one-quarter of the RSA contributions to the dollar pool, and little more than one-seventh of the counterclaims represented by those contributions plus the surplus with "third" countries.

It is generally reckoned that according to the normal principal of triangular and multi-angular payments relationships, Britain's export surplus with the overseas sterling area indirectly earns enough dollars for Britain to finance its own dollar deficit ; that it to say, the RSA has normally a dollar surplus and, instead of spending its dollars in the dollar area, spends them in Britain—by depositing them in the central pool against sterling credits that are then paid away for British goods. This traditional principle has not in fact operated since the war. Early in 1950, after the long phase of acute strain by the RSA on Britain, it seemed that it might be about to start working again ; but then the steep rise in commodity prices and the violent movement of the terms of trade in favour of primary producers swung the relationship abruptly to the other extreme, with Britain hopelessly failing to keep pace, by its own exports, with the fast-rising surpluses of the RSA with the rest of the world.

This, moreover, is only part of the story of Britain's unstable relationship with the RSA since the end of the war. The movement of RSA claims on London is determined only partially by the direct current factors that have been considered so far (the first four factors in Table I). There is normally a substantial flow of capital from Britain to the RSA, and since the war this movement has been very large indeed, thereby accentuating the disequilibrium. In addition, the net balance of Governmental transactions and analogous operations (such as RSA drafts on the IMF or Ireland's direct receipt of ERP) has added further to RSA claims. During the four years to end-1949, if the RSA deficits with Britain and with the dollar area, and its sales of gold to Britain, had been the only factors, the RSA sterling balances would have been reduced by no less than £735 million, with a further reduction of £29 million to finance the RSA net deficit with "third" countries—a total reduction of £764 million. In fact, the reduction was no more than £142 million, because, as Table I shows, there was in these four years a net flow of capital to the RSA that, with other miscellaneous transactions, provided it with credits aggregating £529 million. The omnibus "Governmental" group of factors provided it with a further £93

TABLE I—FACTORS IN GROWTH OF STERLING AREA BALANCES
(£ Million)

	1946	1947	1948	1949	1950	1950 I	1950 II	1951 I
Overseas Sterling Area's :—								
Deficit with UK	+ 43	− 89	−197	−273	−218	− 83	−135	− 46
Deficit or surplus with $ area	− 64	−273	− 82	− 89	+154	+ 63	+ 91	+148
Gold sales to UK	+ 82	+ 84	+ 55	+ 69	+100	+ 53	+ 47	+ 41
	+ 61	−278	−224	−294	+ 36	+ 33	+ 3	+143
Net transfers from (+) or to (−) "third" countries	− 27	− 69	+ 80	− 15	+190	+102	+ 88	+121
Balance of Govt. loan transactions with UK*	− 20	− 11	+ 27	+ 97	+ 82	+ 16	+ 7	+ 6
Net borrowing (+) from UK, and miscell. transactions	− 60	+320	+183	+199	+130	+ 67	+ 63	+ 98
Change in Sterling Balances	− 36	−329	+ 34	− 11	+378	+217	+161	+368

* Also includes RSA subscriptions to, and drafts on, IMF ; Australian and New Zealand (1951) ERP Receipts by Irish Republic.

TABLE II—OVERSEAS STERLING AREA AND DOLLAR POOL
(£ Millions)

	RSA Current Account with Dollar Area			RSA Gold Sales to UK	RSA Net Drain (−) on, or Contribution to, Pool*
	Dependent Territories	Other	Total		
			(a)	(b)	(a + b)
1946	+ 28	− 92	− 64	+ 82	+ 18
1947	− 8	− 266	− 273	+ 84	− 190
1948	+ 39	− 117	− 82	+ 55	− 27
1949	+ 43	− 132	− 89	+ 69	− 19
1950	+ 154	+ 80	+ 154	+ 100	+ 254
1950 :—					
I	+ 84	+ 9	+ 63	+ 53	+ 116
II	+ 80	+ 11	+ 91	+ 47	+ 138
1951 :—					
I	+ 112	+ 36	+ 148	+ 41	+ 189

* After allowing for subscriptions to International Monetary Fund and International Bank, and for net $ transactions with non-dollar area.

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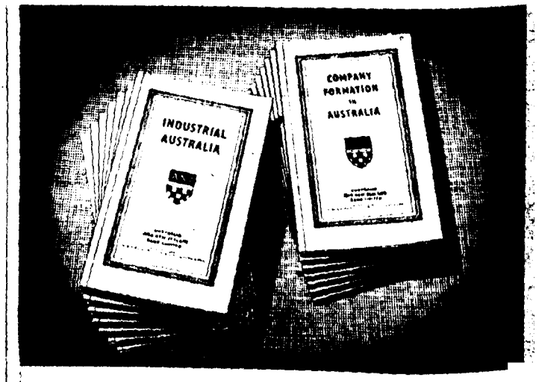

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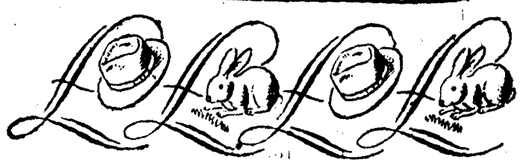

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million. Moreover, despite the violence of the change in relationship during the eighteen months from end-1949, the aggregate figures for the whole period of 5½ years is still a heavy net strain upon Britain: the RSA's net contribution to the central dollar pool (£224 million) and its net surplus with third countries (£282 million) together fell substantially short of the accumulated deficit with Britain (£780 million). The difference of £274 million may be regarded as the measure of Britain's "true" export of capital to the RSA; it will be seen at once that this "true" capital falls far short of the financial outflow of funds, aggregating, with miscellaneous transactions, no less than £757 million. In the latest eighteen months, moreover, although Britain has borrowed £490 million net from the RSA as a consequence of the several current factors, the outflow of British financial capital has continued—to the extent of £228 million. Hence, when Governmental transfers are added, the total increase in sterling area balances in these eighteen months has been £746 million.

Detailed consideration of the conclusions to be drawn from this extraordinary picture cannot be attempted in this article; indeed, a fair judgment cannot be reached on the basis of a phase so abnormal as the eighteen months to end-June last. But, whatever allowances are made for these abnormalities, it is clear that the sterling area mechanism will not withstand the stresses of this rearmament phase unless Britain makes herculean efforts to rebuild its surplus with the RSA. Since the other members of the system will certainly acknowledge that they have a part to play in the common effort, it may not be necessary for Britain to raise its surplus to the point at which the "current" accumulation of sterling balances (as distinct from the movement caused by capital transfers) is entirely checked. But unless this "current" growth is kept within bounds, the separatist tendencies and the RSA demands for release of dollars from the pool will grow steadily stronger. And the only way to ensure that this does not happen is for Britain to make a real effort to provide the particular goods that these countries need for their development programmes. But the overseas countries, in their turn, have a duty to keep a due restraint upon their own demands—by a firm resistance to inflation. This should require them not only to put a brake upon consumers' demands but also to ensure that their capital programmes really are confined to projects that can stand the test of essentiality during a phase of world rearmament.

The Latest EPU Crisis

LIKE the British balance of payments, the European Payments Union has been staggering from one crisis to another. The successive lurches of the EPU, however, quite unlike those of the British balance, have been in opposite directions, so that there is no immediate danger that the latest crisis, caused by the persistent creditor status of Belgium, will bring the system to the verge of collapse. The first serious threat to EPU, it will be recalled, was caused by the tendency for Germany to run into chronic deficit. This disequilibrium had to be met in part by stopgap measures, notably the extension to Germany of supplementary credits. It was also countered by the more fundamental measures taken, at the instigation of an OEEC mission, to toughen the German economy and restore equilibrium in the German balance of payments. These measures have proved extraordinarily successful. The German cumulative net deficit, which had risen beyond $450 million by the end of March, 1951, had by the end of September been reduced to $114 million, so that Germany recovered in the course of this improvement virtually the whole of the substantial amounts of gold previously paid over to the Union.

The German difficulties had in turn caused serious damage to the Netherlands balance of payments. The disappearance of these difficulties, and the consequent relaxation in German import restrictions, have appreciably reduced the Netherlands deficit, which at one time had also presented a serious threat to the stability of EPU. On the debtor side, in fact, EPU now has little to fear. The latest available figures, those to the end of September, showed that in no case except the very special one of Turkey, was the position of a debtor nearing its quota and, therefore, placing upon it the obligation of making relatively heavy gold payments to EPU.

In the earlier months of EPU the bulk of the aggregate creditor positions at EPU was represented by the credits of the United Kingdom and France, the two countries with the largest quotas and, therefore, the largest obligations to lend to EPU. For this reason, the amount of gold that was being withdrawn from the Union by creditors was small by comparison with the amount that was being paid into it by the substantial debtors. During this period, therefore, the cash position of EPU itself was never in any danger. The cash amount of $350 million with which EPU began operations on July 1, 1950 (this was the amount of the initial subscription made in dollars by the United States Government) had actually been raised to $447 million by the end of November, 1950; and the cash remained in excess of $350 million up to the end of March, 1951.

Thereafter, however, an important change became noticeable. The German balance of payments began to show surpluses and, in accordance with the cumulative principle on which payments of gold to EPU are made and drafts on EPU facilities are provided, Germany began to reacquire gold at a relatively rapid rate. At the same time, the credit balances of the United Kingdom and France turned to deficits; but, since these countries had been relatively small takers of gold, owing to the size of their quotas, this switch in its turn involved very little gold retransfer to EPU. Most important of all was the fact that a few countries, notably Belgium, became persistent and substantial creditors and, in fact, reached the point at which their quotas had been exhausted. At that point, in accordance with the strict letter of the EPU agreement, they could have taken the whole of their further surpluses in the form of gold—a procedure that would have created a serious threat to EPU's cash.

The most substantial creditor is Belgium. It was endowed at the outset with a quota of $360 million, including an "initial debit" position of $29 million. By the end of August, Belgium's credit position at EPU had

exceeded the quota by $12 million, while in September a further $68 million of creditor claims accumulated, bringing the total excess over the quota to $80 million. Special arrangements were then made with Belgium, which agreed that only 50 per cent of this excess was to be settled in gold, instead of the 100 per cent gold settlement for which the EPU scheme strictly provided ; the other half was to be carried forward as an additional credit by Belgium to EPU. At the end of September, however, it became evident that Belgium would continue to run a current surplus with other EPU countries ; but Belgium was unwilling to extend still further credits to the Union, on the grounds that such additional lending would foment inflation in Belgium at a time when its monetary authorities were striving to keep the domestic credit situation strictly under control. But a limit had to be set to the demands Belgium might make on EPU cash. Accordingly, it was decided that the Belgian surplus during the last quarter of the year should be settled wholly in gold up to an amount of $80 million, but that if it exceeded that figure it would have to be covered wholly by additional credits from Belgium. This, in effect, placed on Belgium the responsibility of keeping its further net surplus with other EPU countries in the last quarter of the year within $80 million. The exceptional and severe measures since taken by the Belgian authorities to reduce the Belgian current surplus with EPU countries and to prevent the speculative inflow of foreign money into Belgium need to be judged in the light of this special arrangement with EPU.

It is not only Belgium that stands on or beyond the threshold of its EPU quota. Another such creditor is Portugal, which by the end of September had exceeded its quota of $70 million by $1.3 million and which had drawn no less than $28.7 million of gold from the Union. Italy, too, has been a persistent creditor ; by the end of September it had an accumulated surplus of $142 million with the Union, compared with its quota of $205 million, and was accordingly taking gold at the rate of 50 per cent of its steadily growing surpluses.

As a result of these various demands, the point has now been reached at which the cash reserve of EPU must be causing serious concern. At the end of the first twelve months of operation of EPU, that reserve stood at $351,967,000, still fractionally above its initial level. Since then it has been seriously depleted. The settlements over the whole life of EPU, i.e. from July 1, 1950, to September 30, 1951, show that over this period EPU paid out $174 million more gold than it received. By September 30th, therefore, the gold in reserve was no more than $175.6 million. Of this $80 million was apparently earmarked against a probable loss of gold to Belgium during the last quarter of the year, leaving an effective balance of less than $100 million. This is far from sufficient to ensure that EPU can withstand the strains to which the system is subject.

In retrospect it is clear that the initial cash reserve of $350 million was too small in relation to the swings in balances and payments within Europe. Moreover, this reserve was mortgaged from the outset to the extent of $80 million—a " mortgage " that arose from the fact that the " initial debit " positions (i.e. obligations to provide credit beyond their quotas) with which members of EPU were handicapped at the beginning of operations were smaller by that amount than the " initial credit " positions (additional borrowing rights) with which other members were endowed. This difference was a contingent charge against the capital of EPU that has in fact been enforced since the positions have been utilised ; there has therefore been a corresponding loss of cash. The inadequacy of the cash reserve did not reveal itself in the early months of EPU because the position then was dominated by one large debtor, Germany, which in accordance with the sliding scale incorporated in the EPU agreement was, in the end, paying in gold up to 80 per cent of its current deficits.

The position has now been transformed. It is the United Kingdom and France, the largest quota holders, that are now running the principal deficits. Up to an amount equal to 40 per cent of their quotas they can finance these deficits without any gold payments at all—a proportion comprising the last 20 per cent of their remaining credit position and the first 20 per cent of their overdraft with EPU. This 40 per cent of the two quotas represents a total of no less than $632 million, which is the amount by which the United Kingdom and France can continue to run into deficit with EPU without paying any gold to the Union. Concurrently, however, the main creditors—Belgium, Italy, Switzerland and Portugal—will be taking 50 per cent of their current surpluses in gold from the Union 50, or, in the case of Belgium, perhaps more. Ultimately, the position will correct itself. The quotas and the provisions for gold payments and receipts are so arranged that, within the effectively closed circuit that constitutes EPU, gold payments and receipts must in the long run be equal ; it was for this reason that the original cash reserve of $350 million was expected to be adequate. These long run considerations, however, are no consolation when the immediate prospect suggests a dangerous depletion of the reserve.

The European Payments Union as devised in 1950 was not, in fact, intended to deal with such wide swings in balances of payments as occurred after hostilities began in Korea and with the major swings caused mainly by the violent fluctuations that ensued in raw material prices. Nor was it intended to deal, as it has had to do, with the whole finance of intra-European rearmament expenditure under the defence plans of the North Atlantic Treaty.

The widths of the swings in intra-European payments is due far more to pseudo-commercial but essentially speculative transactions than to genuine current operations. The fixed parities maintained under the Bretton Woods system have in these times of uncertainty provided a positive encouragement to speculation in currencies. The speculations can no longer take the form of outright sales or purchases of currencies, spot or forward, unbacked by any commercial justification. They are achieved mainly by postponements or anticipations of genuine commercial exchange operations. In some cases outright speculation has taken place by inventing " phony " import or export transactions on the basis of which the appropriate allocations of foreign currencies are obtained. These, however, are exceptional operations ; for the most part, the speculation in exchanges has taken the form of delayed or hurried settlement of current commercial transactions. The effect of this shift in the incidence of the current balance of payments on the reserve has been severe, as may be gauged from the extent to which sterling was oversold before devaluation, overbought in the early part of 1951 and again oversold in recent weeks. The French franc pro-

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vides another example of overselling; this has been mainly responsible for the dramatic change in the French balance of current payments as reflected in the French EPU position in recent months. In view of the width and artificiality of these swings in balances of payments, it can be argued that both the extent of the quotas provided under the EPU mechanism and the cash reserve were inadequate.

Their inadequacy was further emphasised by the unforeseen impact of rearmament finance on EPU. As yet little or no provision has been made for handling the international payments arising from the common rearmament plans of the NATO countries. The problem is one of immense complexity. It derives not merely from direct expenditure on defence materials and such items of "infra-structure" as the building of aerodromes, camps and communications. The impact of rearmament has made itself felt over the whole range of private trade. The diversion of a material such as steel to rearmament in Britain has caused the demand for steel produced by the other members of NATO to rise abnormally, leading to artificial "grey market" prices. There has been no equality as yet in the diversion of industrial resources to rearmament in Europe. As a result, the uneven incidence of rearmament work has made itself felt over the whole range of international trade, both in consumer and capital goods.

To return to the example of steel, which has played an appreciable part in building up the creditor status of Belgium, there is no doubt that the scarcity of steel caused in Britain by concentration on rearmament has led not only to abnormal British imports of Belgian steel but has caused Australia, India and many other countries, which would normally be supplied with steel from Britain, to place orders at almost any price in Belgium. Similarly, the absence of any appreciable volume of rearmament work in Italy and the complete absence of such work in Germany have made it possible for the industries in these two countries to satisfy civilian demand that would otherwise have been filled by Britain or France. These currents set in motion by the inequality of the industrial rearmament efforts of the various members of NATO have been to some extent responsible for the swings in balances of payments and for the difficulties encountered by EPU. On this score, too, it can be argued that the EPU quotas were both inadequate and wrongly allocated—and, moreover, that the cash reserve put at the disposal of the Union by the United States was insufficient for its purpose. This is a problem that concerns not merely the mechanics of EPU but the problem of sharing the economic burden of the North Atlantic Treaty plans. Unless an early and successful attack is made on this last problem, EPU may in the course of the next few months have to face a crisis from which it will have little prospect of survival.

Attack on US Inflation

(By a Correspondent)

THE pattern of the year's developments in banking in the United States was set by the events of the last half of 1950 when, following the outbreak in Korea, the country experienced its worst bout of inflation in the postwar period.

The prospect that a full-scale conflict might be threatening affected the judgments of the Government, businessmen and consumers alike. The private sector of the economy was influenced partly by memories of scarcity and high prices during World War II, and partly by the very fact that the Government was insisting on the need for restraint in spending—thereby intensifying the fears of shortage and inflation. There was unprecedented consumer buying of soft goods, and of hard goods, such as cars, refrigerators, washing machines and furniture. At the same time stockpiling activities increased sharply. Both government and business turned to buy all available and prospective supplies of materials that were likely to become scarce. Business also embarked on a broad expansion programme that raised the rate of expenditures for new plants and equipment by more than half by the last quarter of the year, compared with the first quarter. The building boom began again as the public turned to houses as one means of guarding against further depreciation of the dollar. A flight from fixed-interest investments was accompanied by a rise in prices and activity on the stock markets, a decline in savings bond sales, and some liquidation of savings deposits and bond holdings.

These symptoms of inflationary psychology called for determined banking policies. It should be remembered that, except for the pressure of buying of scarce critical materials, the direct impact of government spending for defence was not begun to be felt by the turn of 1950. It was a private spending boom, stimulated by the use of credit.

But the defence emergency produced conditions that could not be treated exclusively by traditional methods. The situation was different from anything previously experienced. If the country had been fully at war, controls and rationing would have been the principal economic weapons, and credit problems would have largely resolved themselves. Instead, banking policies had to be adjusted in the light of the need to finance defence production speedily and effectively, without dislocating seriously the substantial civilian production to which the nation was still committed. Above all, banking policy had to recognise the fact that the use of credit was already enlarging effective demand. The policy-measures that were in fact adopted fell into three groups: voluntary credit restraint, selective credit controls, and quantitative control over credit.

The Defense Production Act of 1950 gave authority to the Federal Reserve to arrange a voluntary credit restraint programme, and after months of discussion and careful preparation, the programme began last March. Its aim was to ensure that essential credit needs were met and that speculative uses of credit were eliminated or at least discouraged. Under the chairmanship of Governor Oliver S. Powell, of the Federal Reserve Board,

a committee of commercial bankers, life insurance representatives and investment bankers was organised, and was later joined by savings and loan associations. The committee's task is to guide regional committees and individual financial institutions in considering requests for loans. Its purpose is to disseminate information and, if asked, to give advice through the regional committees, but not otherwise to influence the judgment of the lenders.

The voluntary credit restraint programme really attempts, on a more formal basis, to do what the American Bankers Association did in its anti-inflation programme in 1948—namely to use moral suasion, instead of government direction, to distribute credit in the national interest. An interesting aspect of the programme is that it recognises that bank lending and investing operations is not the sole source of potential credit inflation. It recognises the fact that the tremendous growth of liquid assets resulting from deficit financing during World War II expanded the resources of other financial institutions, such as life insurance companies. It gave them greatly enlarged lending power, which could have neutralised the effects of restraint exercised by the banks. Accordingly, these institutions were brought into the programme. There were some grumblings that the programme could not work. Certainly, its effects cannot easily be measured. Nevertheless, the facts are that credit expansion slowed down considerably in 1951, compared with the last half of 1950. In the first seventeen weeks after mid-year, business loans of reporting Federal Reserve member banks (holding about four-fifths of the nation's total) advanced seasonally only $1,300 million, or less than half the amount recorded in the same period of 1950 when credit demand had been running exceptionally high. An easing of prices and the modest inroads made into heavy inventories undoubtedly were factors tending to lessen demand for accommodation, but the warning signal given through the voluntary credit restraint programme undoubtedly played an important role.

Another achievement of the restraint programme has been the gathering of data from over 200 of the largest member banks about the purposes for which advances were being made. These data not only throw considerably more light on the divergent trends of components of the loan total, but also show the pressure that the defence effort is exerting on loan demand. Since the programme began in March, the detailed figures indicate a steady rise in accommodation for defence contracts and defence-supporting activities; the half-year through September showed about a billion dollar increase in the 200 banks for defence, but of a total of $1,300 million for both defence and non-defence purposes.

*

The second line of attack on the problem of inflation was the use of selective or qualitative credit controls. The Defense Production Act of 1950 authorised the reinstatement of Regulation W—consumer credit control, and initiation of Regulation X—real estate credit control. The Federal Reserve issued these regulations in the autumn of 1950. The confused state of the markets during the early months after their introduction made it difficult to appraise their effects; there had been scare buying by consumers before Regulation W placed limits on maturities and minimum down-payments on instalment contracts, and there was a huge backlog of internal projects started before terms on real estate credit were imposed under Regulation X. Nevertheless, whether by reason of the stricter credit terms or the saturation of markets in 1950, the instalment credit picture changed markedly in 1951. The total outstanding for the country as a whole showed a net decline of $300 million during the first nine months of the year; this contrasts with a rise of $2,500 million in the similar period of 1950.

The application of the selective controls over consumer and real estate credit encountered considerable opposition after enactment. The temporary shortages of durable goods during the summer and autumn of 1950 petered out as production rose in the early months of 1951. When the public discovered that it could secure goods, its attitude changed. Demand slackened off and inventories began to accumulate. This situation fostered opposition to the controls to such a degree that, when an extension of the defence production powers was enacted in July last, Congress gave a mandate to the Federal Reserve to relax the regulations, thereby making it easier to finance instalment and home purchases. This showed that the government was committed, at least for the time being, to the maintenance of a high civilian output of durable goods and houses, even if that required instalment and mortgage credit to support the markets. This was a retreat from the preceding policy. The role of banking policy—implemented through selective credit control—apparently was to take a back seat in favour of more direct production controls to regulate the output of consumer goods and ensure the shift of labour and materials to defence production.

*

The third line of the attack on inflation through monetary policy was quantitative restraint on the total volume of credit. It was exceedingly difficult to get this policy started, owing to its implications for the Federal debt.

The Federal Reserve fired its opening shot in the second half of 1950, when it allowed the short-term rate to rise and increased discount rates in August. The Federal Reserve sought to reduce the availability of credit, even though that action upset the Treasury's plans to finance its September maturities on a 1¼ per cent basis. As 1951 began, the Federal Reserve continued its pressure on the availability of credit by increasing reserve requirements of member banks.

The most significant move in this campaign, however, was made early in March. After several weeks of discussion, the Treasury and Federal Reserve announced an agreement under the which the long-term sector of the market for Treasury bonds was freed from rigid Federal Reserve price support. The Treasury offered, in exchange for the two longest-term issues of 2½ per cent non-bank eligible bonds, a new issue of non-marketable bonds with a longer term and bearing a higher interest rate. The new bonds were made convertible into 1½ per cent notes.

The purpose of this move was to encourage investors to hold their long-term obligations, rather than to convert them into other higher-yielding assets such as mortgages and corporate securities. By freeing the market from rigid support at pegged prices, the Federal Reserve introduced market uncertainty that made investors realise that they could no longer expect to convert securities into cash without some market risk. The process of supporting the market at pegged prices had made Federal Reserve credit accessible to all investors without regard to their responsibility for the use of credit. This situation was changed when, for the first time since World War II, prices of the long-term Treasuries were allowed to slip below par.

Here again, it is difficult to assess the immediate effects of this action intended to retard the general expansion of credit. The change in the long-term market undoubtedly reduced the willingness of lenders to sell bonds in order to extend credit to borrowers. Holdings of government bonds were no longer viewed as a reservoir that could be siphoned off to meet new credit demands, and changed conditions in the capital markets caused borrowers to revise their plans to obtain new money.

It would be difficult to exaggerate the importance of this move on certain institutional investors such as insurance companies, which had been feeding the demand for mortgage and other relatively high-rate credit by selling government securities. The investment executives of these institutions had become so accustomed to regard their government bonds as eligible for the guaranteed price that they have found it difficult to bring themselves to accept the capital loss involved in selling these bonds after the price control was removed. In one step, therefore, the abandonment of the price support policy blocked one of the main channels through which credit had been financing house-building and thus feeding what was perhaps the most important single inflationary factor in the United States economy.

The abandonment of the pegs marked the latest step in the shift from the fixed pattern of war financing. The first step had been taken as long ago as 1946, when the preferential discount of ½ per cent was abolished on borrowings from the Federal Reserve Banks against Treasury securities. In the intervening period, the bill rate has advanced from the wartime ⅜ per cent to around 1½ per cent in 1951, and the whole structure of interest rates has been gradually—but only gradually—coming into line.

*

Since last March inflationary pressures in the United States have abated considerably. Panic buying by the public has ceased and wholesalers and retailers have been faced instead with the problem of liquidating heavy inventories of consumer goods; industrial production has been running at record levels; savings have risen sharply; and higher personal taxation has been eating into disposable incomes. Most important of all, since March the United States Treasury has not needed to resort to the market for large scale borrowings. However, defence expenditures are mounting rapidly and have now reached an annual rate of $38 billion (or about the equivalent of the entire national income of the United Kingdom). By next autumn, according to present expectations, these expenditures will attain a peak annual rate of $65 billion. The impact of these growing outlays next year will provide the real test of the monetary policies improvised in 1950.

But the experience of 1951 has—or should have—taught America a lesson. It is that the problem of inflation through monetary excesses cannot be solved unless the root cause—deficit spending—is corrected.

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COMPANY MEETINGS

THE ELY BREWERY COMPANY, LIMITED

TRADE AND PROFITS FULLY MAINTAINED

MR L. NIDDITCH ON SUCCESS OF BOARD'S POLICY

The fifty-fifth annual general meeting of The Ely Brewery Company, Limited, was held on October 30th at the New Inn Hotel, Pontypridd, Mr L. Nidditch, F.F.S.(Eng.), F.V.I. (the chairman), presiding.

The following is an extract from his circulated review:

Ladies and Gentlemen, It is again my pleasant duty to present to you the accounts of your company for the year ended June 30, 1951. It is needless to observe what a difficult year it has been in this trade, considering that barrelage sales have dropped in each year during the last three years in the whole country by over 4,000,000 barrels compared with the peak year of 1946. I am pleased to open this review with information that our trade and profits have been fully maintained in spite of all these difficulties and rising costs.

Since 1947, beer consumption in the whole country has decreased by 13 million barrels, or the equivalent of 7,500,000,000 half-pint bottles; while we have substantially increased our clientele numerically to compensate for individual reduced drinking, due to our improved quality, and a new loyalty created among all employees, and forward planning in 1948-49.

The balance of the profit account for the financial year is £10,000 higher than the previous year. We have continued to maintain and will repair and overhaul and renew plant, machinery and buildings and fixtures wherever possible within the limits of reasonable budgeting. The dividends from our investments at £9,000 are a little lower by £200 because we again realised some of them to maintain our liquidity.

I am pleased to explain that the debenture debt is down to £603,283, with a further redemption and cancellation during the year of £20,667; our debtors are up by £13,000; in spite of an increased turnover, our creditors are down by £22,000. Our freehold properties are up by £28,000, and our plant and motor vehicles increased by £13,000. We are again placing £40,000 to the general reserve, repeating last year's allocation.

DIVIDEND AND BONUS

Having already declared and paid an interim dividend on the ordinary capital of 3¾ per cent., your board now recommend a final dividend of 3¾ per cent., less tax, making in all 7½ per cent. for the year, and, also, a further tax-free distribution of 1¼ per cent. in cash out of realised capital gains account. In addition, as the earnings related to capital is most satisfactory, we also recommend a tax free accretion bonus in shares, to the extent of one ordinary unit for every 14 held, being 7¼ per cent., tax free.

Last August (1950) your board had to make up its mind upon the dividend policy, based on the action of the "market" of the Stock Exchange and our inability to issue new capital owing to unfair prices of all classes of capital.

If we had paid the finals, contemplated in June, 1949, for last year, this year and next year £60,000 is involved (including profits tax) and we dare not part with such a *cash* sum under prevailing conditions.

Our balance on trading in gross profit, including income from investments and unlicensed rents, at £301,000 is £26,500 up on the year; this is clearly no mean achievement in the period that we have just passed. Profits tax confiscates all our surplus and our legislators refuse to face real problems so involved.

Our trade was up in every department. To date in this new financial period we again show a slight rise in profits. We are about to open up and strongly pursue off-licence trade in about a dozen shops, especially separated from our ordinary trade in those houses. Our administrative expenses show again a substantial increase by £8,000, and that is essential for keeping the proper and necessary control and check in all directions, including property repairs while work is in progress, contrary to the customary practice before 1947.

Taxation takes £105,000 against £70,400 in the previous *pro rata* twelve months (£90,000 for the previous 15 months). Bonus and staff pensions and extra future allocations take a sum of £6,000. We also have very fully maintained our advertising expenditure.

The Exchequer has received during the year from our gross turnover around £800,000 in duty payments. With ordinary taxation, the amount to be found amounts to £900,000 against the net receipts by the shareholders of only £39,000 in dividend. This does not show capitalistic profiteering by any yardstick.

The debenture debt which in 1946 stood at £970,000 has been further reduced and is down to the very satisfactory figure of £603,000. We have continued the policy of endeavouring to extend shortened leases to periods of 99 years and buy the freeholds of others where possible, but that has now reached the stage where there will be very few and small movements in view of the grand attack we made during the last three years in those directions in endeavouring to consolidate the capital accounts and the security generally.

Our licensed houses have continued to receive every good attention in regard to sales approach ideas; our policy has shown that such decisions have brought their reward.

LIQUID CASH POSITION

Our liquid cash position, not overlooking the huge debts taken over by this board in 1947, and the large capital requirements essential to be found since that date is, I submit, quite satisfactory. Any shareholder can calculate from the results that we could easily last year have paid the equivalent of 10 per cent. in cash and this year either 10 per cent. or 11¼ per cent. (with share bonus issues additionally), but it would be most unwise for your board to distribute higher cash dividends than we have, and now propose to do, until your quotations are more realistic, the market adjusts its outlook, and remembers we have 2,500 shareholders, and the hindering of the issue of new capital is serious.

We have pursued a "strategic campaign" in regard to advertising to establish and protect the trade mark of Brewer's Own, which now stands for a beer of the highest quality and flavour to appeal to the national palate, prior to organising national marketing. We have provided for enlargement in planning as demand warrants and progresses.

In my review, in 1948, I mentioned that we proposed to create and open many new saloon bars, and in this direction we have now completed our programme.

The weight of responsibility involved in February, 1947, when I was elected to the chair, was so great as to obliterate thought of personal elation; with the houses in a deplorable condition, disrepair and penetrating dampness everywhere, through terrible neglect and approach, coal shortage, E.P.T. liability, shortage of cash by the unwise method of debenture conversion and refusal to consider or even discuss my advice, the almost negligible real administrative management and lack of an experienced supervisory inspectorate and the brewery plant in a very much wornout state mostly 20 to 40 years of age, complete vigil, self-exertion and absorption of the job on hand were imperative.

To achieve what has been achieved has proved the correctness of my interpretations and anticipations.

FINANCES REORGANISED

During 1947, we reorganised the finances of the company, so that no preference shareholder lost a penny of dividend arrears, nor any ordinary shareholder any of his capital. It would be right, therefore, to compare the balance sheets of a full year's working under my control, and that for the year ended March 31, 1946, under the direction of control from "the City." The year 1945-46 was an exceptional year for brewery profits, owing to low gravities then permissible.

After heavy expenditure in all directions, improving the fixed assets, the taxation due in 1948 was £140,000, against £116,000 for the year to 1946. The debenture interest was down as a result of my exertions from £70,000 to £33,000. In spite of improved trading and profits, the sundry debtors was down from £34,689 in 1946 to £30,216 in 1948.

The total assets of the balance sheet was up from £2,101,288 in 1946 to £2,483,698 in 1948, and the debenture debt down from £917,000 to £797,500. Also appearing was a new item of a capital gains account of over £100,000 and 100,000 shares in the separated successful Cardiff Malting concern, and £219,000 of quoted investments. We had also acquired the freeholds of several existing leaseholds and contracted to extend the length of other leaseholds of short-life duration.

EARNINGS ON THE EQUITY

Since January 1, 1947, when I had just entered the board room with a right to be heard and my views properly weighed up, the profits earned for the equity or ordinary capital to June 30th last, after all and every expense as a prior charge, has been £800,000 subject only to income and profits tax and pensions for employees. This sum could easily have been shown at £900,000 if the directors had chosen to enhance their prestige by applying such a sum of about £100,000 to the capital account instead of the revenue account and have been less prudent. During these four-and-a-half years the ordinary shareholders have only received a net sum in cash of £110,000 yet the turnover of the company during that period exceeded £6,000,000.

I think that I can look back on the last

four years or so with much pride and satisfaction in my handling of the complete reorganisation. It has not been easy and free of anxiety. I do, however, submit that I understand the outlook and approach of working men and human material at all levels of intelligence, and can assess and place square or round pegs in their rightful and most advantageous positions respectively, where their temperaments and flairs enable them to give of their best, to the advantage of the company; simultaneously to raise their own income and their standard of living and personal status.

It is not easy for me as financial director and chairman to satisfy shareholders, the Inland Revenue, employees, management and those individuals proved wrong by time, *simultaneously*, but with my colleagues, I submit we have made a good show in the last 4-5 years and brought happiness to hundreds of families and a better standard of living.

THE ADVANTAGES OF BONUS ISSUES

To those individuals unversed in the implications of the relationship between 'real,' 'paid up' or 'apparent' capital, and who have heard of my 'unorthodox' approaches, I can only refer them to results and achievements against great odds. In declaring a bonus issue in shares, I again visualise "market gossip" contending that we are 'loading up capital to the disadvantage of the equity,' when, in fact, it is a decision to give ordinary shareholders a better stake in the reserve of 'break-up values," and *minimise wide quotations*. In any case each ordinary shareholder will finally hold the *pro-rata number* of shares in the company, whether ordinary or preference, *related to his present holding to the total*, but participates in reserves to-day; also it avoids the shareholder of the next decade getting all the advantages of years of accumulated 'held-back profits.' Your board has accepted my advice as financial director that it is wiser to be a holder of 125 or 150 shares for a given dividend sum instead of 100. There is more safety of one's capital, and that must always be a first goal.

The amount required to pay the dividends on the bonus issue is *less than* 1 per cent. on the equity. Who can foretell in any business whether next year's earnings will be 1 per cent. or 2 per cent. more or less?

THE OUTLOOK

I am not unhopeful that the future trading results will be satisfactory, and we are maintaining a good level of activity, in every direction.

From the first day of my joining the directorate, I have held the view that the employees should not suffer for past mismanagement, especially since they have no voice in the directorate appointments.

When in 1947 we floated off the Cardiff Malting subsidiary, we decided to imagine we procured £10,000 less and start off a pension fund. As we do not wish to risk the loss of taxation allowances on that sum when we make the payments in due course, your board, on my advice, with a long-view approach, have decided to write that sum back to capital gains account, and in place, apply a similar sum from the revenue balance, which will ultimately have a double value with taxation allowance on sums as allowed to employees. That fund now equals £50,000 for possible payments.

BREWERY FINANCES

I would like to make some observations upon the relation of earnings to capital in the brewing industry generally and with particular reference to the figures of this company, now that the reorganisation, which I undertook in February, 1947, has been completed.

There are at least 200 breweries in the country (including but not counting subsidiaries), where there is an issue of consolidated accounts. Announcement by any company of a payment of 20 per cent. or 30 per cent. dividends means in fact little, unless structure of capital and accumulated undistributed profits are interpreted. Even 2½ per cent. compounded on £100 doubles itself in years. If a company had a paid-up capital of one million pounds in 1910-20, and has since ploughed back undistributed profits of another million, and acquired additional houses with those moneys in the meantime, it really has a trading capital of two millions, not reckoning the changes in the value of money and purchasing power.

The issued and paid-up quoted ordinary capital of all the brewery companies in Great Britain amounts to approximately £84,500,000. Their accumulated reserves are about £160,000,000. The preference capital is approximately £59,000,000, and debentures £80,500,000. Last year £15,500,000 net was earned (after taxation) on ordinary "employed capital."

Very few companies have had a revaluation of assets since 1936-39. Taking a reasonable and fair approach, I think that a revaluation of the tangible assets would indicate an increase of at least another 66 per cent. on the total employed book capital of £384 million related to dates of acquisition (or £1,000 property now worth £1,660). In other words, the "real" capital—at 1951 values—is £634 million. The gross earnings on *ordinary* at £33 million against this 1951 basis of £460 million (deducting debenture and preference capital) equals 7¼ per cent. approximately.

If we take the Ely profits of this year, or average of last five years, deducting all preference dividends and amortisation of leases, we have a profit figure earned on ordinary at £135,000. The real "employed ordinary capital" is £1,110,000, as shown in our balance sheet, which indicates earnings of 11 per cent. It must not be overlooked that we have not had a chance to accumulate 20 or 30 years of "ploughed-back" profits, and have suffered exceptional impositions in the last few years, more burdensome than those which had to be carried by any other brewery.

I submit, therefore, that Ely recovery is such that management and profit-earning ability can compare and is in line with the best and oldest managed companies which had good fortune on their side in the last few decades.

The report and accounts were adopted on a show of hands with three dissentients, and subsequently on a poll by 951,423 votes to 172,113, and the other formal business was duly transacted.

At a separate meeting of holders of ordinary stock resolutions were passed increasing the capital of the company to £1,373,000 by the creation of 220,000 additional ordinary shares of 5s., and authorising a bonus issue of one ordinary stock unit for every 14 units held.

At an extraordinary general meeting which followed, the chairman stated that it has been decided to delete the clause relating to compensation to directors from the proposed new articles of association, and to temporarily withdraw the clause relating to the export of beer from the new Memorandum of Association, and, subject to these amendments, the documents were approved.

The proceedings terminated with a cordial vote of thanks to the chairman.

FERRANTI LIMITED

FURTHER EXPANSION

The forty-sixth annual general meeting of Ferranti Limited, was held on October 31st in London, Sir Vincent de Ferranti, M.C., M.I.E.E., chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1951:

We are pleased to present accounts which show further expansion in the company's activities and reflect the benefits that have been obtained from the extension of our manufacturing capacity to which I have referred on previous occasions.

The consolidated profit for the year, including dividends on investments, amounts to £1,227,601 as compared with £550,995 for the year ended June 30, 1950. After provision for tax on all profits earned to date, the net profit is £540,129, against £248,100 a year ago. The output of the group, which is employing over 9,000 people, is more than 30 per cent. above that of last year. All the departments have contributed to this increase.

RECORD ORDER BOOK

There has been a steady increase in orders received during the year, and we are left with a record order book of over £12,500,000. Further extensions of our manufacturing facilities are in hand to deal with this and with the continuing demand for our products, 32 per cent. of our output has been exported.

The Canadian company has substantially increased its turnover and its profits and the latter have been retained in its own funds. It has started the current year with a healthy order book. The trading of the American company has again resulted in an adverse balance; but it has increased its output and has substantial orders in hand.

The output of power transformers, some 27 per cent. higher than last year, was again a record, and continues to rise. To cope with the increase, further extensions to the new factory at Hollinwood, totalling 130,000 square feet in area, were put in hand; the first part of these should be in use by the end of 1951.

The total number of electricity meters produced was 43 per cent. higher than last year, in spite of difficulties with labour and raw material supplies. Shortage of skilled labour has been serious enough to restrict the output of our new foundry plant, though the order book is satisfactory. Sales of indicating instruments and allied equipment continue to rise, the figure for this year being 67 per cent. greater than that for last.

RADIO AND TELEVISION

Sales of radio and television sets have also been satisfactory and the value of the radio apparatus exported was almost double that for the previous year. Television production has been expanded to meet the increasing demand from the Midlands and North Western Regions, and the number of cathode ray tubes manufactured has been doubled. A lead has been given to the domestic appliance industry by the launching of our Safera electric fire.

Radar: Our distance-measuring equipment now enters the civil aviation field with beacons which are being installed at London, Rome and Cairo, and the airborne equipment is being fitted to the first few Comet aircraft. D.M.E. will provide navigational facilities for the aircraft on their proving trials on the route to the Middle East.

The report was adopted.

HARMONY GOLD MINING COMPANY

PROGRESS IN SHAFT SINKING PROGRAMME

PROPOSED INCREASE OF CAPITAL

MR G. V. R. RICHDALE ON THE NEED FOR FURTHER FINANCE

The first annual general meeting of shareholders of Harmony Gold Mining Company Limited was held in Johannesburg on November 2, 1951.

Mr G. V. R. Richdale, chairman, presided, and said: "First I will deal with the progress which has been made in the shaft sinking programme. The rate of sinking is, of course, largely dependent upon the prevalence and characteristics of the water-bearing fissures encountered in the shafts. During the eleven months from August, 1950, when sinking commenced, to June 30th, last, the average footage sunk each month was 118 in No. 3 Shaft and 160 in the ventilation shaft. Much of this shaft sinking took place in extremely difficult ground, and a large proportion of the total time was taken up in sealing the water fissures by cementation. Since June 30th, 781 feet have been sunk in No. 3 Shaft and 875 feet in the ventilation shaft, bringing the total depths at yesterday, November 1st, to 2,141 feet and 2,704 feet respectively. During this period the average footage sunk per month of 195 feet for No. 3 Shaft and 219 feet for the ventilation shaft shows an encouraging improvement on the figures I have just quoted for the earlier period. This is due to the fact that the time spent on cementation was appreciably reduced. Both shafts have passed out of the heavily fissured water-bearing Ventersdorp upper sediments which necessitated prolonged cementation operations, but we must expect that progress will meet with further delays from time to time. No. 3 Shaft is in lava and has approximately 2,679 feet to go to the Basal Reef horizon, while the ventilation shaft, which has passed through the lavas and is now sinking in the quartzites, is approximately 1,476 feet from the reef.

On the basis of the current rate of sinking, it is possible that the ventilation shaft may reach the Basal Reef horizon about June, 1952, and No. 3 Shaft early in 1953. This being the case, it may be possible to commence milling at an initial rate of 40,000 tons a month towards the end of 1954. There are, however, many unknown factors for which allowance must be made when calculating these dates and you must understand that I give them with considerable reserve, merely as a general indication of what may be hoped for if conditions are favourable.

WELFARE OF THE STAFF

Every effort is being made to provide a high standard of accommodation for our employees. On the mine property 60 houses for European personnel have been built and are occupied, while 18 of the first 30 houses in the Harmony suburb of the proposed township have been completed. Recreational facilities will be adequate and the whole property is being laid out in a most attractive manner. To this end, some 10,000 trees have been planted, four tennis courts have been constructed, while a swimming pool, a bowling green and a rugby field should be completed shortly. Plans for building a recreation hall are being prepared. The layout of Virginia township, which is to be administered by the Virginia Land and Estate Company Limited, of which your company is a shareholder, has likewise been planned with the greatest care.

The consulting engineer's report contains details of the exploratory drilling programme carried out on your company's property and in areas adjacent to it. Since that report was compiled, the results have been announced by New Consolidated Free State Exploration Company Limited of three further boreholes —LR5, LR6 and LR7—on the Farm La Riviera No. 289, immediately to the north of the Harmony lease area. They are indicated on the map which accompanied the report and I wish to comment briefly on their implications as far as the Harmony mine is concerned. Owing to lack of drilling on these neighbouring farms and the absence of the Basal Reef in Borehole RU1 in the extreme north-eastern corner of the Harmony property, it was originally difficult to make any close assessment of the potentialities of this portion of the lease area. Indeed, the results of Boreholes LR3, which intersected the Basal Reef with low values, and of RU1 led our technical advisers to assume that the north-eastern limit of the Basal Reef on Harmony probably occurred somewhere between these two holes. Boreholes LR5, 6 and 7, however, all of which gave good values, indicate that the limit of the Basal Reef may be farther to the east than was originally assumed. The rich ore now proved to exist to the north of our boundary further strengthens the confidence held by your board in the future success of the Harmony mine.

FINANCE

I now come to the question of financing the operations of your company, which was registered in August, 1950, with a nominal capital of £5,000. The authorised capital was increased in October, 1950, to £3,000,000, of which £2,000,000 in 8,000,000 shares of 5s. each has been issued, leaving 4,000,000 shares in reserve. The expenditure incurred by Union Free State Coal and Gold Mines Limited in opening up the Harmony property, together with interest thereon, was refunded to that company from the proceeds of this issue and operations were then financed by temporary loan facilities of up to £1,000,000, which were granted by two associated companies—Union Free State Coal and Gold Mines Limited and Central Mining Free State Areas Limited—at an interest rate of 5 per cent. This amount was the maximum which in terms of the articles of association your directors were empowered to borrow without the approval of the company in a general meeting.

A FURTHER ISSUE OF SHARES

An extraordinary general meeting was therefore held in June this year at which the borrowing powers were increased to £2,000,000. Additional loan facilities of £850,000 were then obtained from the Central Mining and Investment Corporation Limited and Union Free State Coal and Gold Mines Limited. The balance sheet shows that at June 30th, the loan accounts stood at £744,000 and accrued interest amounted to £8,843. A further amount of £438,000 has been borrowed since then, which brings the total borrowings to date to £1,182,000. The unexercised loan facilities therefore amount to £668,000, and it is estimated that this sum will be sufficient to meet expenditure until March next year when it will be necessary to obtain fresh funds to enable your company to repay these loans and to finance the continued development of the property. Your board has decided to raise these funds by means of a further issue of shares and, with this object, seeks your approval to increase the authorised capital by a nominal amount of £750,000 to £3,750,000 by the creation of 3,000,000 new shares of 5s. each. You will also be asked to authorise the directors to offer to shareholders of the company, at a price to be decided by the board nearer the date of issue, as many shares up to a maximum of 6,800,000 as may be necessary to raise approximately £5,000,000. You will no doubt be interested to know that the official consent of the U.K. Treasury to the proposed issue of shares in the United Kingdom was received a few days ago. After repayment of the loans this issue will leave your company with a little more than £3,000,000 fresh capital with which to continue work on the property.

The cost of opening up, developing and eventually bringing to production a large mine such as Harmony is very considerable, particularly at the present time when the general cost structure has reached an unprecedentedly high level.

NEW APPROACH TO PROBLEMS

The provision of adequate communications, power and water facilities, and housing for European and native employees in a relatively undeveloped area necessitates the expenditure of great sums far in excess of anything ever required for mining enterprises undertaken in the old days of the Rand. An entirely new approach must be made to problems that appear superficially to be familiar, and old and proved methods must be adapted to new techniques. Shareholders must remember, however, that if the sums required for this purpose seem alarming in their magnitude, the prospective rewards is nevertheless commensurate. There is good reason to hope that the Harmony mine will be one of the best in the Orange Free State goldfield and that the capital which must be raised to bring it to production will in due course pay well-deserved dividends to those who have had the courage to provide it. There are too many variable factors to be taken into account for me to be able to predict with any degree of accuracy what the total cost of bringing the mine to production will be. The £3,000,000 remaining, after repayment of loans, from the fresh capital to be raised early next year should be sufficient to provide for early development at the ventilation shaft to carry the sinking of No. 3 Shaft nearly to completion and to make substantial progress with the construction of a reduction plant of 40,000 tons initial monthly capacity. Shareholders must expect to be called upon during 1953 to consider a further proposal for the raising of a third and final tranche of capital required to carry the mine to production some time, it is hoped, before the end of 1954. When this call is made, shareholders should be in possession of reef development results at the ventilation shaft which promise to be of great significance in the closer assessment of mining possibilities. You should, moreover, find satisfaction in the knowledge that the Central Mining and Investment Corporation Limited, which, by virtue of its direct shareholding in your company and by its indirect interest through other companies of the Central Mining Rand Mines group, holds

oil resources and therefore of relations with the Arab States. The President's thesis suited Mr McDonald's emotional attitude to the sufferings of Jewry, and he worked directly with the President. Once, he even ran the risk of Israeli censorship in order to send a message by the safe hand of an American business man. He never sees that there were two sides to such a situation, and that he might have influenced policy the better by working through the State Department instead of against it. His method of diplomacy is seen at its zenith over the internationalisation of Jerusalem. He was instructed to deliver a stiff note about Israel's failure to observe the UN resolution on this subject. He did so, but delivered also a personal postscript. "We have been through too many things together," he records himself as saying to Messrs Ben Gurion and Sharett, "There is no need for me to offer any comment."

Mr McDonald invites censure. What is one to think of an ambassador who tattles out recent personal comments on policy uttered by fellow civil servants, and who reveals the proceedings of a secret conference not yet two years old? Mr McDonald is often observant but he is also naïve, and is seldom minded to draw from his observations any conclusions that run counter to his own prejudices and emotions. He portrays character well—and especially the character of his daughter, who was his hostess. Whether answering the doorbell, chasing a turkey for Thanksgiving, or fetching her knitting before going to the air raid shelter, she makes contact with earth whenever she appears.

Passionate Propaganda

Irish Nationalism and British Democracy. By E. Strauss. *Methuen.* 307 pages. 21s.

The author's purpose is to demonstrate that the relations between Ireland and England are a microcosm of colonial rule and exploitation, and the inevitable reaction of subject people towards nationalism. His book suffers from the inherent disability that its matter must be constrained to a formula rather than expanded into a discussion. Those who agree that the two great wars were fought for English world power; that Union was deliberately designed for the sacrifice of Ireland's interests; and that the material exploitation of the Irish masses by the English Whigs is comparable to peasant oppression in Tzarist Russia, will doubtless be stimulated by the brilliant venom of Mr Strauss's attack. The objectively minded will be driven to question and verify many sweeping generalisations, to the benefit of their own general knowledge.

Such readers will ask if the chronic breach between the radical Irish middle class and the revolutionary masses was always the inevitable result of Ireland's colonial position and never caused by the political chicanery of O'Connell or Parnell; if the machinations of Dublin Castle were not in part due to an indigenous lack of effective public opinion against jobbery; and if the Irish growers' desire to retain the English market was not partly responsible for the export of corn during the famine. Similarly, while admitting the influence of the Irish question on the policy of British prime ministers, they will deprecate the suggestion that it was paramount; and the claim that the example of Irish immigrants in the Chartist struggle was responsible for later socialist development in England will also be received cautiously.

Ireland suffered the dilemma of all debtor countries—that of repayment in a form that does not prejudice the mercantile interests of its creditors. The Union which appeared as a demonstration of tyranny was a political and strategic necessity to a British Government menaced by Napoleonic invasion. Neither the British Government nor the Irish landlords could be held responsible for the increase of population beyond the limit of economic safety; the subsequent emigration, which is here played up as a demonstration of hatred against English oppression and mismanagement, was also largely due to an act of God and to human cupidity—the potato famine and the Californian gold rush.

Mr. Strauss's passionate simplifications are a valuable counter-irritant to complacency, for external use only. It would be a pity if any enthusiast should swallow them whole.

Law and Politics

The Rational Strength of English Law. By F. H. Lawson. *Stevens.* 147 pages. 10s.

The Hamlyn Trust originates from the will of Miss Hamlyn, of Torquay, and, as now regulated, exists to further, by lectures or otherwise, the knowledge of comparative jurisprudence so that "the Common People . . . may realise the privileges which in law and custom they enjoy in comparison with other European People." The words are worth quoting because they describe so well what this book—the third in the series of lectures arranged by the trust—does.

Professor Lawson gave four lectures and a final summary. The first deals with the sources and general character of the law, the origins of the common law, its spreading over the Anglo-Saxon world and some of the separate characteristics of its progeny. The remaining three lectures deal with the three main heads of law, contract, property and tort. Each is a comparative study of the English law, not always to its advantage. Professor Lawson prefers the law of contract in Scotland to that of this country, for example. It is possible to regret that he has not had a little more to say, either in support or blame, of the agencies, such as the law reform committees, which are repairing piecemeal what are thought to be existing defects. But to leave comment there would be to convey nothing of the book's delight, nor of its value to anyone with a political sense. It has the quality of detachment which comes only from complete understanding. It has a wonderful sharpness of vision: "Sometimes, however, it seems better to leave the crucial question to a jury . . . because the balancing of interests . . . is felt to be too difficult to be performed by a judge who has to explain his reasons." It also contains these sentences: "English lawyers have never belonged to an intelligentsia. Somehow or other something of an aristocratic character has been communicated to the law itself. It is often brilliantly adventurous; it is often shabby and a little decrepit; it is usually canny, after the manner of those who are used to governing men; it is hardly ever concerned to be fashionable." That, perhaps, sums up its challenge to the political sense, for, today, this country is not a country of aristocrats. It is a country of administrators, accountants and civil servants. Will they lose more than they will strengthen of the structure they have received? Will the hundred and third Hamlyn lecturer still be able to say: "English law is therefore not only rational but strong"? For the Common People owe their freedoms more to the strength of the law than to the skills of the administrators.

A Nineteenth Century Destiny

A. J. Mundella, 1825-97. The Liberal Background to the Labour Movement. By W. H. G. Armytage. *Ernest Benn.* 386 pages. 30s.

A. J. Mundella was a Victorian worthy and a Liberal Cabinet Minister. The son of an Italian immigrant, he became a prosperous Midland manufacturer and developed at the same time advanced ideas about conciliation and mediation in industrial disputes. He was hard-working, high-minded and progressive; he seems to have lacked the narrower Victorian virtues, which appear so unattractive to a later age; but if he had a sense of humour, it was not (or so this biography suggests) allowed to intrude into his public life. Besides his pioneer work in industrial conciliation, Mundella was a fervent believer in the education of the masses and presided for a time over the department of the Privy Council which then had control of this subject. He was twice President of the Board of Trade and has a place in the history of the origins of the Ministries of Agriculture and of Labour. Within the Liberal Party he occupied a middle position and was a devoted follower of Gladstone. He was a Member of Parliament for Sheffield for nearly thirty years.

Mr Armytage's biography is therefore concerned with a man who had influence in his own day, though fame in a later age has been denied to him. Mr Armytage has been able to use much new material, including the long correspondence between Mundella and his friend and supporter, Robert Leader, editor of the *Sheffield Independent*. The result is a careful, interesting and useful addition to the political and social history of England in the second half of the nineteenth century, but Mundella's career and interests lay in the less glamorous quarters of public life and his biographer is therefore not provided with much scope for entertainment.

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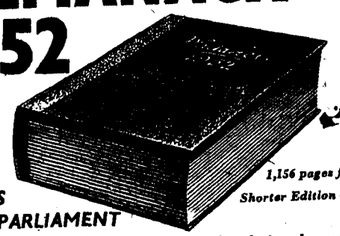

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